



ADVANCING PACKAGING RECYCLING

AMERIPEN Financing Principles and Objectives for Advancing Packaging Recycling in the U.S.

EXECUTIVE SUMMARY

As the U.S. heads into a period of economic uncertainty, identifying solutions to help continue the advancement of our nation's infrastructure to support increased recycling is critical. **AMERIPEN** recognizes the need for the packaging value chain to help identify options to finance packaging recovery and what role all stakeholders, including industry, should play. **AMERIPEN** believes that financing solutions must have a comprehensive strategy that maps financing objectives with complementary policies and lays out clear objectives for the financing solutions we could support. The recovery system already has a wide range of tools and stakeholders involved so what we are proposing is not new. Rather, this coordinated and shared responsibility approach is key to ensuring that all parties involved in recycling are working collaboratively towards system efficiencies. This document outlines key principles and objectives that **AMERIPEN** has identified for a financing framework for packaging recovery based upon a systems perspective.



TAKING A SYSTEMS PERSPECTIVE TO RESOLVE OUR RECYCLING CHALLENGES

Long before China closed its door to global recyclables, the U.S. recycling industry was already struggling to address funding needs in a system that was rapidly changing from a few core materials to lighter and much harder to recycle materials. With the closure of the Chinese markets, our ability to respond financially to some of these system needs has become even more strained. Since 2017, commodity prices on recyclables have declined an average of 41% over the past 2.5 years.¹ Initial studies are suggesting that nationally our communities are facing a \$2-4B shortfall between the costs of collection and sortation.² As states and municipalities call for increased funding to help them continue recycling, **AMERIPEN** recognizes the need for the packaging value chain to help identify potential options for financing and improving packaging recovery.

We note packaging recovery is not a single act: a portfolio of stakeholders, services and processes are involved in material reuse. When we look at packaging recovery from this systems perspective, we see that the recycling system is dependent on a portfolio of players, funding mechanisms and policies. To disconnect a discussion on financing from these additional levers is to ignore the valuable role they play in advancing, or sometimes challenging, material recovery. We need funding to improve the recycling system across the U.S., but we also need policy and other mechanisms to help strengthen where the system is weak and advance where it is strong.

AMERIPEN believes that when we break down the system goals, match it to stakeholder strengths and seek to add in complementary policies, then we can drive systemic changes needed by identifying and building collaborative processes that plan for the future, create the system we need and offer opportunities for all.

While more work needs to be done to determine the details of further industry engagement in supporting recycling systems, and **AMERIPEN** will continue to provide more details in the months ahead, we believe the following objectives and principles help set the context under which further discussions can be framed.

RECYCLING SYSTEM STAKEHOLDERS STRENGTHS AND WEAKNESSES FOR FINANCING

| | LOCAL SOURCES <i>taxpayers or waste management system</i> | STATE & FEDERAL SOURCES | PRIVATE SOURCES <i>lenders, investors or corporate fees</i> |
|------|--|---|---|
| PROS | <p>Best matched to ongoing collection and processing operations.</p> <p>Could be leveraged in partnerships for one-time needs.</p> | <p>Well suited to support local funding and regional system efficiencies, including education.</p> <p>Some R&D and market development possible but tends to be tied to regional influence.</p> <p>Can leverage purchasing efficiencies.</p> | <p>Funding for one-time capital and scaling of new tech.</p> <p>May support R&D, could support broad education.</p> |
| CONS | <p>Not well suited for R&D and cross jurisdictional needs.</p> | <p>Slower bureaucratic processes. Administrative burdens.</p> | <p>Driven by business case.</p> |

¹ The Recycling Partnership (2020). *2020 State of Curbside Recycling Report*
² *Ibid*

PRINCIPLES & OBJECTIVES FOR AMERIPEN'S PACKAGING RECOVERY FINANCING FRAMEWORK

Packaging has shifted significantly in the 30 years since curbside programs were first established and today's challenges create an opportunity for us to redesign the system to address those changes and establish a strategy for the future. But the discussion needs to address not just funding by one source but engagement by all stakeholders and the leveraging of a variety of tools towards maximum success. We believe the principles and objectives set forth herein can help guide that discussion further.

PRINCIPLES³

AMERIPEN has researched several financing systems and has adopted the following principles which should be part of a successful recycling financing system.

RELIABLE: *Able to withstand market volatility and expected to provide needed levels of revenue for a specified time frame.*

EFFICIENT & EFFECTIVE: *Has reasonable administrative costs, encourages positive behavior and funds desired element; incorporates financing and policy as complementary approaches.*

EQUITABLE & FAIR: *Allocation of costs are perceived as fair, transparent and accountable by all contributors, and "free riders" exist only by design.*

OBJECTIVES

AMERIPEN believes we have an opportunity to focus new financing sources on addressing the gaps and weaknesses facing today's packaging recovery efforts. We believe the objectives outlined below address this goal/vision.

1. Industry funding should be directed towards initiatives that will increase packaging recovery.
2. Financial mechanisms must work at a state level but be managed at a national level in order to provide administrative, procurement and logistics effectiveness and efficiencies. They should have the ability to engage in cross-state collaborations if desired by state or municipal governments.
3. Funds should be managed by industry to avoid risk of diversion to non-critical needs or other government programs; caps should be placed on administrative costs.

4. Funding should be tied to best practices for packaging recovery (e.g., recipients must meet certain minimum criteria in order to receive investment).

5. Industry investment should not duplicate or compete with successful programs and initiatives. Rather, industry investments should be directed in ways that leverage, complement and/or strengthen recycling processes and programs.

6. Through collaboration and inclusiveness, funding should support systems and programs that anticipate innovation and work towards solutions for circular materials management.

7. Plans for phase out of industry funding should be included if the funded recycling system meets threshold criteria (e.g., recycling rates or other criteria).

PORTFOLIO APPROACH

The U.S. recycling system has always leveraged a portfolio approach, utilizing both funding and policy as complementary tools, and maximizing the unique strengths various stakeholders can offer to the system as a whole. As we seek to support a recycling system for the future, understanding how goals can be tied to this portfolio approach will help us frame how we best leverage strategies.

Recycling system needs and goals could be enabled through policy and could include, for instance, daily operations; infrastructure upgrades; consumer education; contamination reduction; labeling; research and development; end market development; and increased recycled content, recycling rates and access to recycling. All forms of recycling – including mechanical, chemical and organic – should be considered when developing and implementing financing systems to assist with recycling system needs and goals.

Funding sources could also be enabled through policy and could include, for instance, federal, state and local appropriations, grants, incentives and taxes; industry fees and initiatives.

³ Adopted from Carton Council (2018). "Moving the Needle—An Industry Approach to Increase Funding for Recycling."