

AMERIPEN EPR POSITION PAPER

October 24, 2012

Opportunities and methods to increase and improve the recovery and thus the reutilization of used packaging materials in the United States continue to be debated. While stakeholders across the value chain, and government, work towards these objectives, there is still significant discussion regarding who will lead these efforts and how they will be funded. Some favor implementing forms of extended producer responsibility for packaging and printed paper (hereinafter referred to as EPR).

Extended Producer Responsibility is a policy approach in which the producer's responsibility for the product extends to the post-consumer management of both that product and its packaging, including end of life management. EPR mandates that producers fund recovery of used products and packaging from the waste stream, including infrastructure to collect, sort and process those materials. There are various approaches being used around the world, from full reimbursement for recycling programs to specific project funding to address critical needs. There is no common system; programs and funding vary by country and, in Canada, by province.

This document discusses AMERIPEN's current thoughts on these matters. The organization is actively collecting and analyzing data regarding the financial and environmental effectiveness and efficiency of existing recovery systems and will use that research to modify this position as appropriate. AMERIPEN plans to publish a full report on this research in early 2013.

AMERIPEN's Position

AMERIPEN is committed to optimizing the existing U.S. recycling and recovery system through improved infrastructure, optimizing capacity in operations, enhanced material valuation, and flexibility. We are working in collaboration with the states, and this work should be allowed to progress before embarking on the type of radical systemic change that would be created by a packaging EPR program.

AMERIPEN does not support the EPR proposals currently before state legislatures. We believe that: (1) the current recovery system is not irrevocably broken, but does need improvement; (2) research on programs currently in place around the globe demonstrate that the goals of an EPR system in the U.S. will probably not be met; and, (3) opportunities to optimize the current recovery system in the U.S. have not been exhausted.

Background

Recovery of packaging materials is a complicated process. In recent years, a few states have begun considering EPR legislation as a funding mechanism for recovery of packaging materials. This activity was based on factors that include:

- fiscal pressures on state budgets,
- increasing costs of recovery borne by states/municipalities,
- increasing volume and complexity of the waste stream leading to complexity in processing,
- potential to reduce impact on climate change,
- fixing what is perceived as a 'broken' recovery system.

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This focus is on the financial shift from municipalities to brand owners, where industry's EPR obligation would be to reimburse or otherwise support municipal recycling programs. Unfortunately, much of the current discussion does little to advance potentially useful goals that focus on environmental outcomes; rather, it centers on simply changing the responsibility of who recovers municipal waste.

To help inform this discussion, AMERIPEN formed a Financial Platform Committee and a Government Affairs Committee to assess the EPR issue and coordinate the AMERIPEN position, including future advocacy. The group's intent is to assess the unique recovery and EPR programs across the globe using a non-biased, fact-based approach. Initial findings indicate that:

- There are more myths than realities being served up as a basis for supporting EPR.
- There is currently no clear EPR model in existence that is designed for the U.S.

AMERIPEN believes in broader discussions that truly consider overall program objectives, cultural and geographic differences across nations or regions; the local nature of solid waste handling and control; or efficient ways to increase demand for, and use of, existing waste handling capacity.

A key consideration in the U.S. is to balance the drivers and intended outcomes of an improved recovery system. Intended outcomes vary by supporter – landfill avoidance, increased recycling for lagging substrates, improved cost-effectiveness of recovery systems, increased community access, access to lower-cost raw materials, elimination of bottle bills, or a combination of some or all of the above. Any state considering improving its recovery system must define and align critical outcomes before advancing a solution.

AMERIPEN will work to increase recycling and recovery through efforts that focus on sound environmental outcomes, ensure high rates of quality post-consumer materials, and optimizing the U.S. recovery system through an improved infrastructure.

Conclusion

AMERIPEN's point of view is simple: *We are committed to increasing recycling and recovery rates in the U.S. through collaboration and teamwork among key stakeholders, by bringing more efficiency into our existing system, and incorporating best practices, all without the financial and administrative burden of an EPR system.*

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AMERIPEN encourages science-based decision-making in packaging initiatives. The institute focuses on measures that are environmentally and economically sound as well as socially responsible.

Facts Regarding Extended Producer Responsibility

- **The municipal-based system is not irrevocably broken, but it does need optimization.** Supporters of EPR talk about a “broken recycling system,” though the recent USEPA waste characterization report indicates that recovery of packaging continues to increase (currently at 48 percent), with total tons landfilled below 1970 levels. The expenditure of billions of EUROS across Europe over the past 18 years has resulted in a 61% recovery rate for packaging. Though not broken, a more optimized recovery system is needed.
- **EPR systems do not improve packaging design. In fact, they restrict innovation.** Industry funding organizations are limited either by law, design or scope of influence to the changes they are permitted to make to their systems. Systems built around material recycling are unable to incorporate solutions based on material substitution, organic recovery or energy recovery -- even when clear benefits to the environment are demonstrated. Additionally, packaging innovations that have clear benefits on product protection or shelf life can be discouraged or penalized because of their impact on material recycling. France’s addition of disruptor fees and Stewardship Ontario’s plastic disrupter designations are clear examples of this.
- **EPR systems are not solutions for hard-to-recycle packaging.** Fees collected on a specific packaging are not reflective of an available recovery stream. While some programs may collect a broader array of packaging types -- often depending on availability of waste-to-energy -- most do not.
- **EPR does not result in greater supply of lower cost recycled materials.** Recycled materials are a commodity and driven by market forces of supply and demand. While it can be argued that EPR creates greater supply, demand for recycled materials (through legislation or other market incentives) varies by geographic area, leaving a direct-benefit association unlikely.
- **All EPR programs are not alike.** Much has been made of the multiple EPR programs that exist across the U.S. However, programs for white goods, electronics, paint, carpet, etc., operate differently than programs for packaging. The financial and administrative burdens are far greater for packaging-specific EPR programs.
- **The link between EPR and creation of green jobs is tenuous.** Many studies purport a link between EPR and job creation, but upon thorough investigation, results are less conclusive. One key difference relates to the type of EPR program, as the studies do not demonstrate a clear job impact for packaging programs. A recent report on European Waste Legislation by the European Commission suggests the net gain for job creation as a result of packaging legislation is net neutral to slightly positive. The report suggests the true driver for job creation as it relates to EPR is with materials that have low recycling rates (carpet, paint, batteries, etc.). There are no publicly available studies to ascertain the type and wage level of jobs created.
- **EPR will not eliminate container deposits.** While a driver in the discussion of EPR in the U.S., history shows that container deposit laws do not disappear from most EPR systems after the

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first few years. In Australia, elimination of deposits was a key component to industry's acceptance of the National Packaging Covenant (now the Australian Packaging Covenant). Yet, deposits on a national basis are soon to be adopted. The same situation currently exists in several provinces in Canada and some EU member states, where deposits are either part of or being considered on top of EPR programs.

No clear model to improve recovery

EPR programs exist in a variety of countries for a number of reasons unique to their needs. In Europe, the reason for EPR was to avoid legislated take-back requirements in the 1994 Packaging and Packaging Waste Directive. Manufacturers (brand owners) that did not participate in a country's scheme would be faced with creating mechanisms to take back its own packaging.

The Canadian system emerged for financial reasons. A small group of brand owners agreed in 1990 to provide financial support to recovery of packaging to avoid mandatory legislation. Their intent was for all brand owners to eventually join the scheme to minimize costs. This did not happen and EPR was introduced in 2009 to provide a legislative backstop against the non-participants.

The Australian Packaging Covenant emerged as a voluntary effort (also with legislative backstops) to avoid national container deposit legislation. As opposed to Europe's legislated approach, both Canada and Australia began with industry players voluntarily submitting to EPR programs. Both included legislative backstops.