

EPR FREQUENTLY ASKED QUESTIONS (FAQS)

QUESTION: WHAT IS THE RECORD OF THE PAPER INDUSTRY WHEN IT COMES TO RECOVERY AND RECYCLING?

ANSWER: It's very good. In 1990, we recovered about a third (33.5 percent) of the paper consumed in the U.S. At that time, the industry launched a voluntary, market-based program with specific targets, with the pledge to publicly release results each year. By 2013 (the most recent year data), we nearly doubled the paper recovery rate reaching 63.5 percent. In addition, during this same period of time, we have reduced paper and paper-based packaging sent to landfills by 51 percent, going from 41 million tons to about 20 million tons.

QUESTION: WHY DOES PAPER HAVE SUCH A STRONG RECORD OF RECOVERY AND RECYCLING COMPARED TO OTHER PRODUCTS?

ANSWER: There are several factors contributing to various commodities' recovery rates for recycling (according to EPA data for 2011: glass: 27.7 percent; aluminum: 19.8 percent; and, plastic: 8.8 percent). Our successful paper recovery rate, is a result of public education and outreach, a commitment by the industry, and a vibrant market-based collection structure to recover fiber that have made recovering paper for recycling both good business and good for the environment. In the case of other commodities, sometimes the problem is the cost of initial recovery. In other instances, the challenge is that the market demand for those recyclables drops. What is clear is that imposing government policies and programs that would undermine the success of the existing recovery structure would be unwise as it pertains to paper.

QUESTION: WHAT DOES THE INDUSTRY PROPOSE TO DO IN THE FUTURE?

ANSWER: We are already making strides toward the future through our sustainability initiative - *Better Practices, Better Planet 2020*. Goals were established in six areas, all of which we've made great progress toward achieving: increasing paper recovery for recycling, increasing energy efficiency, reducing greenhouse gas emissions, promoting sustainable forestry practices, improving safety, and reducing water consumption. For recovery, the goal is to achieve a paper recovery rate exceeding 70 percent by 2020.

QUESTION: IN 2013, THE RECOVERY RATE FOR RECYCLING WAS 63.5 PERCENT. THE INDUSTRY HAS MADE A COMMITMENT TO ACHIEVE A 70 PERCENT RECOVERY GOAL BY 2020—A MODEST INCREASE BY ANY STANDARD. DOES NOT THIS SUGGEST THAT YOU ARE NEARING THE LIMITS OF WHAT CAN BE ACCOMPLISHED RELYING STRICTLY UPON THE VOLUNTARY, MARKET-BASED SYSTEM YOU FAVOR?

ANSWER: The closer you get to 100 percent of anything, the harder it is to make gains. The industry shares the goals of product stewardship that increase recovery for recycling. We oppose policies that threaten to undermine the existing structure that is working so well in the case of paper. There are policies that, while well intentioned, could actually reduce the amount of recovery and recycling already taking place as a result of distorting the existing market. That is the case with Extended Producer Responsibility (EPR). Finally, at some point, we will reach the ceiling for what is practical to recover for the purpose of recycling. Some paper is not suitable for recovery and recycling.

The bottom lines are clear. Do no harm to the existing structure that is succeeding for paper. Fully explore possibilities that might further improve recovery and recycling rates. Do not put new programs into place that could reduce recovery and recycling rates.

QUESTION: WHAT IS EXTENDED PRODUCER RESPONSIBILITY (EPR) AND HOW WOULD IT OPERATE?

ANSWER: The basic idea behind EPR is to shift the responsibility for the “end of life” management of products and/or packaging from a municipality to the manufacturer or brand owner. This means the cost of recovering these items or disposing them shifts from the municipality to those involved in making the packaging, using the packaging, or selling products contained in the packaging. Just who would do what, or pay what, is very unclear.

QUESTION: WHAT IS WRONG WITH EPR?

ANSWER: We share the objective of doing the things that will maximize the amount of recovery and recycling. When it comes to paper, however, EPR is a solution seeking a problem. In just over 20 years, we have increased the

recovery rate from 33.5 percent to 63.5 percent. We have reduced by 51 percent (from 41 million tons to about 20 million tons) of paper being sent to landfills. This was all accomplished utilizing a voluntary, market-based approach.

There are specific deficiencies in EPR:

- Imposing strict mandates, penalties, and fees will unnecessarily increase costs for consumers and may create distortions in the free flow of recoverable commodities such as paper and paper-based packaging. There will be disproportionate impacts from these fees. EPR does not recognize or reward packaging materials that have already achieved success in the existing market-based system. These distortions could easily have the unintended consequence of actually increasing the use of less recyclable materials as the result of overly valuing one attribute of a product over another such as weight.
- Distortions threaten to dismantle the existing and effective infrastructure that exists to recover and recycle paper. By failing to take all the facts into account, EPR could unintentionally be picking winners and losers. This is something the market should do.
- Creating a new regulatory bureaucracy (a Producer Recycling Organization, or “PRO”) to oversee recovery and recycling is unwise at best.
- EPR proponents assert that this type of program is needed because “consumers lack access to efficient, consistent, comprehensive, and reasonably priced recycling, while the volume of waste continues to increase at an alarming rate.” In fact, according to the AF&PA Community Survey, 87 percent of Americans have access to community curbside and/or drop-off paper recycling. The statistics on the rate of recovery and recycling (nearly two-thirds) and amount of waste going to landfills (cut by more than half) make this sort of assertion virtually nonsensical.

QUESTION: SOME EPR ADVOCATES CLAIM THEIR APPROACH IS MARKET-DRIVEN, DO YOU AGREE?

ANSWER: No. Whether they call it Extended Producer Responsibility or Market-based Recycling – the truth remains this proposal would be the imposition of a bureaucratic system of fees and mandates that is far from market-based. This approach would lead to increased costs for consumers and threaten to distort the free flow of recoverable commodities such as paper and paper-based packaging. It is simply disingenuous for proponents of EPR to describe what they seek in those terms.

QUESTION: WHY WOULD EPR DISRUPT EXISTING MARKETS?

ANSWER: Currently, there is a free flow of recoverable commodities. The market decides what goes where. Under EPR, a new bureaucracy (the PRO) would decide what should happen. For instance, by imposing this arbitrary structure on the paper industry, incremental gains in recovery may become cost prohibitive, since the existing rate of recovery is already so high. When that happens, existing markets will definitely be disrupted. It is a generally recognized economic fact that disruptions to efficient markets are counterproductive. It is worth noting that in places that have an EPR structure (e.g., European countries), the rate of recovery and recycling for paper is less than in the United States.

QUESTION: WHAT IS A PRODUCER RECYCLING ORGANIZATION (PRO)? HOW WOULD IT OPERATE?

ANSWER: Under EPR, a Producer Recycling Organization (PRO) is a gathering of the commodities associated with products and packaging that are to be recovered or disposed: paper, plastic, aluminum, glass, and steel. Its role would be to manage the collection system in a way that meets government's recovery mandates. Some have suggested that each commodity would operate its own PRO. Others have suggested they be combined under one roof. It is very unclear what the actual structure would be. Most proposals would have the government impose strict mandates, penalties, and fees on the PRO in the hope this would increase rates of recovery and recycling. One way of looking at this is that a PRO would, in many ways, be a new regulatory bureaucracy. It is even unclear how the PRO would determine just who it is "owns" the packaging in question. For example, suppose a box is made in Minnesota. It gets filled with cereal in Michigan. The filled package is then sent to a store in Illinois. A shopper from Indiana crosses the border and buys the box of cereal and takes it home. Just whose box is it, and how does a PRO efficiently and effectively deal with it?

QUESTION: WHO ARE THE FORCES BEHIND EPR?

ANSWER: There is no single group or individual. Recycling Reinvented (founded and funded by Nestlé Waters) and other environmental groups have been outspoken proponents of EPR. The leaders of Recycling Reinvented have

targeted several states (Delaware, Maryland, Minnesota, North Carolina, Rhode Island, and Washington) to get legislation introduced and potentially passed in 2014-2015.

Nestlé Waters' interest in EPR is purely economical. They believe that it will be most beneficial for them to have EPR programs established because the potential cost of obtaining recycled feedstock will be much lower, because other commodities are basically helping to subsidize their cost of recovery.

QUESTION: 20 MILLION TONS OF PAPER STILL FINDS ITS WAY TO LANDFILLS EVERY YEAR. WHAT IS THE COMPOSITION (THE PRODUCTS— NOTEBOOK PAPER, FOOD CONTAINERS, ETC.) OF THAT WASTE?

ANSWER: What is important to know is the amount of material recovered for recycling, and our industry is undertaking an intense research project to identify the current paper recovery rate in targeted states to allow for a more informed process.

QUESTION: SINCE NEARLY 20 MILLION TONS OF PAPER IS STILL SENT TO LANDFILLS EACH YEAR, DOESN'T THAT MEAN YOU ARE NOT DOING A GOOD JOB AND THAT WE NEED A PROGRAM SUCH AS EPR TO GET YOU TO DO MORE?

ANSWER: No. While it is true that about 20 million tons of paper is sent to landfills each year, this represents a 51 percent reduction as result of our efforts since 1990, when 41 million tons a year were landfilled). The industry continues to increase the amount of paper recovered for recycling. The market for recovered fiber is strong and the industry needs more fiber to supply the demand. When our recovery rate (at 63.5 percent) is more than twice as high as any other commodity, common sense tells you the room for improvement does not start with paper.

QUESTION: SHOULD NOT ANY COMMODITY HAVING A POOR RECOVERY AND RECYCLING RATE BE SUBJECT TO PENALTIES AND FEES?

ANSWER: Paper would hardly be a candidate for such penalties and fees, given the overall recovery record we have achieved. Paper should not be made to subsidize the costs of recovery of other commodities that do have low rates of recovery and recycling.

QUESTION: WHAT CAN THE INDUSTRY AGREE TO DO BEYOND WHAT IT CURRENTLY DOES?

ANSWER: We do not have all the answers; however we do believe that our outstanding record and goals for the future deserve to be taken into account as other options are considered. Our experience has been that voluntary, market-based programs work the best. An emphasis on educating the public on the benefits of recycling and what they can do to help increase recovery rates is a good thing. Before any single program is fully embraced, a complete and fair study is needed to assure you do no harm.

QUESTION: WHAT ALTERNATIVE WILL THE INDUSTRY SUPPORT?

ANSWER: There is no single addition to the existing system we would support at this time in every state under every condition. We know the voluntary, market-based approach in place is a success when it comes to paper and paper packaging. What addition would be helpful (or harmful) in one state could be quite different than what is the case in another state. Again, we need to assure nothing is done that negatively impacts the existing system.

QUESTION: HOW CAN YOU BE SURE THAT PEOPLE HAVE ACCESS TO RECYCLING PROGRAMS?

ANSWER: Eighty-seven percent of Americans currently have access to community curbside and/or drop-off paper recycling. We need to continue to emphasize the need for increased education and recognize outstanding schools, businesses, and communities that could be used as model programs for others.