



DATE: March 14, 2019
TO: Planning Committee/Recycling Board
FROM: Meghan Starkey, Senior Management Analyst
SUBJECT: Municipal Sword: Local Impacts of China’s National Sword

SUMMARY

Several times a year, staff assembles a panel of representatives from the member agencies to speak on a topic of interest to the Recycling Board. At the March Recycling Board meeting, representatives from Berkeley, Fremont, Livermore and San Leandro will discuss the local impacts of China’s National Sword policy, which has had a dramatic negative impact on the ability of recycling commodities (such as mixed paper) to find markets.

DISCUSSION

In January, 2018, China began an ambitious new effort to clean up pollution, known both as the “Blue Sky Initiative” or “National Sword.” China has several objectives affecting recycling markets in the U.S.: closing down any old, coal powered factories that were handling recycling; cleaning up the environmental litter associated with the import of recyclable materials such as paper and plastic; and shifting to domestic sources of recyclable commodities. As a result, China suddenly curtailed imports, and implemented stringent new contamination guidelines. On a practical level, the new inspection protocol for contamination has effectively banned all recyclables at certain times. Even when the materials would meet the stated standards, inspectors have been rejecting loads nonetheless.

The effect on U.S. recycling markets was sudden and dramatic. Most importantly, the economics of recycling were undermined. In 2017, service recyclers were receiving between \$75-\$100/ton for baled mixed paper and between \$150-\$175/ton for cardboard. In the initial aftermath of the policy, prices for mixed paper plummeted to between -\$20 to \$6/ton and below \$100/ton for cardboard. Recyclers also had to find new outlets for their materials, with several other Asian countries (such as India, Vietnam, the Philippines and Indonesia) taking material that previously went to China. However, these markets aren’t stable long term, as they cannot absorb the volume that was previously imported by China. Certain ports in Asia were reported to be backed up with ships trying to get in, while several countries have increased the stringency of their own contamination thresholds. Plastics recycling has been somewhat more stable, but still encountering price impacts and long-term market vulnerability.

Since garbage and recycling rates were set with the assumption of certain prices for recyclable commodities, services providers saw an immediate and drastic decrease in revenue, as well as an

increasingly hard time moving the materials, even without consideration of price. After the initial shock, recycling markets have stabilized somewhat, although current prices are far below previous prices. Local processors have been reporting prices under \$20 for mixed paper, while the latest price according to industry publications is -\$3/ton. It is too soon to see whether this is the “new normal.”

In late 2018, no service providers in Alameda County were reported to be disposing of any recyclable materials, which, for most franchisees, would be forbidden unless there were changes in the agreements. Various member agencies have reported that their processors are slowing down MRF lines and hiring more workers to reduce contamination, simultaneously leading to an increase in residuals.

Based on these developments, a number of changes are anticipated for local programs:

- Rate increases (both short and long term)
- Reduction in the list materials accepted by the programs
- Additional public education to reduce contamination
- Additional processing, including “pre-processing” by other providers

While some have urged local development of paper mills, those facilities would be practically impossible to site given their energy requirements and waste water issues. Plastics recycling facilities are more likely to be developed domestically, either with U.S. or Asian companies, although it will require time and perhaps additional governmental support.

StopWaste convened a local Task Force, comprised of member agencies and their service providers, in March 2018. The purpose was to create a unified front and agree to consistent talking points regarding current recycling market challenges created by the import policy. Given that all franchises are solely the responsibility of member agencies, StopWaste has not been involved in any program or contract changes between providers and member agencies. The next meeting of the Task Force will be March 28, and a statewide task force is currently being considered.

RECOMMENDATION

This item is for information only.