



Producer Responsibility for Packaging

HB 284/SB 222

Delegate Sara Love

The Current State of Packaging and Recycling

- ▶ Maryland taxpayers pay to manage and dispose of waste, including packaging
- ▶ **Local governments and taxpayers have no say in decisions made by producers about packaging type**
- ▶ Increase in packaging waste
 - ▶ Overpackaging
 - ▶ Difficult to recycle packaging materials or combinations
 - ▶ E-commerce has led to a rise in consumer packaging
- ▶ Recycling infrastructure is outdated, fragmented, and insufficient
- ▶ Market value of recycled content has plummeted since China's National Sword policy in 2018
- ▶ Local recycling programs have become significantly more expensive

Current Packaging Decisions are Made without Regard for Source Material Reduction or Recyclability



Packaging Material and Recycling in Maryland

- ▶ **The costs of local recycling programs have risen dramatically:**
 - ▶ Baltimore City: revenue of \$598,325 in 2010 and loss of \$1,636,136 in 2019
 - ▶ Charles County: revenue of \$30,000 in 2015 and loss of \$700,000 in 2019
 - ▶ Frederick County: loss increased by 99% from 2017 to 2020 due to an 88% decrease in revenue plus higher processing and transportation costs
- ▶ In a 2020 statewide survey, many counties specifically requested:
 - ▶ the development of markets for recycled materials,
 - ▶ funding for recycling programs
 - ▶ producer responsibility for packaging programs



The Solution: Producer Responsibility for Packaging

HB 284 / SB 222

Producer Responsibility for Packaging (PRP) Framework

- ▶ PRP shifts costs of recycling from taxpayers and local governments to producers of packaging and encourages producers to make smarter packaging choices
- ▶ PRP already applies to many products in Maryland, such as batteries, tires, products that contain mercury, various electronics, and hopefully soon, paint
 - ▶ Existing PRP programs function as “take-back programs” that the producers stand up
- ▶ This bill creates producer responsibility for packaging materials

Producer Responsibility for Packaging: What this Bill Does

- ▶ Provides reimbursement for recycling operations and funding to modernize recycling infrastructure to meet local governments' needs
- ▶ Sets environmental goals for reducing packaging, using post consumer recycled content in packaging, and improving recyclability and recycling rates of packaging
- ▶ Creates more reliable markets for recycled content to increase revenue for local governments

Goals of this Bill

- ▶ Reduction of packaging materials
- ▶ Diversion of packaging waste from landfill or incineration
- ▶ Financial support for local governments
- ▶ Improvements to reuse, recycling, and composting infrastructure
- ▶ Improvement of recycling markets
- ▶ Increased recycling rates
- ▶ Reduced contamination of recycling stream



MDE conducts needs assessment MDE reviews and approves plan MDE conducts oversight and enforcement

Producers create and fund PRO

Advisory Council provides input

PRO develops a responsibility plan

PRO reimburses local gov'ts for collection, transportation, sorting, and processing costs

Investments in recycling, reuse, and composting infrastructure



How It Works

- ▶ **Maryland Department of the Environment (MDE)** conducts a needs assessment in partnership with local governments on recycling infrastructure and processes in the state
- ▶ Producers that make packaging choices (e.g., Amazon, Walmart, Unilever, Procter & Gamble) create a **Producer Responsibility Organization (PRO)**. Each PRO creates a **Producer Responsibility Plan** approved by MDE. The plan must detail:
 - ▶ Performance goals for reducing packaging, using postconsumer recycled content in packaging, and improving recyclability and recycling rates of packaging
 - ▶ How the PRO will fund the modernization of recycling infrastructure and reimburse local governments for recycling operations
- ▶ An **Advisory Council** comprised of stakeholders (e.g., local gov't, collectors, processors, PROs, environmental advocates, residents) provides input on the plan

Producer Responsibility Plan: Components

- ▶ Membership
 - ▶ Which producers and brands are covered by the PRO?
- ▶ Performance goals
 - ▶ What are the specific environmental goals (e.g., recycling rates, post-consumer recycled content)?
 - ▶ Goals set by material type
 - ▶ Required goal: 25% reduction of packaging per material type within 5 years
- ▶ Implementation plan
 - ▶ How performance goals will be met or exceeded
 - ▶ Staffing and administration

Producer Responsibility Plan: Components

- ▶ Stakeholder engagement
 - ▶ How stakeholders (local gov't, recyclers, haulers, etc.) were engaged in the development of the producer responsibility plan
- ▶ Staffing
 - ▶ How the staffing and administration of the plan will be handled
- ▶ Product design
 - ▶ How the PRO will collaborate to reduce packaging through better product design
- ▶ Plan for public outreach and communication
 - ▶ How the PRO will conduct public outreach, education, and communication to promote responsible management of post-consumer packaging

Producer Responsibility Plan: Financing

- ▶ Payment structure for Producers
 - ▶ How much a producer will pay their PRO is based on their packaging (i.e.: if a producer uses packaging that is reusable, recyclable, etc., they will be responsible for a smaller percentage of the payment)
- ▶ Reimbursements
 - ▶ 1) local governments - for management of post-consumer packaging
 - ▶ 2) local governments - for improving reuse, recycling, and composting infrastructure
 - ▶ 3) MDE - for overseeing the program

Accountability

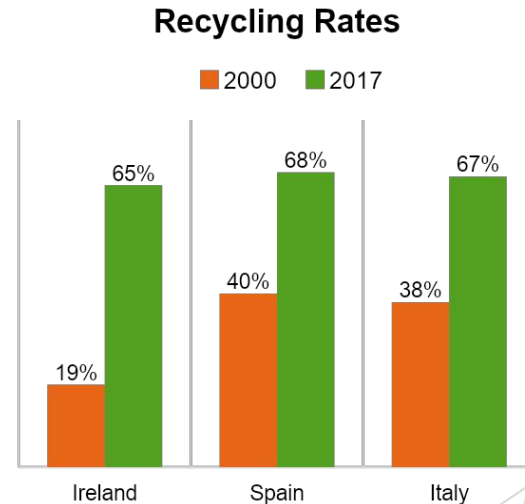
- ▶ **Oversight**
 - ▶ Advisory Council provides input on producer responsibility plan
 - ▶ MDE must review and approve producer responsibility plan, and reauthorize the plan regularly
 - ▶ PRO financing is subject to independent audits
- ▶ **Reporting requirements**
 - ▶ Producers submit reporting to MDE with accounting, progress towards environmental goals, infrastructure investments, etc.
 - ▶ Reporting is posted on public website
- ▶ **Penalties**
 - ▶ Producers are prohibited from selling, importing, or distributing packaging in MD if they are not part of PRO or submitting an independent producer responsibility plan - subject to civil penalties

Key Points

- ▶ Producers bear the cost of the packaging they design
- ▶ **Incentivizes better design and stewardship of packaging, benefitting both local governments and the environment**
- ▶ Small producers (<\$1 million annual revenue) and nonprofits are exempt
- ▶ Primarily impacts large multi/national organizations that are already paying these fees in other nations

PR for Packaging: Momentum at home and abroad

- ▶ PR for packaging exists in countries around the world and many Canadian provinces
- ▶ Nations with well-established PR for packaging programs have higher recycling rates (70-80% in Europe vs. 50% in U.S.) and lower rates of contamination in the recycling stream (8% in British Columbia vs. 25% in the U.S.)
- ▶ Europe receives \$5.5 billion annually from packaging industry to fund recycling
- ▶ PR for packaging is taking off in the U.S. with bipartisan support:
 - ▶ Legislation was passed by Maine, Oregon, Colorado, and California and is being considered at the federal level and in at least 11 other states (CA, CO, CT, HI, IL, IN, MA, MD, NY, VT, WA)



What will this bill do for Maryland?



- ▶ Make better use of taxpayer dollars, save local governments money, and increase profits from recycling



- ▶ Improve recycling infrastructure and strengthen recycling markets



- ▶ Reduce packaging waste









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Financing: Examples of fees abroad



Recyclability:

- Easy to recycle: **lower fees**
- Recycling in development: **medium fees**
- Not recyclable: **highest fees**



Source Reduction:

- Source reduction: **8% bonus**
- Recycled content: **50% bonus**
- Consumer outreach efforts: **5%-12% bonus**
- Hard to recycle/low quality: **10-100% penalty**



Lifecycle Impacts:

- Recycled content: **20% credit**
- *Eco-design & Circular Economy team exploring GHG emissions criteria*



Market Value:

- Low fees if **recycled**
- High fees if **incinerated**

Financing: Reimbursement examples in Canada

	Stewardship Ontario	Recycle BC	Multi-Material Stewardship Manitoba	Éco Entreprises Québec	Multi-Material Stewardship Western
<i>Funding model</i>	<i>50% Reimbursement</i>	<i>Full EPR (100% Costs Covered)</i>	<i>80% Reimbursement</i>	<i>Formula-Based Reimbursement (Avg. 93%)</i>	<i>75% Reimbursement</i>
2019 Contributions (USD)	\$92,276,212	\$68,992,814	\$13,075,943	\$111,281,791	\$6,639,002
2018 Contributions (USD)	\$90,473,425	\$90,473,425	\$13,115,154	\$100,156,732	\$3,241,550

Financing: Québec case study

Table 3: Average Municipal Collection, Transport, and Processing Costs and Estimated Reimbursement from Éco Entreprises Québec, 2018 (Converted to USD)^{xi}

Municipal Group	Average Collection & Transport Costs (USD)	Average Processing Costs (USD)	Average Collection, Transport, and Processing Costs (USD)	Average Reimbursement (%)	Estimated Reimbursement per Municipality (USD)
Large Rural	\$1,148,272	\$586,359	\$1,734,631	95.1%	\$1,648,680
Mid-Size Rural	\$243,408	\$73,491	\$316,900	92.5%	\$293,184
Small Rural	\$23,847	\$4,852	\$28,699	90.3%	\$25,925
Large Metro-Area	\$1,748,038	\$479,450	\$2,227,488	94.5%	\$2,104,832
Mid-Size Metro-Area	\$120,754	\$19,584	\$140,338	91.8%	\$128,833
Small Metro-Area	\$24,120	\$3,648	\$27,768	92.6%	\$25,718
OVERALL AVERAGE	\$551,407	\$194,564	\$745,971	92.80%	\$704,529