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February 15, 2022

The Honorable Delores G. Kelley
Maryland State Senate Finance Committee
3 East Miller Senate Building
Annapolis, MD 21401

RE: Informational comments on SB 292, an act concerning producer responsibility and packaging materials

Dear Chair Kelley, Vice Chair Feldman and Committee Members:

The Can Manufacturers Institute (CMI) submits the following comments on Senator Augustine's Senate Bill 292, which would establish an extended producer responsibility (EPR) program for packaging materials. **CMI urges both Senator Augustine and Delegate Lierman to amend their respective bills (HB 307, SB 292) to include a container deposit for all beverage types and beverage containers produced or imported into Maryland.**

CMI supports beverage container deposit programs. These programs complement producer responsibility organization (PRO) funded residential and commercial recycling programs and are proven to be an effective way to collect and recycle more packaging for beverages, often consumed while away from home. While Section 9-2403 (C) of both bills allow the PRO to establish a deposit return system for beverage containers, maintaining the optionality of a deposit program sets up Maryland to fail in maximizing the number of beverage containers kept out of landfills or discarded as litter.

The Metal Can Industry in Maryland

CMI is the trade association representing U.S. metal can makers and their suppliers. The industry employs more than 28,000 people with facilities in 33 states. CMI members are proud to make the most sustainable package for beverage and food products. CMI has two members with operations in Maryland: Independent Can Company, which employs almost 350 workers almost all of whom are Maryland residents, at its can plants in Belcamp and Rosedale, and Crown Holdings, Inc., which employs 50 women and men at its Belcamp plant. These three plants support almost 1,200 other Maryland jobs and collectively contribute almost \$29 million in state taxes.

Deposits Are Critical to Maryland Achieving Recycling Success

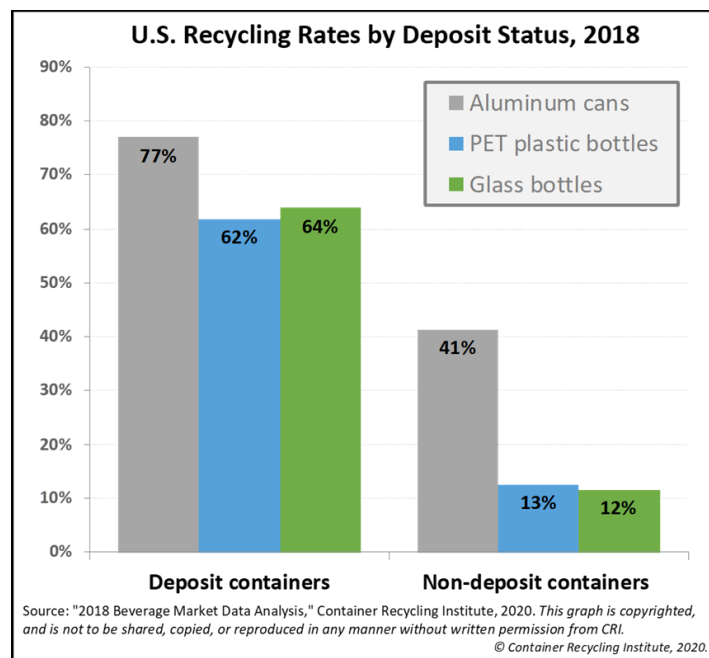
If Maryland were to become the 11th state in the United States with a deposit program, the benefits would be substantial. According to estimates from the Container Recycling Institute (CRI), **77 percent of bottles and cans consumed in Maryland are lost to landfills, litter or incineration.**¹ CRI estimates that **an additional 3.2 billion more containers would be**

¹ "2019 Beverage Market Data Analysis," Container Recycling Institute, 2022.

recycled annually in Maryland if a deposit program was instituted.² This program would also be a win for the Chesapeake Bay, a major economic engine for Maryland's economy. The bay would benefit from fewer containers washing into it and reduced impact from carbon dioxide as more bottles and cans could be manufactured with post-consumer content, versus virgin can sheet, plastic PET plastic or glass.

The Aluminum Can Industry's Actions To Increase Recycling Rates

This past November, CMI announced a goal of increasing the U.S. aluminum beverage can recycling rate from the current industry-leading 45 percent to 70 percent by 2030. CMI and the Aluminum Association, the association that represents aluminum sheet supplied to make beverage cans, support deposit programs because they are vital sources of used beverage cans, which make them critical to achieve the industry's recycling rate targets. A 2019 analysis by environmental research firm Circular Matters showed that while the deposit states consume about a quarter of all beverage cans, they generate more than a third of all cans recycled. According to the CRI, 40 percent of recycled cans come from just the 10 deposit states. Further, while recycling rates for aluminum cans are about 41 percent in non-deposit states, they average 77 percent in states with such programs. The cans that aluminum suppliers receive from deposit states tend to be far cleaner and of higher quality, making recycling easier and more economical.



Key Elements of Well-designed Deposit Programs

Should Senator Augustine and Delegate Lierman amend their bills as requested and add a deposit for beverage container component to Maryland's EPR for packaging program, CMI developed principles that should be considered for a well-designed program. Consider the ["Principles for a Modern, Well-Designed Deposit System"](#) released by CMI along with advocacy organization U.S. Public Interest Research Group and the international circular economy non-profit Reloop. These principles are critical components that should be included when designing

² "CRI comments on House Bill 307," Container Recycling Institute, 2022.

a beverage container deposit program, including if one is established in Maryland. These components are:

- **Easy and convenient redemption to encourage consumer participation.** Maryland businesses have a role to play in making redemption for consumers as easy as possible. Most retailers who sell beverages must be required to provide redemption options for consumers. Redemption at retail allows consumers to redeem their containers as part of everyday activities and drives foot traffic to local stores. The burden on retailers is minimized as they can satisfy the obligations of the bill simply by making space available for the PRO, who manages the program, to install, service and operate a redemption option inside or outside of stores. The retailers involved in the redemption program can also work with the PRO to provide store credit as a refund option, so consumers spend money in their stores.
- **Operate the program through a private PRO financed by beverage distributors and importers.** While the day-to-day operations of the program should be left to the private sector, Maryland Department of the Environment (MDE) should provide government oversight to ensure redemption targets are met and violations of the law are enforced. The PRO should work with MDE to set realistic recycling rate targets and dates based on container material type and end market realities.
- **Unredeemed deposits must remain with the PRO to improve recycling.** The PRO must be required to prioritize use of unredeemed deposits for investment in consumer convenience and program efficiency. The PRO should have the option to allocate some of the funds towards community recycling programs.
- **All container types and all beverage categories must be included in the program, with only minimal exemptions allowed.** This ensures a level playing field and higher recycling rates for all beverage containers. The full range of beverage categories must be included and new categories added with ease when they come onto the market.
- **All material types must “pay their own way.”** The beverage companies should be charged a fee based on material type and the cost to collect, store and process that container. This prevents higher valued materials from subsidizing the program costs of lesser valuable materials.
- **Vary the deposit rate based on container size.** This helps avoid market-distorting incentives for consumers to choose larger containers over smaller ones. Larger container types are also made of more material and the added deposit helps incentivize return of these containers that provide greater amounts of recyclable material.
- **Use clear labeling anywhere easily seen on the container.** The PRO can decide on requiring a barcode or universal product code to allow for automated identification and to reduce fraud. The PRO could consider new tracking and tracing technology to reduce fraud and increase ease in getting material back to the producer for reuse into new containers.

When designing a container deposit program, the MDE should have foresight to leave open the possibility for Maryland to join other Mid-Atlantic states and/or the District of Columbia in a regional program. A regional approach could be managed by a single entity or a group of PROs.

Uniform standards around beverage categories and material types included, deposit values and redemption methods are necessary, so consumers can purchase beverages in one jurisdiction and redeem it in another. This would diminish the opportunity for commit fraud in the system. Uniformity around dates and goals that acknowledge current end market realities at a regional level will also be required.

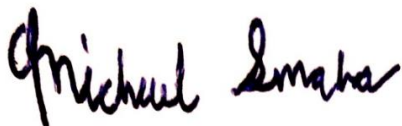
More Recycling Jobs for Maryland

Investment in recycling infrastructure, whether it is through the collection, transportation, processing and recycling of beverage containers creates local jobs that cannot be outsourced. Data from the Environmental Protection Agency shows that in 2020 the recycling sector generated \$5.5 billion in tax revenue and created some 686,000 jobs.³ According to analysis from the consultancy Reloop, deposit systems directly create more jobs than typical recycling programs. This is because more labor is required at the collection and processing states, as the number of recovered materials increases. Reloop estimates that in a national deposit system, more than 155,000 additional jobs would be created of which 51,700 of those jobs directly handle the increased amounts of materials. Maryland's population size, combined with its workforce who commute into the state, will result in many of these new jobs being created locally, thanks to the increased amount of material recovered from landfill or left as litter.

Maryland becoming the 11th state with a deposit program will increase the number of jobs in the recycling industry, increase the value of the material collected, reduce greenhouse gas emissions and reduce litter cleanup costs for government. The benefits will also go well beyond metal cans, but to other packaging materials as well. **CMI hopes Senator Augustine and Delegate Lierman amend their bills to require a deposit program for beverage containers, one which runs in parallel to EPR that funds collection programs for residential and commercial settings.**

Please do not hesitate to contact me if I can answer any questions or provide additional information.

Sincerely,

A handwritten signature in black ink that reads "Michael Smaha". The signature is written in a cursive, slightly slanted style.

Michael Smaha
Vice President, Government Relations
Can Manufacturers Institute

³"Recycling Basics." <https://www.epa.gov/recycle/recycling-basics#JobCreation>