



NWRA Member Update – November 2, 2018

Consequences from China's Policies on Recycling

Overview

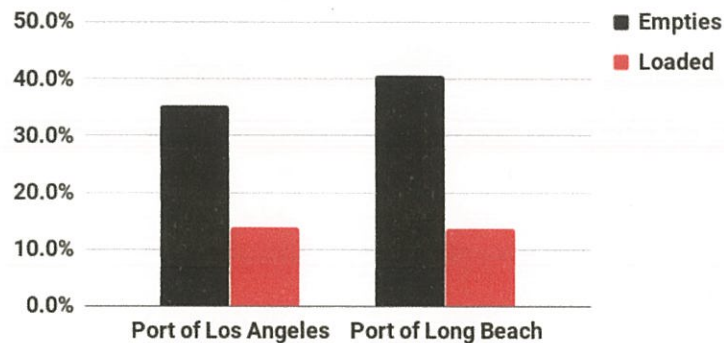
NWRA members are seeing the impacts of China's policies limiting imported recyclables. In order to support our members, NWRA has developed this update to communicate the association's efforts and request feedback on further actions. We hope this update will serve as a quick way to communicate what is going on to be responsive to member needs.

What's new?

- **Rumors that China might delay import ban to 2021.** According to letsrecycle.com, Chinese sources are suggesting that the total ban on imports may be delayed until 2021.
- **Malaysia restricts plastic.** Effective last Friday, Malaysia's Housing and Local Government Minister Zuraida Kamaruddin said that the country has issued a permanent ban on the import of plastic waste and over the next three years will be phasing out the import of other types of plastic. Recyclable plastic import permits are also no longer being issued until operators meet new criteria. However, the timeframe for the issuance of new permits is unclear, and according to Steve Wong, permits will be limited to importers from the U.S., the EU and Japan. A new financial requirement is anticipated as surety against regulations violations.
- **India raises duty on non-ferrous metallic scrap.** The government of India is proposing to quadruple import duties on non-ferrous metallic scrap threatening about 3500 recycling facilities.
- **Container logistics.** xChange hopes to solve the problem of out of place containers by offering a platform to match loads and third-party equipment for one-way container moves. The empty container problem was highlighted by a 2016 paper stating that container imbalance represents 22% of overall costs due to repositioning empty containers. At any time, a third of containers in circulation are empty. This problem has been exacerbated by China's recyclables bans.

Empty container traffic has grown faster than loaded TEUs

% change in containers, 2010-2017



Source: <https://www.supplychaindive.com/news/empty-container-imbalance-transparency-startup/540949/>

- **Just the facts.**

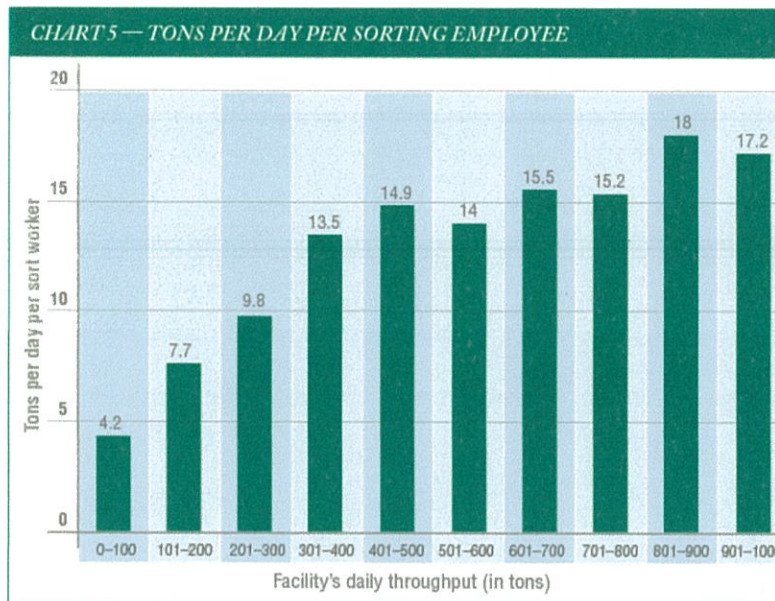
- Cost to tip
 - Kirkwood - \$115/ton to Republic Services. Last year, it received revenue from Resource Management and earlier this year it paid \$35/ton.
- Contamination costs
 - Tucson, AZ – 20% and rising, costing \$130,000/year
 - Bozeman, MT – 20-25%
- Contamination items
 - Tucson, AZ – plastic bags, EPS, food waste, yard waste, textiles, human and animal waste, and tangles
 - Bozeman, MT – glass, plastic take out boxes, yogurt containers and EPS
- Commodity prices
 - Blended value
 - Lincoln, NE - \$28/ton, was \$40 at the beginning of the year
- Landfilling
 - Oregon – 770 tons in September, up from 752 ton in August, but down from a peak of 2923 tons in November 2016

- **Industry outlook & quarterly earnings**

- Stifel's October 28th Industry Update says, "Hello, Anybody Listening – Garbage is Really Good!" The outlook states that based on WM and Republic's 3Q18 results, companies have 40-60bp operating leverage despite compressed margins due to ongoing recycling commodity and cost headwinds.
- Waste Connections earnings are up but recycling was still a substantial headwind this quarter. Stifel's analysis stated, "Recycling was lousy but now is less worse."
- Advanced Disposal's recycling headwinds accounted for 60bp in 3Q18 but are expected to narrow over the next two quarters and be neutral for the remainder of 2019.

- Casella's revenues were stronger than consensus with recycling sales greater than predicted as costs are recovered on all but legacy contracts. Legacy contracts will all be expiring in the next twelve months.
- **Mergers and acquisitions.** Given all the upheaval in the industry over the past year, companies are being acquired with greater frequency. Waste Connections announced an agreement to acquire one of the 10 largest private companies remaining in the industry with revenues of approximately \$175M. The company has not been disclosed.
- **Industry efforts.**
 - Lee and Man plans on opening a factory in Sepang, Malaysia. The mill will be able to make 700,000 tons/year of paper and 550,000 tons/year of pulp.
 - Revolve Recycling in Logan, UT will begin sorting 500-600 tons/month of mixed plastic for sale to the domestic market. The facility, which opened in 2017, is being upgraded with an additional Green Eye optical sorter and will accept mixed #1-7 bales to create PET, HDPE, rigid LDPE and PP bales.
 - Pinnpack Packaging received approval for a \$1M loan from CalRecycle to buy and install a second chiller to properly cool manufacturing equipment that will then boost manufacturing speeds to allow processing of an additional 1000 TPY of RPET.
 - RePower South has delayed reopening the Montgomery, Alabama mixed waste MRF until 2019. The company was selected in June to update the facility. City officials reported that \$6M worth of equipment will be installed in December.
- **Outreach.** Recycle Across America announced that its "Let's recycle right" campaign has received \$50M in donated ad space from outlets such as ABC, CBS, FOX, NBC.
- **Brands.** Dunkin' Brands Group and McDonald's recently pledged to switch from EPS to paper for their cups. But growing awareness of the plastic lining in paper cups has resulted in increased attention on paper cups. In Europe, Starbucks has begun charging a levy for paper cups and British lawmakers have even suggested an outright ban if recycling targets are not met. Goldman Sachs banned paper cups in its offices this Monday encouraging employees to bring in their own mugs to save 8M nonrecyclable cups per year.
- **New Plastics Economy Global Commitment.** On Monday, the signing of the New Plastics Economy Global Commitment was announced at the Our Ocean Conference in Bali. Nearly 300 organizations signed a pledge to: eliminate problematic and unnecessary plastic packaging; innovate to ensure all plastic packaging can be reused, recycled or composted by 2025; and circulate the plastic by increasing the amount that is reused and recycled.
- **MRFs.** Jerry Powell published a "first-of-its-kind assessment of more than 300 U.S. single-stream sorting facilities" in Resource Recycling's September print edition. They found that 95% of throughput is dominated by five equipment producers with the top two handling 63% of the market. As could be predicted, the larger MRFs are much more efficient than the

smaller MRFs. And the average MRF is 65,400 sf in size, costs \$9.4M to construct, processes 245 TPD, and has 27 sorters who each handle 9.8 TPD.



Source: <https://resource-recycling.com/recycling/2018/10/01/sortation-by-the-numbers/>

- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal.** The Basel Convention controls the movement of hazardous waste between countries that are party to the agreement. The U.S. is one of a handful of countries that are not a party. According to the agreement, parties are not supposed to trade covered materials with non-parties unless governed by another similar bi-lateral or multi-lateral agreement. Non-hazardous wastes are exempted from the requirements of the agreement. These non-hazardous are listed in Annex IX. Currently, plastic wastes are listed in Annex IX. Earlier this year, Norway proposed moving plastic wastes from Annex IX to Annex II. Annex II is a list of wastes that would require special consideration and would be covered by the agreement.

At their September meeting, the working group decided to revise Norway's proposal. The revised proposal, distributed on October 26, includes adding plastic waste (not covered under Annex VIII or Annex IX) to Annex II. It would then add plastic waste that exhibit hazardous characteristics (generally due to contamination) to Annex VIII - which are hazardous. Last, revised language has been proposed for Annex IX.

This revised language is not as stringent as what was proposed in June in that some plastic recyclables would remain under Annex IX. Therefore, under this proposal, U.S. companies could still export plastic recyclables to other countries that are party to the Basel Convention as long as those materials fell under Annex IX. The proposed language for Annex IX would require the material not to be mixed with other wastes or contaminated. Further,

it would require that such material should be suitable for immediate recycling requiring only minimal further mechanical preparatory processes.

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