



DATE: April 25, 2018
TO: WMA Board and Recycling Board
FROM: Wendy Sommer, Executive Director
BY: Tom Padia, Deputy Executive Director
SUBJECT: National Sword/Recycling Markets Update

SUMMARY

Recent policy changes and restrictions imposed by the Chinese government on imports of specified recyclable commodities have had severe impacts on recycling collection and processing globally, including on municipal programs in the East Bay. Staff will discuss these impacts as they are currently unfolding, and efforts underway to address areas of common regional concern.

DISCUSSION

In October of last year, the WMA Board heard from Michael Peltz, commodities broker for Waste Management Inc. and Evan Edgar, solid waste consulting engineer, about the potential impacts of China's new policies and the state of recycling overall in California.

Since October the proposed Chinese policies have been implemented and resulted in severe contractions of global demand for mixed paper and, to a lesser extent, mixed plastics, as well as depressed prices for other curbside commodities such as Old Corrugated Containers (OCC). The policies have included:

- Reduced tolerance for contaminants (from 5+% to 0.5%)
- Zero tolerance for food waste contamination
- Restricted import license allowances and outright bans on import of certain mixed grades of recyclables.

Other overseas consumers of secondary commodities are following China's lead and demanding stricter quality control.

Stockpiling of bulky commodities for more than a few weeks is not a viable option for most local recyclers. Processing facilities are slowing down their lines and adding labor and mechanical resources to produce cleaner products, resulting in higher levels of residuals, lower productivity and

higher costs. Trade articles from around the country and the world document the increasing costs and declining revenues of municipal recycling programs, the landfilling of some or all materials collected in some locations and the shuttering of some Materials Recovery Facilities (MRF's).

As of the writing of this memo, landfilling of recyclables (primarily mixed paper) has yet to occur locally, but ability to market loads for zero or negative pricing (i.e. paying a broker to take your materials) changes daily and there are no assurances that markets will continue to absorb the mixed paper collected throughout the county. Mixed paper may constitute approximately 35% by weight of recyclables collected in residential municipal programs. Markets for metal food and beverage containers (steel and aluminum), glass containers, OCC, and PET (#1) and HDPE (#2) plastic bottles appear to remain robust enough to absorb all materials collected and processed.

At the April 5 TAC meeting, a commodities broker and several local haulers/MRF operators made presentations regarding the changing landscape of materials markets and the urgent challenges created. Representatives from nearly all of the franchised haulers and recyclables processors in the county were in attendance. A task force was proposed to address issues of common concern in this crisis, to develop consistent messaging and talking points for communicating with residents, businesses and the media, and to develop guidance considerations for decision makers in the immediate, short and long-term time frames. Task force participants will include public agency staff and representatives of the haulers/processors from Alameda County, and potentially from the larger region. The first meeting of this task force is scheduled for Thursday, April 26, 2018 at StopWaste, with representatives from just Alameda County stakeholders to start.

Staff will keep the Board updated with current market changes and guidance from the Task Force as they develop and are produced.

RECOMMENDATION

This item is for information only.