



Extended Producer Responsibility for Packaging and Paper Products (PPP) National Briefing Summary – March 2019

The Problem: Packaging and Paper Products Recycling in Crisis

The U.S. generates more than a **quarter of a billion tons of municipal solid waste**.¹ More than **40 percent** of that waste (more than 100 million tons) is **composed of product packaging and paper products** (or “PPP”), including plastic containers, steel and aluminum cans, plastic film, glass bottles, newspaper, and cardboard. PPP includes all of the materials brand owners use to package everything from cereal and cleaning supplies to bottled water and shampoo, as well as junk mail and grocery bags. While the amount of paper waste has declined in recent years, the amount of plastic waste is climbing.

About 50 percent of PPP is recycled – a rate well below many other nations. The **recycling rate** in the U.S. has been **stagnant for nearly two decades**. In the past year, **recycling costs have skyrocketed**, driven by the loss of markets (due to policy changes in China that limit recyclable material imports), as well as inherent flaws in a system that has long-since needed updating. In some cases, cities and towns that used to rely on recycling as a revenue stream are now **facing bills in the hundreds of thousands or even millions of dollars**. As local leaders around the country struggle to operate in an inefficient and underfunded environment, they are being forced to make difficult choices on where to spend scarce resources. In the wake of these severe market challenges, communities are stockpiling recyclable materials, changing what their recycling program will accept, raising taxpayer fees, or **suspending recycling programs altogether**. Such changes threaten the public’s already fragile understanding of recycling and could **erode much of progress made over the last three decades**.

Flaws in the Current Recycling System

The problems with the U.S. recycling system for PPP are much more fundamental than the recent loss of export markets. The current system places **unreasonable burdens on individual municipalities** to collect, manage, and market recyclable materials; materials which they had **no control or input** on creating in the first place. The **system is a highly fragmented** arrangement that lacks adequate infrastructure investment, confuses consumers with highly variable messages about what materials are recyclable, provides little consistency from place-to-place, and often fails to reach economies of scale to make recycling more cost effective.

Product producers, meanwhile, have no incentives to reduce the amount of packaging they produce or to use materials that are easy to recycle – in fact, the trend is for companies to use ever-more complex

materials that are more difficult and more costly to recycle. By failing to recycle a large portion of PPP materials, we incur **lost economic value, lost jobs, and an enormous cost to human and environmental health**.

Brand owners (or producers) are losing out too, because they require recycled material as raw feedstock for production. Many well-known corporations have made public commitments to produce packaging with a significant recycled content percentage. With the current fragmented system and high contamination rates, we are far from being able to produce the quality and quantity of material needed. Without a clean, consistent, reliable supply, **brand owners will be unable to reach their targets**.

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The Solution: Extended Producer Responsibility

Product stewardship is the act of minimizing the health, safety, environmental, and social impacts of products *and* packaging throughout all lifecycle stages, while also maximizing economic benefits. Producers are in the best position to recover PPP materials, incorporate them back into the economy, and minimize adverse impacts.

Extended producer responsibility (EPR) is a mandatory type of product stewardship that requires manufacturer responsibility to extend to post-consumer management of products and packaging. There are two important features of EPR policy:

- (1) Shifting financial and management responsibility – with government oversight – upstream to the manufacturer and away from the public sector; and
- (2) Providing incentives to manufacturers to incorporate environmental considerations into the design of their products and packaging.

EPR is a game changer for PPP reduction, recovery, and recycling. Other strategies, including voluntary product stewardship efforts, effect small, incremental changes in attempts to optimize the current system. EPR is the only large-scale solution that takes an entirely different approach to create a much-needed, significant transformation in the entire system.

Proven Precedents

Across the U.S., there are currently 116 EPR laws at the state and local level in 33 states and the District of Columbia, covering 14 product areas, including electronics, pharmaceuticals, batteries, paint, carpet, mercury-containing thermostats and lamps, and mattresses. Such laws have saved local governments millions of dollars, reduced greenhouse gas emissions, created jobs, and ensured that millions of tons of materials were recycled or safely disposed.

EPR for packaging and paper products is common in other parts of the world. In Canada, British Columbia, Quebec, Manitoba, Saskatchewan, and Ontario each have robust PPP programs that **achieve higher recovery rates than the U.S.**ⁱⁱ EPR laws are in place throughout Europe, with the highest packaging **recycling rate topping 80 percent** compared to about 50 percent in the U.S.^{iii,iv} In these systems, EPR relieves municipalities of the financial burden of collecting and recycling or properly disposing of materials. **The cost and responsibility falls to producers and their customers, rather than all taxpayers and governments, creating a fairer system.**

Complementary systems have also proven effective. For example, states with beverage container deposit legislation (known as "bottle bills") have recycling rates for those containers up to three times higher than states without. Recycled content standards create demand for recycled materials, which can spur infrastructure development. Each of these legislated programs can work hand-in-hand with EPR.

Benefits of EPR for Packaging

EPR programs provide dedicated, non-taxpayer funding to sustainably support recovery and recycling. In the case of PPP, which makes up a substantial percentage of the municipal solid waste stream, there is an enormous opportunity for increased recycling. Fewer materials in the waste stream translate to municipal savings. **With local budgets under strain, EPR for PPP can provide much-needed relief to taxpayers.** Furthermore, with a consistent and predictable system, **states and regions can take a more unified approach to strategic planning around waste, including investment in new technology.**

When producers internalize the cost of managing the full lifecycle of their products and packaging, they have new incentives to make decisions that are better for taxpayers, our environment, and the overall economy. **EPR for PPP creates incentives for brand owners to improve packaging design, reduce the amount of materials used, reduce toxicity in packaging, and improve recyclability.**

How Does It Work?

Under the current system (Figure 1), brand owners sell products to consumers but have no responsibility for recovering or recycling products or packaging. **All taxpayers share the burden** for managing waste, including the cost of recycling, regardless of how much they produce. The result is a disjointed system where **brand owners have no direct connection to recycling or end-of-life management.**

Under an EPR system (Figure 2), consumers purchase from brand owners, and then brand owners finance and manage recycling through a Producer Responsibility Organization (PRO). Depending on how a system is designed, the PRO may contract with a municipality, which has the option to continue to collect materials as it had previously (and receive funding from the PRO) or to allow the PRO's haulers to collect on its behalf. The PRO pays the processor to handle collected materials. The PRO has incentive to use existing infrastructure. **Municipalities' recycling investments and achievements are built upon and the state government provides oversight, but producers shoulder the financial and managerial responsibility for recycling.**

Figure 1: Current PPP Recycling System

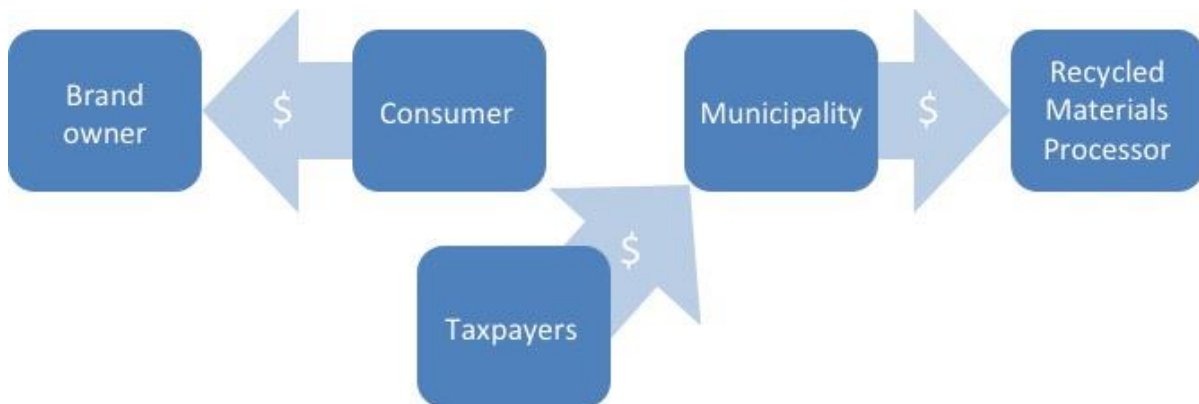
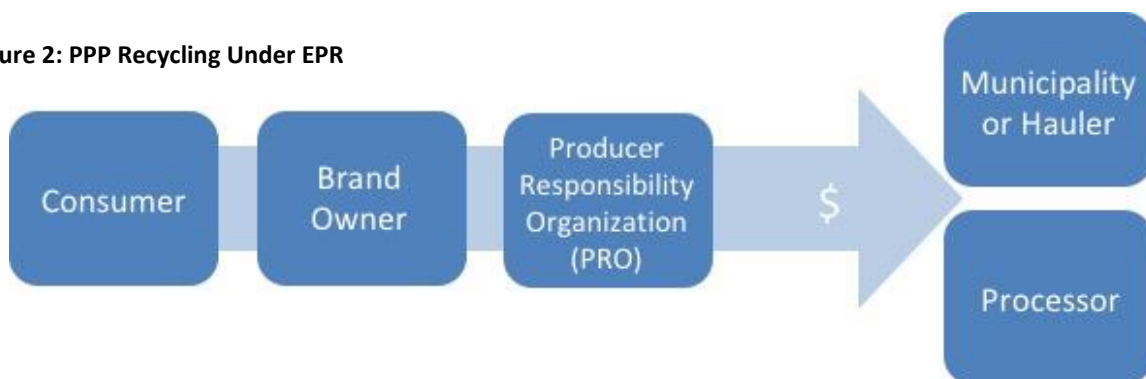


Figure 2: PPP Recycling Under EPR



Opportunities to Explore EPR for PPP in the U.S.

Municipalities have been doing their best within the limits of their individual jurisdictions, but their efforts are not enough in the face of growing plastics pollution, increasing complexity in packaging, and shrinking export markets for recyclables. Without carefully planned, significant change in product stewardship policies and practices for packaging, citizens, local governments, recyclers, and brand owners will not achieve their goals.

States throughout the U.S. are actively exploring and learning about EPR solutions and strategies for PPP. Several have introduced or are developing legislation to be introduced in the 2019 session. Major issues under consideration include:

- Defining what materials would be covered under EPR legislation;
- Determining how the system would be structured (from collection methods to the financial structure); and
- Setting performance measures and incentives.

One of the key barriers to passing and implementing EPR for PPP legislation is a general lack of understanding about EPR programs and, more specifically, EPR for PPP. **The best possible EPR solutions are created when all affected parties come to the table to work through key issues in a way that meets everyone's needs.** Using insights from its experience creating successful models, the Product Stewardship Institute (PSI) is currently providing technical assistance to state and local government members regarding critical elements of EPR for PPP legislation.

Learn More

The Product Stewardship Institute (PSI) is a national, membership-based nonprofit committed to reducing the health, safety, and environmental impacts of consumer products across their lifecycle with a strong focus on sustainable end-of-life management. PSI provides access to webinars, information on successful PPP EPR programs, and more. To learn more about packaging, please contact PSI's Kristin Aldred Cheek at 617-236-8293 or kristin@productstewardship.us and visit productstewardship.us/Packaging.

ⁱ U.S. Environmental Protection Agency, "Advancing Sustainable Materials Management: 2015 Fact Sheet," July 2018.

ⁱⁱ See for example, "Annual Report," Recycle B.C., 2017. <https://recyclebc.ca/wp-content/uploads/2018/07/RecycleBCAR2017-June292018.pdf>

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

^{iv} "Advancing Sustainable Materials Management: 2015 Fact Sheet," U.S. Environmental Protection Agency, 2018. https://www.epa.gov/sites/production/files/2018-07/documents/2015_smm_msw_factsheet_07242018_fnl_508_002.pdf