



September 1, 2011

California Air Resources Board  
1001 "I" Street  
P.O. Box 2815  
Sacramento, CA 95812

RE: COMMERCIAL RECYCLING IS OPPORTUNITY FOR JOB CREATION

Dear Board Chair Mary D. Nichols:

On behalf of the Recycling BIN (Build Infrastructure Now) Coalition, which represents economic development, business, local government, and environmental organizations, we submit the attached Recycling BIN White Paper and recommendations to the Air Resources Board for your consideration.

Based on conversations with your staff, it is estimated that only 5-20% of the materials “diverted” due to the new regulations will stay in the State for remanufacturing, with the other 80-95% projected to be shipped to other parts of the United States or to global markets. When we export the material, we are also exporting the processing and manufacturing jobs, tax revenue and commerce and adding to the GHG created to manage the material. Maximizing the GHG emission reductions is dependent on reducing transport distances which offers an enormous opportunity to existing and new businesses in California. In addition, China is the destination for many of these materials and the processing facilities there often use power generated by coal whose pollution reaches California shores just days later. To verify the impacts, the San Joaquin Valley Air Pollution Control District (SJVAPCD) has commissioned a study to document that pollution is finding its way back to the shores of California. We need to look at the GHG impacts from the lifecycle perspective and we ask the question, is “diversion” enough or can we further maximize GHG reductions and improve the California economy at the same time?

The Greater Stockton Chamber of Commerce posed the question during the 2011 Asparagus Festival in Stockton, CA to approximately 1300 of the over 103,000 attendees. Roughly 90 percent of those asked participated in some form of recycling activity (curbside, redemption centers or at their place of business.) Most alarming is that over 95 percent of those same respondents didn’t know where the material went after it was picked up, stating “the truck comes and takes it.” But nearly 100 percent were VERY disturbed when they were told that 8 out of 10 pieces of recyclables were going to China.

The Recycling BIN Coalition proposes that in conjunction with the adoption of the Mandatory Commercial Recycling Regulation, that we come together to create recycled content value added jobs, reduce GHG, and promote commerce in the great State of California through forming 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. Members of our Coalition are very interested in meeting with you at your earliest convenience to hear your feedback on this suggestion, and to entertain formation of the proposed Special Task Force.



## 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 (CO<sub>2</sub>) equivalents (5MMTCO<sub>2</sub>E).<sup>1</sup>

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.<sup>2</sup>

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.<sup>3</sup> 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 5MMTCO<sub>2</sub>E 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

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

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

<sup>3</sup> 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.<sup>4 5 6</sup>

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.<sup>7 8</sup>

### **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.”<sup>9</sup>

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.<sup>10</sup>

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

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

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

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

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

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

<sup>9</sup> AB 939-California Public Resources Code 42001

<sup>10</sup> 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:

#### **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 transformation<sup>11</sup>. 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.

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<sup>11</sup> "Diversion is Good for the Economy", [www.calrecycle.ca.gov/publications/Economics/57003002.doc](http://www.calrecycle.ca.gov/publications/Economics/57003002.doc)

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 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 by **October 15, 2011** 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.

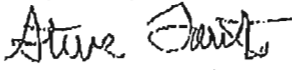
Members of our Coalition are very interested in meeting with you at your earliest convenience to hear your feedback on this proposal, and to entertain formation of the proposed Special Task Force. We are also prepared to share specific examples of how issues such as the four listed above have negatively 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](mailto:slautze@oaklandnet.com); Lynn France, Board Member, California Product Stewardship Council Board (CPSC) at [lfrance@ci.chula-vista.ca.us](mailto:lfrance@ci.chula-vista.ca.us); Gurbax Sahota, Chief Operating Officer, California Association of Local Economic Development (CALED) at [gsahota@caled.org](mailto:gsahota@caled.org) ; Frank J. Ferral, Program & Public Policy Director with the Greater Stockton Chamber of Commerce at [fferral@stocktonchamber.org](mailto:fferral@stocktonchamber.org); John Davis, Policy Committee member, California Resource Recovery Association (CRRA) at [recyclingjpa@gmail.com](mailto:recyclingjpa@gmail.com); Mike Dozier, Lead Executive with the California Partnership for the San Joaquin Valley at [mdozier@csufresno.edu](mailto:mdozier@csufresno.edu) ; Gary Liss, Board member with Recycling Organizations of North America (RONA) at [gary@garyliss.com](mailto:gary@garyliss.com); Evan Edgar, California Refuse Recycling Council (CRRC) at [Evan@edgarinc.org](mailto:Evan@edgarinc.org); Neil Edgar, California Compost Coalition at [Neil@edgarinc.org](mailto:Neil@edgarinc.org)


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 September 1, 2011.

Please don't hesitate to contact any Recycling BIN Coalition member to discuss this opportunity further. Their contact information can be found on the last page of the Recycling BIN White Paper.

Respectfully,



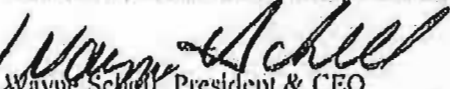
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