

Washington Beverage Association

Optimal Parameters of an Extended Producer Responsibility System for Packaging and Printed Paper in Washington State

The beverage industry plays an important role in advancing the circular economy. Our packaging is specifically designed and optimized for recycling. In particular, our PET bottles and aluminum cans are 100% recyclable, have a high commodity value and, when collected and recycled, can become new bottles and cans. The industry has also invested in local and regional recycling infrastructure for more than 40 years and has advocated for a portfolio of public policies to enhance recycling systems. Washington's recycling program, like many others in the country, are not performing nearly as well as they need to be if we want to realize the economic and environmental benefits of a circular economy.

With the launch of our Every Bottle Back campaign in late 2019, we recognized the limitations of the status quo and that more profound public policy changes may be necessary to achieve our goals and to raise the performance of all recycling in the country. Many solutions to reforming the recycling system in our country have been debated, and we are willing to look at the various systems in pursuit of the right one, though we believe a broader approach for improving multi-material recycling is needed through the lens of Extended Producer Responsibility (EPR).

The Current Situation

Inadequate investment, tight municipal budgets, and a patchwork of regulation across more than 20,000 local jurisdictions lead to inconsistent performance and lack of accountability. As a result, recycling programs in the U.S. range from very high-performing to very low-performing with low recycling rates. A focused effort to bring substandard programs up to a high-performance level would dramatically increase material recovery, expand the recycling industry, and reduce economic and environmental costs of disposal.

Some policy makers point to deposit return systems (DRS) as a beverage-only approach to addressing poor recycling performance. Our industry has more than 40 years of experience participating in DRS programs in Europe, Canada, and elsewhere and we have found that efficient and cost-effective DRS can be a successful recovery mechanism. However, these systems ignore other recyclables and program design flaws can lead to inefficiency and poor performance.

Extended Producer Responsibility Systems

Based on our global learnings and experience with multi-material EPR systems, we understand that we therefore have a unique responsibility to lead on this issue. To expand on our past advocacy efforts, we have developed the following principles and parameters for an EPR program for Washington. EPR has the potential to efficiently increase recovery of packaging but only under certain conditions articulated below.

The overarching goals for these principles are:

- Generate strong environmental outcomes in an efficient and accountable manner
- Provide convenient service to consumers

- Create a financially sustainable model
 - Offer producers access to recovered material for closed loop recycling
- Key Principles for Packaging and Printed Paper EPR in Washington State

- Clear scope of products affected, and programs funded
- Products include all types of consumer goods packaging and printed paper with products labeled to indicate recyclability to consumers. The list of materials that can be recycled is consistent throughout Washington.
- The program funds 100 percent of the net cost (net of scrap value) for residential recycling of packaging and printed paper including both single- and multi-family dwellings and including education and outreach programs. Excludes costs for industrial, commercial, and institutional waste management and for disposal of residential material.
- Centralized program management
- A single, non-profit Producer Responsibility Organization (PRO) manages the funding system for the entire state, with professional staff answerable to a producer-led board of directors.
- The PRO develops and implements a plan to achieve the program goals, developed in consultation with other stakeholders and usually mapped out over five to seven years. After plan approval, the PRO sets fees for producers following the cost principles below, implements needed recycling system changes, establishes funding and reimbursement arrangements with recyclers, evaluates and reports on performance, and markets recycled materials. Obligated producers have right of first refusal to their share of recovered material at market terms.
- The PRO does not typically operate recovery vehicles and facilities, but contracts for those services either directly or through reimbursement of private sector or municipal costs to provide the services.
- Transparent cost principles
- The PRO sets producer fees by material type (e.g., PET, aluminum, corrugated cardboard) based on the cost to recycle the material minus its value in the scrap market. Because costs and commodity values change over time, fees are reset typically once per year.
- Producers pay fees based on these net costs with fees assessed based on the weight of various materials sold, with a de minimis threshold set to relieve the smallest producers of obligation. Producers typically update sales annually and the data is treated confidentially.
- The PRO may modify fees based on environmental factors. Fee reductions might be considered for products that are the most recyclable, contain recycled content, or have a low carbon footprint. Surcharges (disruptor fees) may apply to difficult to recycle materials with the highest fees charged to materials that cannot be recycled.
- The overhead costs of running the PRO and the state government's cost of rulemaking, oversight, and enforcement are also embedded in the producer fees.

- Defined role for Washington State government
- Enabling legislation sets the scope of the program and its goals to assure a level playing field among producers of consumer goods packaging and printed paper. The legislation also specifies the role for the state and how those activities are funded.
- The designated government agency evaluates and approves the PRO's plan for achieving program goals, monitors program progress, and provides enforcement.
- Government agency costs for rulemaking, plan approval, oversight, and enforcement activities are reimbursed by the PRO, with those costs embedded in the producer fees. No additional government funds are drawn from the producer organization, other than reimbursements to local and regional governments for recycling services as noted above.

All of these principles reflect experience in other developed economies around the world, but any program needs to be customized to Washington's local and regional conditions including the existing infrastructure, demographic