

Extended Producer Responsibility

The Politics of Internalizing the Environmental Costs of Products and Packages

Haas School of Business
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Bill Shireman, Erik Wohlgemuth,
Danna Moore, Scott Smithline

Two realities:

1. We have **ALLIES** in places we never imagined
2. We have **POWER** that we have never used

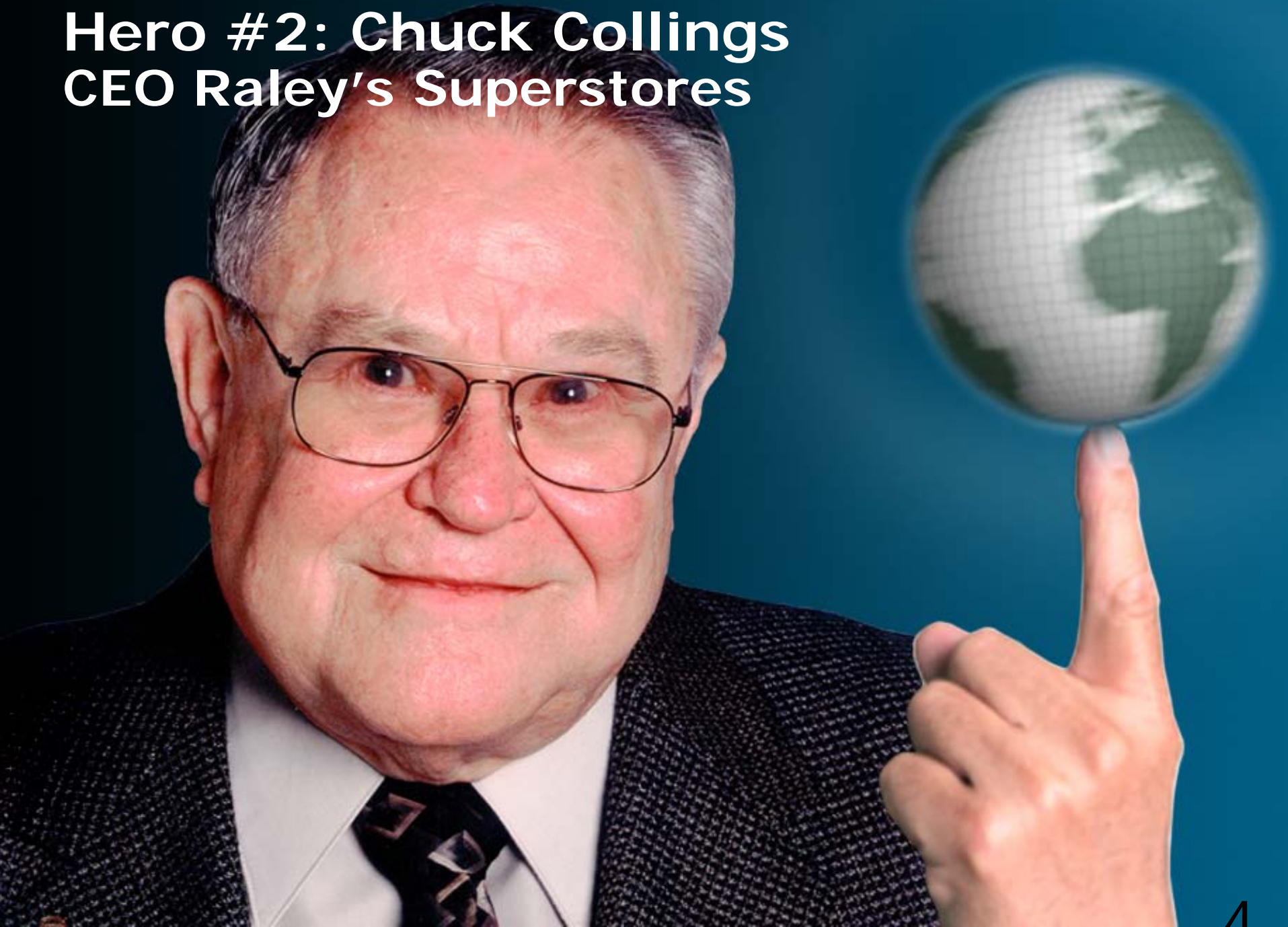


Hero #1: Bill Coors



Hero #2: Chuck Collings

CEO Raley's Superstores



POWER: Leverage the Top of the Supply Chain





Result: California's Better Bottle Bill

- 250 billion cans and bottles recycled
- \$5 billion saved
- 80% lower cost, 80% recycling rate
- Computers, Tires, Motor Oil added
- **But:** Can be simpler and cheaper



Ahead: Packaging EPR in the US

- US states are likely to pass packaging EPR in 1-3 yrs
- But the TYPE of EPR is up for grabs
- If we are PROACTIVE, the systems can be harmonious, efficient, and collaborative
- A broad COALITION is ready to emerge – EPR advocates, beverage, consumer packaged goods, retailers, and local government
- Common EPR Principles and model policy can draw these forces together
- BUT – these opportunities have come before

Background: **What is EPR?**

- Internalizes waste & recycling costs, by shifting them from households to producers
- Producers can cut costs at the front end, and profit. Households can't.
- Producers = Brand Owners
- Government sets recycling targets
- Producers finance and manage, via Producer Responsibility Organizations (PROs)
- Pays municipalities, haulers, and/or recyclers a negotiated or calculated cost



Background: **Where is EPR?**

- 1987 California Processing Fees
- 1990 German Green Dot
- 1994 European Packaging Directive
- ROHS & WEEE: European/global electronics
- ASIA: Taiwan, S. Korea, Turkey, Cypress; passed in China
- LATIN AMERICA: Uruguay, Brazil, Panama
- CANADA: 87 systems
- US: 49 state systems, including 11 deposit laws

Note: EPR as defined by Victor Bell, Environmental Packaging International.

Background: **What does EPR cover?**

Common systems and proposals:

- Household Hazardous Products: Paint, Motor Oil, Batteries
- Packaging
- Printed Paper
- Electronics
- Problem Wastes: Carpet, Cars, Plastics
- All Municipal Waste

Why is Packaging EPR coming to US?

- Major FUNDERS are prioritizing
- CLIMATE advocates need state proposals
- Bottle Bill and EPR advocates are mobilizing
- Local and state governments need MONEY
- WALMART is driving supply chain action
- Bobby Kennedy and NRDC are prioritizing

Major Funders are prioritizing EPR and Sustainable Consumption

One funders network and key stakeholders are meeting in December 2010, and another in March 2011, to discuss funding priorities for Sustainable Consumption and EPR.



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MOTT FOUNDATION



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Rockefeller
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Philanthropy for an Interdependent World



ENVIRONMENTAL
GRANTMAKERS
ASSOCIATION

Environmental
Fundors Network



Tremaine Foundation

The Bullitt Foundation

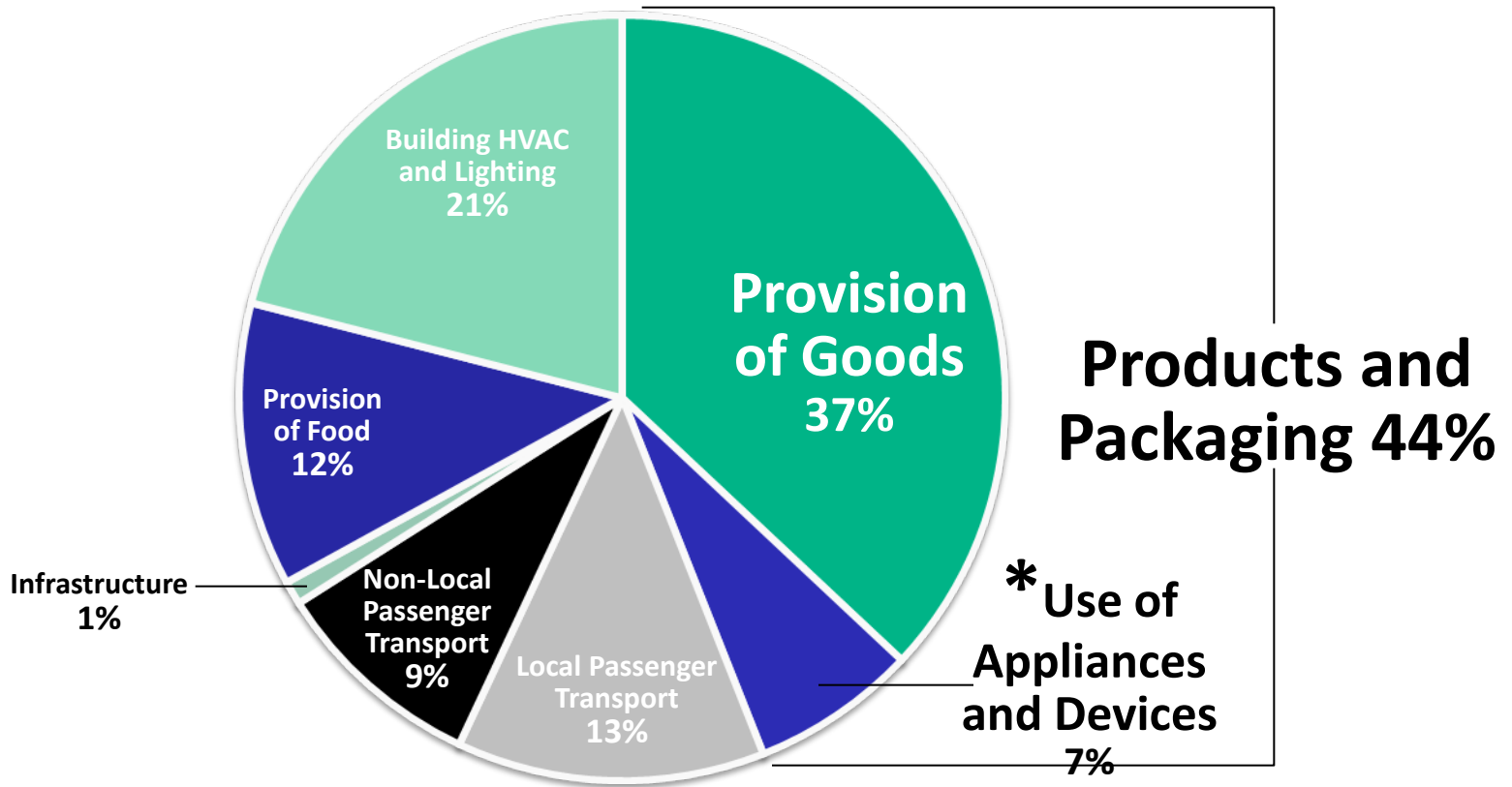
THE MCKNIGHT FOUNDATION

turner foundation, inc.



Recycling is popular among climate advocates looking for state action

EPR could internalize eco-costs of up to 44% of the economy



Source: Product Policy Institute based on EPA 2009

EPR Experts and Bottle Bill advocates are keeping up the pressure in the states

EPR ADVOCATES



DEPOSIT ADVOCATES



ENVIRONMENTAL ADVOCATES

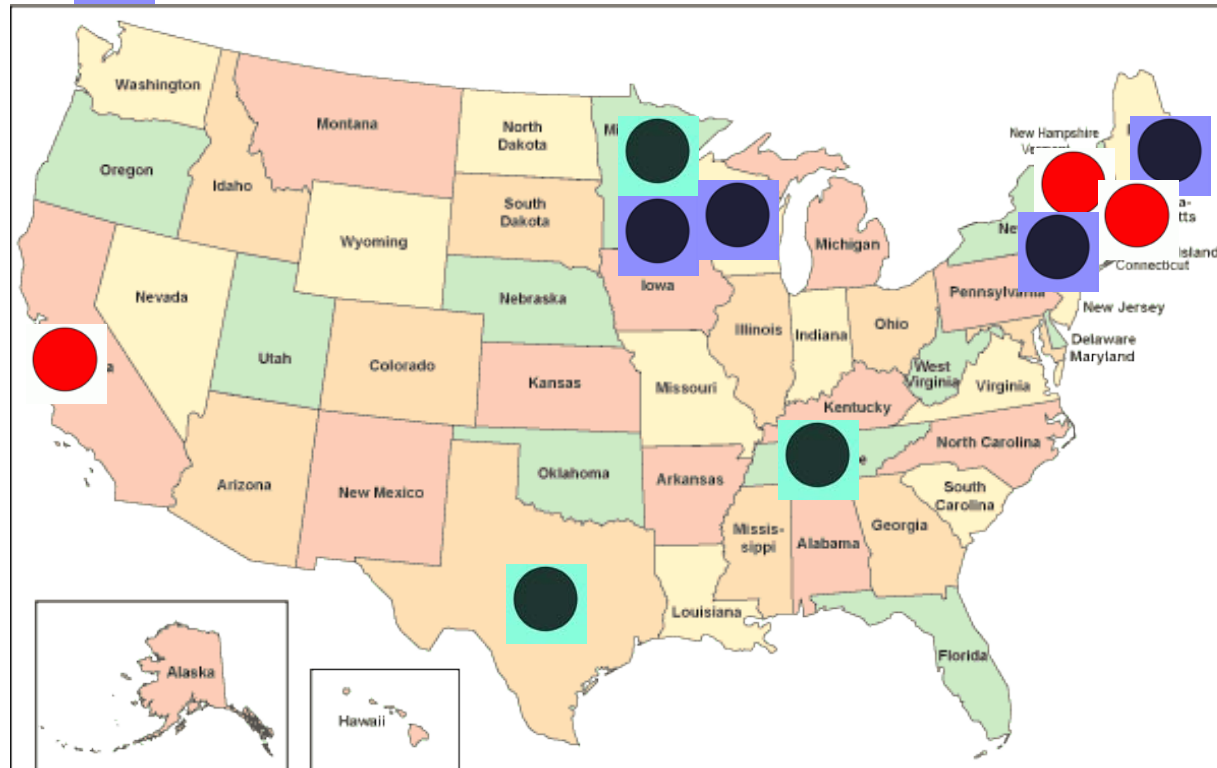


Local and state governments are looking for new funding sources

● CAPTURING UNREDEEMED DEPOSITS

● ADVOCATING NEW DEPOSITS + STATE ESCHEATING

● PROPOSING PACKAGING EPR



Wal-Mart

is pressing thousands of suppliers to measure and reduce their environmental footprint



But they may need public policy to internalize externalities, and bring low prices and low eco-footprint into alignment

Major Catalysts

are convening stakeholders and driving action



Bobby Kennedy:
Recruiting donors,
companies, NRDC



**Sara Hartwell
at EPA:**
Convening multi-
stakeholders



**Funders Network for
Sustainable Production
and Consumption**



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Funders Networks:
Convening funders



Coke & NWNA:
Supporting
state legislation

The most powerful political dynamic



The critical mass: If these stakeholders agree, a model EPR would likely move forward

**RFK Jr.
and NRDC**



**Major
Funder Alliances**



Funders Network for
Sustainable Production
and Consumption



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**Grassroots
and EPR**



**Coke
& Nestle**



**Any 1-2 Top
Retail or CPG**



Unifying Principles for EPR

*Generally supported by all the key stakeholders:
corporate, NGO, and funders:*

- 1. Internalize Costs** — When pollution and waste costs are externalized, pollution and waste increases. But when the costs are internalized, businesses and consumers are provided the most cost-effective means of achieving the desired outcomes.
- 2. Producer Financing** — Because producers set front-end design specifications, they are best positioned to pay the external costs, and have the best opportunity and incentive to reduce them.
- 3. Producer Management** — Government may set the performance standards of EPR, but producers are best positioned to design and manage the program to achieve those goals, so they can accrue the cost savings from reducing waste.

Which states may be prospects?

- **Vermont:** Packaging and printed paper, or Hybrid
- **Minnesota/Wisconsin:** Any model
- **Rhode Island/Delaware:** Any model
- **Ohio/Pennsylvania:** Any model
- **Tennessee:** Hybrid

The Potential Coalition: Best Case

SUPPORTERS



The Overbrook Foundation



Rockefeller Brothers Fund

Philanthropy for an Interdependent World



THE EARTH'S BEST DEFENSE



SIERRA CLUB
FOUNDED 1892

GREENPEACE



National League of Cities



As You Sow

Planting Seeds for Social Change



GREEN CORPS
Field School for Environmental Organizers



ENVIRONMENT AMERICA



U.S. PIRG
Federation of State PIRGs

UNCERTAIN

OPPONENTS

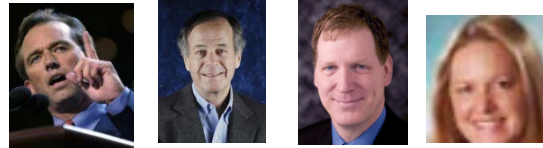


The Potential Coalition: Worst Case

SUPPORTERS



UNCERTAIN



OPPONENTS



What makes the difference?

1. Engage the EPR advocates



Product Policy Institute



PRODUCT STEWARDSHIP INSTITUTE



2. Engage the Funders



The Overbrook Foundation



RICHARD AND BONA GOLDMAN FUND



Rockefeller Brothers Fund

Philanthropy for an Interdependent World



Tremain Foundation



The Johnson Foundation
AT WINGSPREAD

Conferences that Inspire Solutions

3. Keep costs low and fair



Walmart
Save money. Live better.



Coca-Cola



Nestlé Waters



PEPSI

4. Focus on reduction first



P&G



Unilever



SC Johnson
FAMILY COMPANY



KRAFT



ALCOA

5. Recruit Top Environmental and Grassroots Advocates



SIERRA CLUB
FOUNDED 1892



NRDC
THE EARTH'S BEST DEFENSE



GREEN CORPS
Field School for Environmental Organizing



GREENPEACE

6. Make calculated, reasonable compromises if needed



WM
WASTE MANAGEMENT



CRI
CONTAINER RECYCLING INSTITUTE



National League of Cities

The Bottom Line

- Packaging EPR is likely in the US
- But the TYPE of EPR is up for grabs
- If we are REACTIVE, systems will be incompatible
- If we are PROACTIVE, they could be harmonious
- Know the key stakeholders – or face opposition
- Engage the key stakeholders – or the systems will likely be more expensive and less effective
- Shape common EPR Principles and model approach

Requested Next Step in the Dialogue

Please let us know which option you prefer:

- **Option 1: At the Table** – invited to convene virtually, or in person, to shape a common approach to EPR
 - Q: Leadership role?
- **Option 2: In the Loop** – regularly informed of major developments that will impact your operations
- **Option 3: Not Involved** – not informed or involved as EPR policy is shaped by the group and others





San Francisco – Tokyo – Beijing

335 Powell Street, San Francisco, CA 94102

(415) 294-7775 www.future500.org