



JUNE 21, 2016

DISPOSAL UP, INCENTIVES DOWN

AB 341 (Chesbro, 2011) was signed into law and set the statewide recycling goal of 75% by 2020, instituting mandatory commercial recycling in 2012. Ironically, with AB 341, the amount of disposal has increased by over one million tons per year each year, with the disposal indicator increasing from 4.3 pounds per person per day (PPD) in 2012, to 4.4 PPD in 2013, to 4.5 PPD in 2014, and 4.7 PPD in 2015. A disposal indicator of 2.7 PPD is needed to reach the AB 341 75% recycling rate in 2020.

California will not achieve the 75% recycling goal but may achieve a 60% recycling rate with AB 1826 implementation and enforcement. Over 400 Recycling Centers were shuttered in California last year. Wood chips are piling up, possibly losing over one million tons per year of capacity as biomass energy feedstock. The AB 341 recycling rate has slipped to 47% in 2015 as California has been seduced by the glossy AB 939 diversion rate which includes landfill-based diversion and waste generation inflation to boost a statewide 63% diversion rate in 2015. The rebounding economy with wage increases is being blamed for the increase in disposal, but mandatory commercial recycling was supposed to accommodate this growth. The fate of recycling has been the top nationwide industry story where the increase in disposal volume and pricing has countered the loss of recycling revenue and pacified Wall Street for the time being.

At the CalRecycle “Conversation about Recycling Commodity Prices: Trends and Impacts to California” workshops, it was noted that falling oil prices, a global economic slowdown, and a strong dollar are hurting pricing. The ISRI Index of commodity pricing has dropped

almost 50% since 2011. Without hope of a rebounding futures markets, the recycling industry is forced to seek ratepayer increases at the local level and a revamping of the methodology in which commodity revenue is shared with local government. The industry is getting skittish on outlaying huge capital investments.

At the state level, AB 1063 (Williams) could have provided a ‘Bale Out’ with a \$4 per ton landfill tip fee resulting in \$30 million over 5 years to support developing the domestic recycling manufacturing capacity. AB 1063 has been held in Committee being labeled as a ‘tax’ and not a ‘fee’

even though there is a clear nexus to support recycling. The Governor’s Office is being briefed on June 27 regarding a UC Berkeley Study, ‘Wasting Opportunities’ calling for a \$10 per ton tip fee to off-set cheap landfilling to encourage recycling and energy recovery.

The CalRecycle “AB 341 Report to the Legislature” was submitted in August 2015 which prioritized ‘Expanding the Recycling/Manufacturing Infrastructure’ and ‘Exploring New Approaches for State and Local Funding’ recommending a series of statutory changes. The sales tax exemption for recycling equipment is being crowded out and delayed, and the cap-and-trade revenue is being held hostage again this year. As the market remains flat, there looks like there will be no ‘Bale Out’ or a tip fee increase for funding or any other incentives which leaves the industry with begging rights for possible local rate increases.

“The AB 341 recycling rate has slipped to 47% in 2015...”

DISPOSAL TONS

Pounds Per Person Per Day (PPD)

2012 4.3 PPD
29.3 million disposal tons
50% statewide recycling rate

2013 4.4 PPD
30.2 million disposal tons
50% statewide recycling rate

2014 4.5 PPD
31.2 million disposal tons
50% statewide recycling rate

2015 4.7 PPD
33.2 million disposal tons
47% statewide recycling rate

2020 2.7 PPD goal
20.0 million tons
75% statewide recycling rate

Source: CalRecycle

“Bale Out” is published by Edgar & Associates, Inc, which is a Registered Lobbying Firm with the FPPC, representing haulers, recyclers, and processors statewide.

Edgar & Associates also provides professional services to the industry on hauling, recycling, land use, permits, grants, and business development.

Edgar
& Associates

REGULATORY AFFAIRS

CAEATFA AB 199 Regulations

On October 11, 2015, Governor Brown signed into law AB 199 (Eggman), an urgency bill that expands eligibility under the California Alternative Energy and Advanced Transportation Financing Authority's (CAEATFA) existing Sales and Use Tax Exclusion Program to include equipment that processes or utilizes recycled feedstock. "Recycled feedstock", as defined in the applicable language from Public Resources Code, means "materials that would otherwise be destined for disposal, having completed their intended end use and product lifecycle". CAEATFA suspended acceptance of new applications in November 2015 while the regulations for AB 199 projects are developed and additional program revisions are made. AB 199 projects will get the first shot at remaining funds set aside (\$23 Million) this summer, however, demand may exceed supply.

CAEATFA has proposed several regulatory modifications in addition to the incorporation of AB 199 additions. Projects will be subject to an annual cap of \$20 million, with new project readiness requirements, along with a streamlined application format. Projects will continue to be accepted and processed on a first-come, first-served basis but may become competitive in the event of oversubscription. Projects will be graded on readiness (20% minimum purchases in first year), environmental benefits (GHG reductions using the EPA WARM model), and economic/fiscal benefits (increases in jobs, sales tax generation, etc.). AB 1683 (Eggman) to increase the program to \$200 million per year failed to get out of Committee last month.

AB 341 Compliance – MCR and the 75% Recycling Goal

CalRecycle presented the 'Statewide Per Capita Disposal, Diversion, and Recycling Rate for CY 2015' at their June 21 meeting (link below). Disposal jumped by 2.0 million tons in just one year decreasing the statewide recycling rate to just 47% in 2015, where the statewide goal of 75% recycling in 2020 now appears impossible. Compliance with AB 341's Mandatory Commercial Recycling must be failing as disposal and wage increases has not been uncoupled with California being unable to recycle the economic growth since 2012 when AB 341 become effective. <http://www.calrecycle.ca.gov/Actions/Documents%5c85%5c20162016%5c1649%5c2015%20-%20Statewide%20Progress.pdf>

AB 901 Facility Regulations

Waste, recycling, and compost facilities, as well as exporters, brokers, and transporters of recyclables or compost will be required to submit information directly to CalRecycle on the types, quantities, and destinations of materials that are disposed of, sold, or transferred inside or outside of the state. CalRecycle also gains enforcement authority to collect this information. This will be a controversial regulatory process with the reporting starting in the first quarter of 2018. Green waste to land application is in play as well as reporting those biomass wood chips that once went to bioenergy that are being used for ADC separate from green waste. SB 498 has already established a reporting program from a processor to a bioenergy facility in 2016, and should be used if re-directed to ADC. The tracking of post-process food material from a facility to another facility needs to be established. AB 1103 (Dodd) may further clarify the self-hauling of food waste from a generator to a facility.

This is the second in a series of workshops for stakeholder feedback on the development of regulations for AB 901. A copy of the draft language will be available on this public notice two weeks prior to the workshop, and CalRecycle will explain and lead discussion on the proposed regulations. Workshops scheduled for July 7th in Sacramento and July 12th at the South Coast AQMD.

REFERENCES

[AB 341 REPORT TO THE LEGISLATURE](#)

With the passage of AB 341 (Chesbro, 2011), the Governor and the Legislature established a policy goal for the state that not less than 75% of solid waste generated be source-reduced, recycled, or composted by the year 2020. This report submitted in August 2015, as directed by the Legislature, provides strategies to achieve that 75% goal. A series of recommendations for legislative changes were presented in this report. <http://www.calrecycle.ca.gov/Publications/Documents/1538%5C20151538.pdf>

[CALRECYCLE REPORT: 2014 CALIFORNIA EXPORTS OF RECYCLABLE MATERIALS](#)

Critical and timely information about the \$6.9 billion recyclables export market from California's ports in 2014, the 18 million tons shipped, and the value of each commodity. It focuses on recyclable seaborne exports where 57% of all recyclables went to China. Recycling exports dropped 3% from 2013 to 2014, and 6% in the first 3 months of 2015. Mixed paper is 53% of the market by weight, but 20% of the value. Metal is 39% by weight and 72% by value. Plastics are 7% by weight and 6% of the value. This report was issued before the drastic drop in oil prices. [Read the report](#)

[AB 1063 \(WILLIAMS\)](#)

This bill would increase the solid waste tipping fee from \$1.40 per ton to \$4 per ton beginning 1/1/2017 until 1/1/2022 CalRecycle required to use a minimum \$1.50 per ton to promote infrastructure development, which could develop up to \$30 million in grants and loans to develop composting facilities and other market incentive programs that promote the highest and best use of recovered materials. The bill would also establish a generator charge to augment the existing disposal fee which funds CalRecycle administrative costs.

STATUS: Held in Senate Environmental Quality Committee. **WATCH**