



September 30, 2013

Comments on the Minnesota Draft Recycling Refund Program Design

On behalf of the Glass Packaging Institute (GPI), I am pleased to provide the following comments on the Draft Recycling Refund Program Design (referred to in our comments as the “program”). GPI is the North American trade association for the glass container manufacturers, glass recyclers, and suppliers of materials, equipment and transport to the industry. GPI members operate 48 glass container manufacturing plants in the country, as well as two glass recycling and processing plants St. Paul, along with a recycling depot facility in Owatonna.

Background:

It is important to understand that GPI member companies recognize the importance of supporting sustainability initiatives including conserving energy, saving raw materials, reducing air emissions (including NO_x, SO_x, PM and greenhouse gases such as CO₂) and being fully committed to “Reduce / Reuse” in all aspects of plant operations e.g. water, cardboard, lubricants, electricity, etc.

When glass plants can increase the levels of recycled glass as part of the overall batch mix, they can reduce furnace temperatures, resulting in reduced energy use and lower greenhouse gas emissions. This is also true of other packaging and manufacturing industries. For glass container manufacturing, one ton of carbon dioxide is reduced for every six tons of recycled container glass used in the manufacturing process. Energy use at the glass container plants also drop about 2-3% for every 10% recycled glass used in the manufacturing process.

Based on the forgoing, it should come as no surprise that GPI member companies are strongly impacted by the outputs of the municipal solid waste and recycling streams. A top priority for GPI is to divert and recycle glass containers currently in the Municipal Solid Waste (MSW) stream, and to ensure that as many containers as possible are re-melted in the production of new glass containers.

GPI has established a 50% recycled content goal for the manufacture of new glass containers. Success in achieving that goal is largely dependent on the strength of the recovery systems that generate recycled materials purchased by our industry. GPI estimates that more than 65% of recycled glass comes from the 10 states with beverage container recycling refund programs. There are important reasons why the rates are high from those 10 states:

1. The deposit provides a strong personal incentive to return the container to be recycled. It is this critical piece that the Minnesota recycling systems do not currently incorporate, which results in lower participation in what is widely recognized as a state-of-the-art single stream recycling system.

2. Once returned, the containers are kept separate from other recyclables eliminating the cross contamination. This results in several highly valued commodity streams providing the best opportunity for those commodities to be sold for maximum value and return in the form of a manufactured product.

Accordingly, GPI members are vigorously engaged at the local, state and federal levels to improve collection systems, improve the usability of quality of recyclables for manufacturers and better link collection systems with end markets.

It is important to understand the fate of glass beverage containers when they are collected in a single stream manner. Largely as a result of the collection process, glass beverage containers are unable to be sorted and cleaned sufficiently for reuse in a manufacturing process. As such, the majority of glass collected via single stream ends up as cover for landfills, or is utilized in one-time lower value applications, including roadbed aggregate. Recycling refund programs that focus on beverage containers keep the glass separate from other collected materials, and well over 90% of the containers collected in this manner are eventually purchased for reuse in the manufacturing process.

Also, unlike beverage container recycling refund programs, curbside programs alone do not have a demonstrated ability to reduce litter from public areas. However, single stream curbside, beverage container recycling refund programs, along with drop-off programs can collect a broader spectrum of materials, and therefore work cooperatively with each other to achieve a greater overall improvement in recycling. A properly designed beverage container recycling refund program could add millions of dollars to these other recycling systems to aid in their recovery. Additionally, the wear and tear on capital-intensive sorting and processing machines at recycling recovery facilities can be greatly reduced if a portion of covered beverage containers is removed from the process.

The creation of a beverage container recycling refund program in Minnesota has enormous potential to increase the beverage container recycling recovery rate within Minnesota, assisting in important reductions in energy use and emissions levels for in-state and nearby manufacturers. Further, adoption of such a program means that about 3 billion containers worth more than \$50 million dollars of aluminum, PET and glass beverage containers that currently end up in Minnesota's landfills, as highway or as waterway litter each year will be recovered, and sold in the commodities markets.

Comments on the Draft Program Design:

The program places the refundable deposit on covered beverage containers at 10 cents. Currently, the only state in the country with a 10-cent deposit is Michigan, a state that also leads the nation in beverage container recovery for covered containers, capturing well over 90%. We believe the 10-cent refundable deposit will act as a very strong incentive and propel the success of the program, while achieving the highest possible recovery rates.

All of the recovered glass beverage containers have a ready market for re-use in the manufacturing process. Recovered glass within the program would greatly increase the local use of recycled glass, while at the same time, contributing to in-state recycling and processing value. In addition, the glass beverage containers recycled in deposit

systems often travel to other states for eventual re-use in the glass container manufacturing industry. The current market is such that there is an enormous demand in the mid-west for clean recycled commodities – aluminum, PET and glass. Consequently the material commodity tonnages that Minnesota would contribute as a result of implementing a deposit system and the accompanying high quality of that material into the recycling industry could only help this demand.

The scope of the program, to include numerous types of beverages and containers is also a section of the program that GPI and its member companies support. No particular package, or competing beverage, should be excluded from the enormous recovery potential and subsequent program inclusion.

The proposed Beverage Container Recycling Organization (BCRO), tasked with overseeing the program, is an important component of the program's future solvency and success. In addition to the proposed governance structure of the BCRO, glass recycling operations, suppliers of equipment for the program, ENGOs and importantly, the end-use markets, including glass container manufacturing and similar operations should be provided ample opportunity to provide input on program design. These companies and organizations have vast experience with existing beverage container recycling refund programs around the country, and can bring their leadership and expertise to the table, should a Minnesota program be established by the legislature.

The BCRO, as designed, would be tasked with establishing requirements for redemption centers, retail outlet returns, distribution of program funds and organization of redemption centers, among other critical responsibilities. It is important to GPI that the return of covered containers be convenient for the consumer, as this will enhance the success of the program. Handling fees are a crucial part of any beverage container program, and should be an amount that will enable redemption center owners to successfully run their programs.

Disposition and use of program funds should also be carefully considered. Most of the funds in states with existing beverage container recycling refund programs are drawn from the unredeemed deposits, accumulated when consumers chose not to return their containers or recycle them in another manner. Program funding, as currently outlined in the draft, should remain in the BCRO, and used in a manner that supports all program components. It should not be directed for use in the state's General Fund or for other unrelated purposes, regardless of balance or surplus in any given fiscal year. That being noted, with an anticipated higher recovery rate, in contrast to similar programs with 5-cent deposits, less money should be expected for program expenditures.

The performance goal of 80% recovery is not only reasonable, it is clearly achievable as the average recovery of beverage container recycling refund programs around the country is above this. As we mention earlier in our comments, with a deposit of 10 cents, this rate is likely to be over 90% as Michigan has consistently experienced, making it among the most successful recycling programs of any kind in the country. This being noted, we strongly encourage the final program to set a date specific timeline to achieve the stated 80% recovery goal.

GPI would like to thank the Minnesota Pollution Control Agency and the legislature for their consideration of a beverage container recycling refund program.

Please consider GPI and its member companies a resource and advocate for recycling related issues.

Sincerely,

A handwritten signature in black ink that reads "Lynn M. Bragg". The signature is written in a cursive style with a large initial 'L' and 'B'.

Lynn M. Bragg
President