

# Plastic Pollution and Recycling Modernization Act Implementation

## Follow up from September 2024 Legislative Days presentation

December 2024

The Legislature adopted the Plastic Pollution and Recycling Modernization Act in 2021 (SB 582). The Oregon Department of Environmental Quality and Circular Action Alliance, a prospective Producer Responsibility Organization, presented a status update on implementing the Act at the House Committee on Climate, Energy and Environment September 23, 2024. Following is additional information requested by committee members.

### Program Costs

**1. What is the total estimated cost to implement the program?**

*According to previous discussions of this concept, it has been said that once the implementation costs are paid the ongoing costs will be much less. **What is the estimate of the reductions possible and what is the guarantee that the costs will be decreased?***

The third and final program plan submission provides a much more precise estimated program cost due to the results of the Oregon Recycling System Optimization Project (ORSOP), a program costing survey conducted by CAA in the summer of 2024. This effort yielded data that enabled CAA to:

- Refine cost projections, reducing program costs and producer fees in the final plan.
- Develop the schedule of investments to support communities' transition to collecting the Uniform Statewide Collection List (USCL).
- Create the model for the transportation reimbursement that allowed for better estimates of this funding obligation.
- Identify the cost factors that need to be included in the ongoing depot operating costs.

With this information, the newly revised program operating costs are reduced by approximately one-third compared with previous projections from March 2024:

Program Plan estimates	2025	2026	2027
March 31, 2024	\$219-\$278M	\$335-\$436M	\$374-\$483M
December 6, 2024	\$188M	\$254M	\$289M

Cost savings were achieved particularly in the system expansion, PRO depot operation, responsible end market, and contamination reduction elements of the program. **Once the**

**system expansion investments are made, they will not be incurred again in future program plan cycles. This represents 20% of the budget that is a one-time cost and would not be incurred by producers in subsequent program plan cycles.**

It is important to note that CAA is only covering a portion (approximately one-third to one-half) of the total recycling system costs, offering funding to stabilize some of the most volatile parts of the system that have limited its growth. The remainder of system costs, including approximately \$200 million per year in collection costs, is supported by rate payers.

**2. *What communities are covered by this expansion and what is the calculation for the cost to provide these services versus the benefit? i.e., amount of material recycled versus being disposed of in landfills or other methods?***

Much of the benefit generated by the Recycling Modernization Act occurs downstream of collection, at processing and end market facilities. The law also encompasses benefits that are not strictly environmental or economic, and advances waste prevention activities beyond recycling. Holistically-speaking, all communities in Oregon stand to benefit – most notably, from a more reliable, environmentally-beneficial, and universally-accessible recycling system.

Related specifically to expansion of recycling collection programs, the Act encompasses:

- new on-route recycling programs to collect the Uniform Statewide Collection List (USCL) in communities of over 4,000 residents that currently lack programs (for example, in Pendleton and Hermiston), and in smaller communities that voluntarily wish to start such programs (e.g. in Sisters, Echo, Harney, etc). All start-up costs to set up these programs will be funded through producer fees;
- increased material acceptance with respect to USCL collection in most existing recycling programs (e.g. in Medford and in coastal communities), with any infrastructure needed to accommodate increased material flows funded through producer fees; and
- new collection points statewide for harder-to-recycle materials on the PRO Recycling Acceptance List (such as plastic film and plastic lids, caps and carrier handles), which the PRO must establish in a fashion that meets collection targets, convenience standards and performance standards.

The amount of investment to be made and the resultant increase in diversion of materials from landfill to recycling vary by community and by material as a function of the size of the community, the current recycling systems in place in a community, and the acceptance status of the material

## Program Improvements

**3. *Some of the justification for this program is “inefficiencies” in our existing systems. What are some examples of those inefficiencies and how will this program address those? With the additional investments what is the return on that investment versus our current system and who benefits from that return?***

In order for recycling to be efficient, services need to be delivered effectively at each stage in the recycling process, and particularly during:

- collection (such as from curbside bins, businesses and depots),
- initial processing (sorting of commingled materials into marketable bales), and
- end market processing (e.g. turning waste collected for recycling into new products).

Existing inefficiencies at all stages were particularly exposed in 2018, when China banned the import of many recyclables from other countries, thrusting international recycling markets, including Oregon's, into chaos.

The Act addresses existing inefficiencies by placing new obligations on system players and channeling fees paid by producers of packaging, paper and food serveware toward solutions. For example, in the modernized system:

- At collection, public confusion due to inconsistent acceptance lists and outreach will be addressed through a uniform statewide recycling acceptance list and centralized development of education materials for local governments to use with their constituents.
- The state will permit commingled recycling processing facilities, which will receive subsidies from producers that will enable them to increase material capture and reduce contamination in outbound materials, thereby meeting their permit standards.
- End markets will all be held to a responsible standard to ensure that materials collected for recycling are actually recycled, and in an environmentally and socially beneficial manner.

The returns on investments made through the RMA include increased recycling, less material loss in processing, less environmental harm from disposition, and secure environmental benefits of recycling. The main beneficiary is the public. Local entities engaged in recycling (local governments, waste haulers, processors) will also benefit from infrastructure investments enabled through producer funding, and end markets will benefit from larger, cleaner streams of recyclables from Oregon.

## Potential impacts to recycling system service providers

### 4. ***Will existing haulers need to increase rates through this expansion and/or face more competition from new haulers in the same area?***

CAA recommends engaging with the Oregon Refuse and Recycling Association (ORRA) to speak to the potential business impacts on haulers in different regions of the state. Overall, CAA will be helping to reduce some of the overall operational costs of providing recycling services, such as offering start-up investments to cover initial equipment costs, and covering the cost to transport recyclables more than 50 miles to a permitted processor or responsible end market. CAA will also be paying the costs associated with processing mixed recyclables and managing contamination, ensuring that haulers can drop off recyclables and likely avoiding the standard tipping fee haulers had traditionally been charged by the comingled recycling processing facility.

In terms of competition from new haulers, CAA is not considering contracting with any entity to collect recyclables from consumers or businesses. CAA will be using collection points, much like the bottle drop collection model, where residents and businesses can return materials managed by the PRO to collection points.

## Recycling acceptance lists and available markets

**5. *What products are covered, how was the list determined, and do markets exist for use of these products if they are returned? If markets do not currently exist what plans are in place to find markets, create new processes or otherwise complete the cycle? Please provide timing for implementation of control of different products based on the availability of markets.***

“Covered products” under the law are defined in statute as packaging, printing and writing paper, and food serviceware, with some product-specific exemptions defined in both statute and more recently added in rule. These are the products for which producers must pay fees to the PRO beginning on July 1, 2025, with the PRO channeling the fees toward implementation of a program that fulfills its obligations.

“Covered products” are distinct from “accepted materials” that are listed on Oregon’s recycling acceptance lists – e.g., on the Uniform Statewide Collection List and the PRO Recycling Acceptance List. Covered products encompass recyclable and nonrecyclable materials alike – only charging fees on materials accepted for recycling would amount to a perverse incentive for producers to package their products in nonrecyclable materials.

Meanwhile, the acceptance lists comprise only those materials that are considered recyclable in Oregon. These lists are designed to be dynamic and subject to change. To be added to the acceptance lists, materials are screened against 12 statutory criteria, pursuant to ORS 459A.914. Does it make environmental sense to recycle the material? Economic sense? Are there adequate markets? This screening was conducted as part of the rulemaking process that established the current acceptance lists, so markets do exist for all listed (accepted) materials.

With respect to materials that were left off of the acceptance lists due to inadequate markets, the PRO may propose to “onramp” such materials onto the Uniform Statewide Collection List in its program plan, outlining the investments it is pledging to make to find or create new markets. DEQ would review and approve such proposals, which may be submitted at any time as a program plan amendment, with the advisement of the Oregon Recycling System Advisory Council.

## Newspaper

**6. *Is newsprint covered? If so why given how much is already recycled and the shifting nature of the newspaper industry?***

Yes, newsprint is a covered product, and is included on the Uniform Statewide Collection List. While newsprint is highly recyclable, it does cost money to collect and process the material. Recycling economics generally are unfavorable outside of the Portland-Eugene corridor and the Act provides financial support to transport all recyclables, including newspaper.

There are furthermore opportunities to increase the recycling rate of these materials, and generate more environmental benefits from their recycling, through the RMA. Mixed paper, including newsprint and other printing and writing papers, is the most commonly exported commodity in the current system, with possible associated detrimental impacts.

Regarding the ability of newspaper publishers to pay producer fees amidst an industry with shifting financial stability, the Act includes a small producer exemption for businesses with less than \$5 million per year in annual revenues, and allows newspaper publishers to provide in-kind services (advertisement) in lieu of paying fees (see ORS 459A.884(7)). In addition, the prohibition on materials cross-subsidizing each other (see ORS 459A.884(1)) means that newsprint is charged one of the lowest fees of all materials: \$0.01 per pound in CAA's current estimate (compared to an average of between \$0.072 and \$0.095 per pound for all accepted materials).

## Pulp mills

### ***7. Are pulp mills that currently rely on recycled materials and other manufacturers using mostly recycled materials required to pay into the program? What assurances do those have regarding any disruption to the materials they need due to how the materials are gathered and distributed?***

Only brand-holding manufacturers of covered product sold in or into Oregon must join a PRO and pay fees under the RMA. As such, individual pulp mills that use recycled materials are generally not obligated producers; rather, their parent companies may bear the obligation.

While individual pulp mills will not engage in the program as producers, they do engage as end markets. End markets processing Oregon materials will need to achieve verification to the responsible end market (REM) standards developed in rule. These markets must demonstrate they are:

- **Compliant** with all relevant regulations, demonstrating they are in good standing with government agencies from an operational perspective.
- **Transparent**, willing to disclose the chain of custody of material to the end market, as defined by regulation. For paper mills recycling paper bales from Oregon, they are considered the end market. Transparency requirements are more stringent for plastics recycling markets. CAA is working directly with plastics recyclers to better understand these challenges and mitigate the risk of disruptions to plastics recycling markets.
- **Environmentally sound**, operating in a way that does not create environmental burdens for communities processing Oregon's materials.
- **Achieving adequate yield**, ensuring that recyclers meet certain targets, and demonstrating operational proficiency for efficiently managing the recyclable materials they purchase from Oregon.

So long as a market can demonstrate operating in accordance with the REM requirements, there should be no disruption for a recycler receiving or having access to Oregon recyclables.

CAA has budgeted to help end markets prepare for REM verification and cover the cost of an independent third-party auditor to conduct the evaluation.

CAA will field-test the new REM verification standard in January 2025. International Paper is among local facilities that CAA anticipates working with to test the verification protocol. Focus on local markets first will ensure that the auditing system being developed considers the needs of local buyers of recyclables from Oregonians.

Aside from the REM verification requirement, end markets, such as paper mills, should not incur additional costs for participating in the new system. End markets processing Oregon material should see an overall improvement in the quality of materials they are purchasing, which could translate to operational cost savings. The RMA does not change the free-market-based system of competition and transactions between collectors, processors and end markets.

## Measuring success through the transition

### **8. *What are the elements of this program that will ensure the success which is already occurring in many communities is not disrupted by the changes and/or making is seem harder for the public to comply?***

The RMA will be building on and enhances the existing system. The funding being supplied by CAA is intended to fill service gaps for Oregonians where they exist and bring new recycling opportunities across the state. As the RMA launches, there should be no disruption of existing recycling services. Over the course of the first 2.5\_ year program plan period, communities that have requested funding will see their recycling services grow with support from CAA.

Communities that currently do not have recycling will gain access to recycle materials on the USCL and PRO acceptance lists. The most substantial initial funding will first be funneled to communities in the most rural parts of Oregon, including Pendleton, Hermiston, Milton-Freewater and Cottage Grove.

Through the course of the program plan, CAA will also be working to add new materials to the USCL, such as PET thermoforms and plastic lids, expanding the list of materials of plastic packaging that Oregonians can conveniently recycle.

CAA also has extensive work underway to develop education and outreach materials for local governments that are free, customizable resources to increase public awareness about access to recycling, educate Oregonians about how to recycle right, and reduce contamination in the system. In many cases, this will be the first time many smaller local governments have access to comprehensive recycling education materials made available in 10 different languages. CAA will also be supporting a statewide education campaign, so all Oregonians across the state get the same message about the modernized system.

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