



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

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

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

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

³ Stockton Chamber meeting with ARB on April 5, 2011

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 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

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>

⁹ AB 939-California Public Resources Code 42001

¹⁰ SWANA Position Paper to CalRecycle on October 18, 2010

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.

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:

- Include simple but compelling findings or intent language in the Mandatory Commercial Recycling Regulation (MCR) that takes note of the need to identify and develop domestic demand for collected materials in order to maximize GHG reduction through in-State manufacturing. The goal of such intent language would not be to trigger additional CEQA or economic analysis, but rather to provide a basis for subsequent administrative or legislative initiatives.
- 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, including financial incentives.
- Ensure that benchmarks on capped industries do not harm uncapped recycling manufacturers, and engage effected manufacturers to develop 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.
- Discuss and develop material-specific proposals for follow-up actions linked to MCR 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.

The Recycling **BIN** Coalition sees this White Paper as a living document that will be amended as your organization offers further challenges to meet and solutions to implement as we walk this path to additional job creation and local market growth.

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