



Extended Producer Responsibility for Packaging and Paper Products

Executive Summary

Communities throughout the United States are facing an unprecedented challenge for managing packaging and paper products (PPP) in the municipal waste stream. Currently, around 50% of residential PPP is recycled in the U.S. – far less than in many other countries – and this rate has been stagnant for nearly two decades.¹ What was already a strained, fragmented system has been further impeded over the last two years by extreme market disruptions brought on by restrictions in international export markets (starting with the “China Sword”). Widespread use of single-stream recycling, which increases contamination across collected materials, has exacerbated these issues. Extended Producer Responsibility (EPR), which is common throughout much of the world, has gained increasing support in the U.S. over the past decade as a critical solution to PPP recycling challenges.

EPR shifts the responsibility for end-of-life management of products and packaging upstream to producers – rather than the public sector – and creates incentives for producers to incorporate environmental considerations into the design of their products and packaging.

Well-designed EPR systems increase recovery and recycling of PPP, reduce contamination, and develop markets for difficult-to-recycle materials. EPR not only provides sustainable financing for recycling by placing financial responsibility for the system on producers; it can also transition legal responsibility for recycling performance and the burden of day-to-day recycling management away from the public sector, allowing limited public resources to be directed toward other priorities. Many existing EPR for PPP programs are beginning to incorporate “eco-modulated fees” that incentivize producers to reduce the end-of-life impacts of their packaging by using more recyclable or reusable materials, and to consider other environmental factors, such as greenhouse gas (GHG) emissions, in packaging design. **In short, EPR fundamentally changes the landscape of PPP reduction and recycling.**

Striking the right balance between *government oversight and control* of system outcomes on the one hand, and *producer flexibility and control* over system implementation on the other, is key to the success of EPR programs. Local governments seek options that are both suited to their unique circumstances *and* achieve regional harmonization. Producers, for their part, need flexibility to reach performance goals *and* seek control over how their financial contributions are spent to ensure efficiency and effectiveness. Experience has shown that more successful programs achieve a healthy balance between government and producer interests, while also addressing the needs of waste management companies, environmental groups, and other key stakeholders.

The most successful programs to date place full responsibility on producers to achieve results, but also provide municipalities the option to continue collecting recyclable materials and educating residents. Many communities have taken advantage of the opportunity to shift collection and education activities to producers, while some prefer to retain responsibility for day-to-day program management. One of the most transformative benefits of existing programs has been the standardization of collected materials across jurisdictions, reducing resident confusion and contamination at regional or even national levels. **In Europe, where EPR has been established for decades, many countries have PPP recycling rates above 70% or 80%.ⁱⁱ**

EPR for PPP can also restore public faith in recycling during a time of global uncertainty and skepticism. Although no U.S. states currently have EPR for PPP systems in place, several have introduced legislation in recent years. **As plastics, packaging, and the plight of municipal recycling programs continue to be topics of great interest for U.S. decision-makers, states will continue to introduce EPR for PPP legislation in 2020 and beyond.**

This report provides a brief history of EPR for PPP and gives an overview of the key elements of existing EPR for PPP programs around the world. Two fundamental approaches to EPR for PPP are defined:

- 1. Full Producer Responsibility.** Under this approach, PPP recycling is entirely financed and operated by producers. Local governments choose their degree of involvement – they can either fully or partially opt into the EPR system, or they can opt out altogether.
- 2. Municipal Reimbursement.** In this approach, local governments retain responsibility for the collection and processing of PPP materials. Producers typically reimburse municipalities for most of their costs, but do not cover costs entirely.

Under both full producer responsibility and municipal reimbursement, producers typically organize under structures known as Producer Responsibility Organizations (PROs), which meet regulatory requirements on their behalf. One of the primary functions of PROs is to manage producers' financial responsibilities according to the EPR approach being used. Producers incorporate program implementation expenses into their business expenses by paying fees set by the PRO. Thus, EPR for PPP programs are financed through cost internalization by producers, not point of sale fees.

To illustrate these two fundamental approaches and their constituent elements, this report summarizes and compares four provincial EPR for PPP programs that have been operational in Canada for up to 15 years. The report also includes a detailed case study of the full producer responsibility system in British Columbia (B.C.), which is one of the more recently established programs in Canada and was the country's first full producer responsibility program for packaging. **Full producer responsibility has transformed the recycling landscape in B.C., offering flexibility for local governments to either fully or partially opt into the system and enabling them to opt out altogether if they choose.**

The B.C. Government and producers were able to implement the program without stranding assets or otherwise seriously impacting local haulers and recovery facilities. Small businesses are exempt or pay a flat fee that relieves them of administrative burdens. Additionally, there is no evidence that producers have passed on costs to consumers, and the implementation of program has enabled many communities in B.C. to use curbside recycling for the very first time. The program has been successful because it created a centralized and unified system that offers flexibility for local governments, cultivates and depends on local markets for recycled materials, and makes efficient use of funding and existing infrastructure. **At present, Recycle BC (the producer responsibility organization in B.C.) reports a 78% recovery rate and a 90% recycling rate.**ⁱⁱⁱ

EPR systems can buffer states and local governments from disruptions to the global recycling market, reduce taxpayer spending on recycling infrastructure, increase material recovery rates, and help to generate local markets where they are needed for emerging and difficult-to-recycle materials. As public pressure to solve the global plastic pollution crisis grows and companies continue to commit to design and use more eco-friendly, sustainable packaging, U.S. producers have recognized that they cannot reach their sustainable packaging goals without significant improvements to the recycling system.^{iv} ***Producers are ready for a harmonized system that can help them achieve a circular economy and meet their sustainability goals – and EPR provides a path to building this system.*** PSI has already developed model legislation and guidance on the key elements of EPR for PPP, which can be applied to a spectrum of EPR approaches including the approaches and examples described in this report.

ⁱ U.S. Environmental Protection Agency, *Advancing Sustainable Materials Management: 2017 Fact Sheet* (2019, November).

Retrieved from https://www.epa.gov/sites/production/files/2019-11/documents/2017_facts_and_figures_fact_sheet_final.pdf.

ⁱⁱ Extended Producer Responsibility Alliance (EXPRA), *Inspiring Packaging Recycling* (2018). Retrieved from <http://www.expra.eu/uploads/Brochure-Expra-2018F3.pdf>.

ⁱⁱⁱ Recycle BC, 2019 Annual Report (2020). Retrieved from <https://recyclebc.ca/wp-content/uploads/2020/06/RecycleBC2019-Final.pdf>.

^{iv} Bregar, Bill, “Brand Owners Want Recycled Plastic, But Where’s the Supply?” *Plastic News* (2019, October). Retrieved from <https://www.plasticsnews.com/news/brand-owners-want-recycled-plastic-wheres-supply>.