Aggregates Reserves in Decline

The latest industry report just published by BDS Market Intelligence "Estimated Reserves of Pits & Quarries in Great Britain 2022" clearly illustrates that the landbank of consented reserves held by aggregates companies in Great Britain has seen a significant decline in recent years. This confirms the belief held by the industry bodies, aggregates producers and other observers that replenishment of extracted material through the planning process is falling behind what is critical to the delivery of all construction projects and the ambitions of the government to meet infrastructure, housing and other service needs.

The headline figures are that the industry held, at the end of 2021, an estimated 5.5 billion tonnes of consented aggregates reserves with an overall life remaining of 31 years. This equates to 12 years for sand & gravel and 39 years for crushed rock. Whilst these figures are not insignificant and on the face of it may suggest a healthy pipeline of construction materials, BDS has identified that the respective figures have fallen by close to 20% since 2016 when this was last reported on by the consultancy. Sand and gravel reserves have fallen from 14.5 years and crushed rock previously stood at 49 years. The falls have continued a trend reported by BDS which reveals that in the last nine years, since an earlier BDS report in 2013, the decline has been closer to 30% for both sand & gravel and crushed rock.

In its latest research, BDS has carried out a detailed analysis of every active and inactive sand & gravel pit and crushed rock quarry across Great Britain to identify the consented reserves held at each site. Sources include planning documents, RAWP reports and monitoring statements, discussions with planning officers and aggregates producing companies and inhouse BDS research. Using other data held by BDS, which is published elsewhere, covering the estimated outputs of active sites in recent years enables the remaining years life for each site and overall to be calculated.

An estimate is provided in the report for every one of the 925 active and inactive sand & gravel pits and crushed rock quarries with consented reserves in Great Britain along with an estimate of the years life remaining for each. The data is summarised at county, regional and national level as well as identifying company market shares at each level. This allows the data to be used by companies to compare against their competitors both locally and nationally, identify areas of weakness and identify opportunities for expansion and acquisition. New entrants to the industry, industry observers and other interested parties will find the report of significant value providing a level of detail not available anywhere else.

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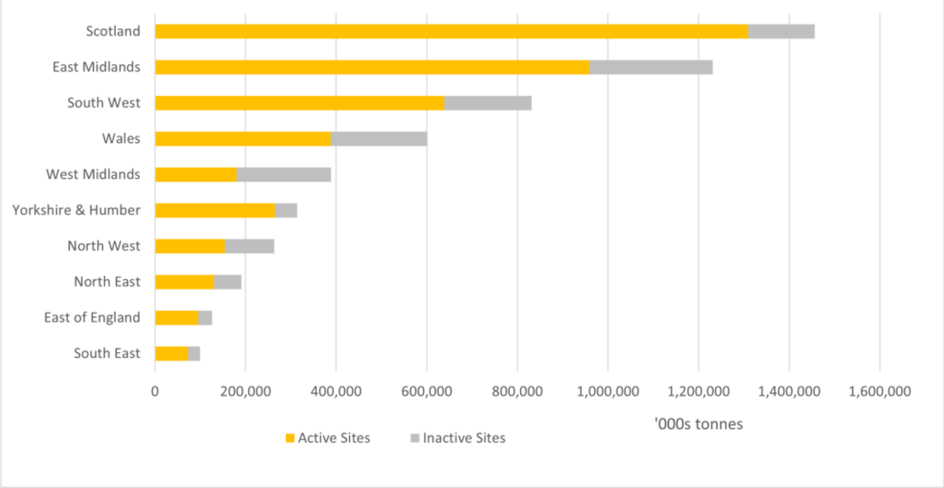
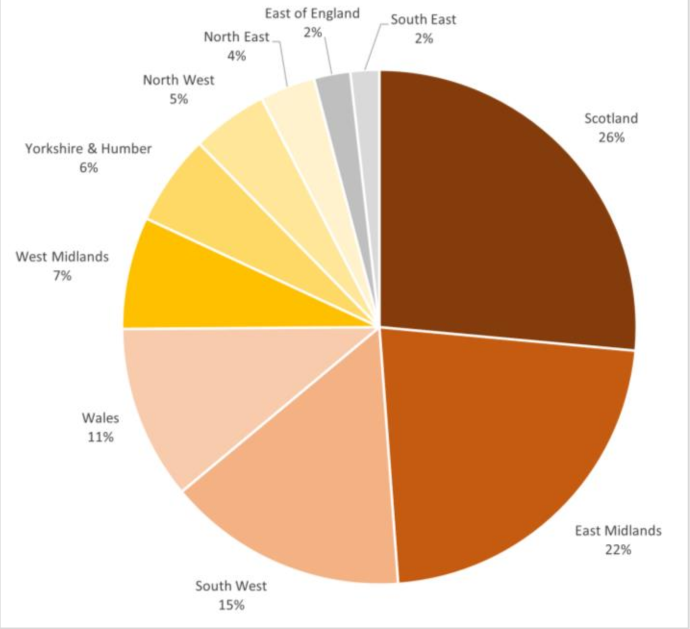
Estimated GB Reserves by Region and Site Status (Active / Inactive Site)



The latest figures do not mean that the industry is going to suddenly find itself without aggregates. However, there are issues that need to be addressed by government and aggregates-producing companies to ensure: -

- the provision of an adequate supply of aggregates, including primary (land-won and marine), recycled and secondary sources and,
- the confidence that primary reserves (of sand & gravel and crushed rock) are replenished.

Share of Estimated Aggregates Reserves held by each Region for Great Britain



A quarter of pits and quarries with permitted reserves are currently closed, and these hold a over a billion tonnes of consented reserves. Some of these sites have never opened since planning consent was granted; others closed during the recession or during COVID and have not reopened. It will need significant investment at many of these sites to bring them on stream. It may not be economic to develop all of these sites – due to poor mineral quality or the high cost to access the reserves. In these cases, the stated landbanks will turn out to be lower. As an illustration, if none of these sites reopened, the average years life remaining for aggregates reserves in Great Britain would fall by a further seven years, to 24 years.

The high level statistics do not show the complete picture. On a geographical basis, Scotland holds around 27% of the total reserves for Great Britain but accounted for less than 8% of new orders for construction reported by the ONS in 2021. The South East, in contrast, holds less than 2% of reserves but its share of construction output was 33% of the total. Just four regions – Scotland, East Midlands, South West and Wales – account for close to 75% of total reserves. These points illustrate the significant issue of how aggregates in the future, based on existing consented reserves, will get to the markets that most need them.

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The full report has also identified that over 200 pits and quarries (30% of the currently active sites) are likely to exhaust their remaining reserves within five years i.e. by the end of 2026. Of these, 144 are sand and gravel pits and 63 relate to crushed rock quarries. This is a significant increase on the last report in 2016 when a total of 150 active sites were expected to close within 5 years.

The report also reveals that 22 individual counties have sand & gravel landbanks with 10 years or less life remaining. Of these, seven have an estimated life remaining of five years. On a regional basis, there are four regions as a whole that are likely to have no sand & gravel reserves in 10 years based on existing reserves and estimates of recent outputs.

The five major national aggregates-producing companies - Aggregate Industries, Breedon, CEMEX, Hanson and Tarmac - continue to hold the majority of reserves. Between them they account for around 78% of the total for Great Britain. For sand & gravel this figure falls to just under 60% and increases to 80% for crushed rock. Between them they have close to 400 of the 925 sites identified in the report. The remaining 530 sites are operated by another 290 companies operating at a regional, county or local level.

In recent years there has been recognition that private and public sector parties (i.e. national government, local and regional planning authorities, industry bodies and aggregates producing companies) need to engage and co-ordinate activity to ensure aggregates are available and accessible when needed by the industry. This continues to be particularly important for the future particularly considering the current market position and the need for continued growth and development of the country.

A review of planning consents, the monitoring of which has been carried out by BDS for almost 30 years, in the period January 2017-December 2021 has identified 511 million tonnes of new reserves. However, this is set against the extraction of an estimated 800 million tonnes of primary land-won aggregates over the same period.

In 2021 alone around 47 million tonnes of sand & gravel were extracted, yet only 26 million tonnes of new reserves were consented. This equates to a replenishment rate of just 55%. Crushed rock faired better last year, achieving a replenishment rate of 83%. The picture presented in this report of a declining aggregates reserves landbank in Great Britain is supported by other annual BDS research into replenishment rates which shows that in the period 2014-21 only four out of every five tonnes of sand and gravel extracted have been replaced by new consents while for crushed rock for every two tonnes extracted just over one tonne of new reserves has been consented.

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As things stand, around 144 million tonnes of reserves were the subject of planning applications submitted over the same period that are yet to be determined at the end of 2021. This is split approximately 30:70 between sand & gravel and crushed rock schemes. If all are consented, this figure will only extend the overall life remaining for reserves in Great Britain by just under a year, based on average levels of extraction over the last three years.

At a macro level, the report reinforces the industry's need for greater support through the planning process and other legislation to enable it to deliver the materials required to support the growth platform set out by Government. At a micro level it sheds light on the consented reserves situation in Great Britain from each individual site upwards allowing a clear picture to be drawn across all geographical areas by type of aggregates and by operating company.

For further details of how to obtain a copy of the report please contact BDS by email at contact@bdsmarketing.co.uk or by phone on 01761 433035.

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