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Proposed Domestic Materials Market Development through the State of California's Commercial Recycling Mandate

Background

In 2005, Executive Order S-03-05 was issued and set in place the Climate Action Team and established targets to reduce greenhouse gas emissions to 1990 levels. The Legislature subsequently passed Assembly Bill (AB) 32 - the California Global Warming Solutions Act of 2006 (Chapter 488, Statutes of 2006). AB 32 directs the Air Resources Board (ARB) to work with all agencies to reduce statewide greenhouse gas (GHG) emissions to 1990 levels by the year 2020. The solid waste sector has been identified as a significant source of GHG emissions. For the solid waste sector, potential strategies to achieve GHG emission reductions include landfill methane capture, **mandatory commercial recycling (MCR)**, organic waste diversion alternatives, and product stewardship. The mandatory commercial recycling measure in particular is designed to achieve a reduction in greenhouse gas emissions of 5 million metric tons of carbon dioxide (CO₂) equivalents (5MMTCO₂E).¹

The Mandatory Commercial Recycling Measure focuses on increased commercial waste diversion as a method to reduce greenhouse gas emissions. To achieve the measure's objective, an additional 2 to 3 million tons of materials annually will need to be recycled from the commercial sector by the year 2020 and beyond.²

¹ <http://www.calrecycle.ca.gov/climate/Recycling/default.htm>

² <http://www.calrecycle.ca.gov/climate/Recycling/default.htm>

In addition, Assembly Bill 341 (AB 341) authored by Wesley Chesbro, aims at reducing more than 15 million tons of waste annually by establishing a new statewide goal of 75 percent source reduction, recycling and composting by 2020—the highest in the nation. This would be the first increase in the state's recycling goal since 1989 when AB 939 (Sher) established the 50 percent goal. Secondly, this measure will require that all 'commercial' generators of solid waste (businesses, institutions and multi-family dwellings) establish recycling and/or composting programs.

A recent study by the Tellus Institute found that processing this material alone in California has the potential to create more than 17,000 new jobs. And if we can manufacture these recycled materials in-state we can create another 25,000 jobs. When combined with increased job growth in the collection of recycled materials, the implementation of AB 341 has the potential to create a net total of nearly 60,000 jobs.

Currently, approximately 5-20% of the recyclable materials collected in California remain in the State for remanufacturing; the majority of the recycled materials are shipped to other parts of the United States or to global markets.³ In other words, 80-95% of our recyclable materials are leaving California, specifically to overseas markets. So too, are our jobs, tax revenue and commerce. Achieving the 5MMTCO2E emission reductions is dependent on ensuring that the recyclable materials are recycled into new products, which offers an enormous opportunity to existing and new businesses in California. The State energy grid is cleaner than Pacific Rim countries and than most States receiving California's recovered materials. So in-State manufacturing yields more GHG reduction now. As California's Renewable Portfolio Standard is met, that advantage will increase.^{4 5 6}

Additionally, when valuable materials are shipped overseas for 'recycling' or remanufacturing the GHG impact is significant as the majority of the Chinese power grid is powered by dirty coal which is a huge GHG and mercury emitter.^{7 8}

Foresight of the California Legislature

California Public Resources Code Section: 42001 guides the State of California in its approach to develop jobs (now known as green jobs) through diversion of materials from the landfill by stating:

“The Legislature further finds and declares that the health, safety, and welfare of the people of California depend upon the development, stability, and expansion of domestic markets for the postconsumer wastes and secondary wastes collected within the state. It is, therefore, the purpose of this chapter to stimulate the use of postconsumer waste

³ Stockton Chamber meeting with ARB on April 5, 2011

⁴ NCRA DVD Point of Return: <http://vimeo.com/22690100>

⁵ <http://www.cpuc.ca.gov/PUC/energy/Renewables/hot/33implementation.htm>

⁶ <http://www.cpuc.ca.gov/PUC/energy/Renewables/>

⁷ <http://www.nytimes.com/2007/06/20/business/worldbusiness/20iht-emit.1.6227564.html>

⁸ <http://ccceh.hs.columbia.edu/pdf-papers/MillmanPediatrics2008.pdf>

materials and secondary waste materials generated in California as raw materials used as feedstock by private business, industry, and commerce.”⁹

The Recycling Build Infrastructure Now (BIN) coalition believes strongly that the Legislative declaration now links business creation and expansion, investment and green job creation opportunities with materials being diverted from the landfills. As California strives to increase collection of recyclable materials as a result of AB 32 regulation, it should equally strive to remanufacture those recyclable commodities in California, thus creating “green” jobs and businesses while stimulating California’s economy.¹⁰

Implementation of the Mandatory Commercial Recycling Regulation will increase the availability of recyclable materials and provide potential increased feedstock for California recycled content value added product manufacturers. We see this opportunity as this generation’s version of the “We Can Do It” campaign of World War II putting California and America back to work.

The Recycling BIN Coalition envisions broadening the partnership of AB 939 and AB 32. We recognize that bridge strategies are necessary to take us from our present infrastructure to a more robust one in the future. Some of the issues that must be addressed include:

1. Solid Waste professionals must become "Material Managers" and shift from handling "waste" to "commodities". Service rate structures need to reflect incentive-based value. California dominant paradigm of collecting and disposing locally while recycling overseas is counter-productive to State and national interests. We must find better ways to educate our populace on material value so we can offer ‘clean high value’ feedstock throughout the supply chain.
2. Recycled materials processors need to secure local materials supplies while competing with overseas markets, without facing regulatory uncertainty.
3. Manufacturers are equally confronted by regulatory uncertainty, along with obstacles to effectively manufacturing and marketing recycled content products in California.

The Recycling BIN Coalition is calling for a renaissance in how we value the prosperity of this great State of California.

Recycling: Good for the Environment, Good for the Economy

The former California Integrated Waste Management Board, now known as CalRecycle, issued a Report in 2005 based on 2003 data, “*Recycling: Good for the Environment, Good for the Economy*”, that recognized recycling was good for job creation and the economy. At the time, California disposed of 39.9 million ton of waste per year, and had achieved a landfill diversion rate of 47%, where the following was reported:

• *Recycling a ton of ‘waste’ has twice the economic impact of burying it in the ground. In addition, recycling one additional ton of waste will pay \$101 more in salaries and wages, produce \$275 more in goods and services, and generate \$135 more in sales than*

⁹ AB 939-California Public Resources Code 42001

¹⁰ SWANA Position Paper to CalRecycle on October 18, 2010

disposing of it in a landfill.

- *Recycling is big business, comparable to California's movie and video industry. It is a mainstream industry of statewide importance, comprised of 5,300 establishments. Recycling now accounts for 85,000 jobs, generates \$4 billion in salaries and wages, and produces \$10 billion worth of goods and services annually.*

- *In addition to creating more jobs and greater economic activity at the local level, recycling generates \$200 million per year in sales tax revenue. These funds help local governments pay for health and social services programs, transportation improvements, and public safety.*

Today disposal is down to 30.4 million tons with a landfill diversion rate equivalency of 64%. As evidenced in the CalRecycle Report, recycling is big business that is good for job creation and the economy.

Initial Recommendations

In order to sustain and expand California's recycled content value added manufacturing infrastructure, in part to ensure that the GHG reductions targeted by the regulation are met and exceeded and in part to help stimulate California's 21st Century green economy, the Recycling BIN Coalition is seeking your assistance to transition our recycling infrastructure into a more vibrant part of California's economy. Initial recommendations include:

- Explore opportunities under Cap & Trade to carve out a portion of the proceeds from the auction of allowances to provide some financial incentives to recycled content value added manufacturers (e.g., funding in the form of grants, loans, and/or subsidies) and to local economic development organizations to attract and expand recycled content manufacturers to California.
- Adopt protocols for offsets for anaerobic digestion and composting offsets. Continue exploring possibilities for in-State recycling activities.
- Ensure that benchmarks on capped industries do not harm uncapped recycling manufacturers, and engage these manufacturers in partnering on the development of these benchmarks.
- Develop verifiable implementation strategies to increase in-State recycling based manufacturing, reduce dependency on overseas and out-of-state markets and reduce GHG emissions by more than 5MMTCO₂E by the year 2020.
- Develop general proposals for follow-up administrative and legislative actions to create demand for materials generated by implementation of MCR or AB341.
- Discuss and develop material-specific proposals for follow-up actions linked to MCR or AB341 implementation, with support from CalRecycle.
- Streamline regulations governing siting and operations of organics and C&D processing facilities to expedite infrastructure formation to process these materials throughout the State.
- Track and engage Legislation to carve out incentives specific to recycling manufacturers in California, in particular tax incentives or credits to overcome in-State manufacturing

obstacles, create advantages for using recycled materials in California, and 'level the playing field' with overseas markets, thus enhancing supply of material for remanufacturing in California.

- **Develop a Recycling Market Development, Jobs, Businesses and Investment Action Plan**

Public Resources Code Section 41000(c) emphasizes that recycling market development is the key to successful and cost-effective implementation of the 50% landfill diversion requirement throughout California. Also, pursuant to Section 42001 of the PRC, the state must take a leadership role in encouraging the expansion of markets for recycled products by working cooperatively with the public, private, and nonprofit sectors.

The Recycling BIN Coalition – which is composed of a diverse set of partners seeking to address these joint economic and environmental goals -- declares its intent to build upon Public Resource Code Section 42001 to develop, stabilize and expand domestic markets for recyclable materials generated in California, expanding economic activity and job creation in the process.

Reuse, recycling and composting generate substantially more jobs than landfilling or transformation¹¹. Local business creation using recycled and composted materials should be a primary goal of the State. In support of this goal, recycling needs to be considered not just as an environmental activity, but as a fundamental consideration of land use and economic development for every region in the state, and as a vital component of California's infrastructure for implementation of AB 32.

With all of this in mind, the Recycling BIN Coalition respectfully requests that CalRecycle and/or California Air Resources Board (ARB) work proactively with industry, businesses, recyclers, local government and other interested and affected parties and stakeholders to retain, expand and create business, employment and investment opportunities utilizing California materials generated and recovered for reuse, recycling and composting.

Toward this end, we specifically propose that the ARB and/or CalRecycle and other appropriate state agencies convene a Special Task Force to plan and implement strategies that will move our recycling-based economy from a majority export State to primarily domestic utilization by:

- increasing demand for recycled content products;
- construction of recycling-based processing and manufacturing facilities to accommodate the required new capacity; and
- work with state and local governments to streamline siting and permitting of recycling based processors and manufacturers.

This Special Task Force should include members from both public and private sectors and possess both economic and environmental expertise, including but not limited to the following: 1) Recycling-based Manufacturers; 2) Recycling Processing Industry; 3) Economic Development (CALED); 4) Recycling Market Development Zone Administrators; 5) Local Government; and

¹¹ "Diversion is Good for the Economy", www.calrecycle.ca.gov/publications/Economics/57003002.doc

6) Recycled Materials Haulers, with perhaps other sector representatives to be added. The task force should also include senior representatives and staff from CalRecycle and CARB.

The Task Force should be formed and should report out its Recycling Market Development, Jobs, and Investment Action Plan to the Legislature not later than June 30, 2012, with specific legislation and administrative actions that will help to realize and expand on the intent of PRC 42001. The Action Plan shall consider existing and potential generation, collection, processing, markets, products, design, and other factors, and shall include specific recommendations to increase demand, supply, financing, siting, operations and competitiveness for reuse, recycling and composting based businesses in California. Among the issues and potential recommendations that could be taken up by the Task Force are the following:

- 1) Provide sufficient business development capital, including up to \$20 million a year in low interest loans available for the RMDZ loan fund; potential sources for such financing include "surplus funds" from cap and trade markets and other sources.
- 2) CA manufacturers using CA recycled materials would qualify for tax credits for equipment purchases as well as some qualifying post consumer materials purchases; an equipment tax credit program used to be part of the RMDZ program but was allowed to sunset in the mid-1990's; materials tax credits would provide incentives to open and develop recycling-based businesses in California, keeping materials on shore and creating jobs for Californians
- 3) Review existing CalRecycle, CARB, and other regulations (such as those governing development of compost and C&D infrastructure) and make recommendations to lower barriers to business formation and expansion, reconcile conflicts, etc.
- 4) Promote the statewide infrastructure planning for compost and C&D facilities by working with local governments through their regional planning and zoning process.

Members of our Coalition are very interested in meeting with you at your earliest convenience to hear your feedback on this proposal, and to entertain all the proposed initial recommendations. We are also prepared to share specific examples of how issues such as the four listed above have negatively affected both California and out-of-state businesses' inclination to start up and ability to expand.

Thank you for your consideration. To reply, please email Steve Lautze, President, California Association of Recycling Market Development Zones (CARMDZ) at slautze@oaklandnet.com; Lynn France, Board Member, California Product Stewardship Council Board (CPSC) at lfrance@ci.chula-vista.ca.us; Gurbax Sahota, Chief Operating Officer, California Association of Local Economic Development (CALED) at gsahota@caled.org; Frank J. Ferral, Program & Public Policy Director with the Greater Stockton Chamber of Commerce at fferral@stocktonchamber.org; John Davis, Policy Committee member, California Resource Recovery Association (CRRRA) at recyclingipa@gmail.com; Mike Dozier, Lead Executive with the California Partnership for the San Joaquin Valley at mdozier@csufresno.edu; Gary Liss, Board member with Recycling Organizations of North America (RONA) at gary@garyliss.com; Evan Edgar, California Refuse Recycling Council (CRRC) at Evan@edgarinc.org; Neil Edgar, California Compost Coalition at Neil@edgarinc.org; Nick Lapis with California Against Waste at nicklapis@cawrecycles.org; Frank Cvetovac, Plant Manager with Epic Plastics at

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The Recycling BIN Coalition sees this White Paper as a living document that will be amended as organizations offers further challenges to meet and solutions to implement as we walk this path to additional job creation and local market growth. This White Paper was last updated October 4, 2011.

