June 30, 2022

The Honorable Frank Pallone
U.S. House of Representatives
2107 Rayburn House Office Bldg.
Washington, DC 20515

The Honorable Cathy McMorris Rodgers
U.S. House of Representatives
1035 Longworth House Office Bldg.
Washington, DC 20515

The Honorable Paul Tonko
U.S. House of Representatives
2369 Rayburn House Office Bldg.
Washington, DC 20515

The Honorable David McKinley
U.S. House of Representatives
2239 Rayburn House Office Bldg.
Washington, DC 20515

Re: PRC Statement for the Record – House Energy & Commerce Committee – Hearing on "No Time to Waste: Solutions for America's Broken Recycling System"

Dear Chairman Pallone, Leader Rodgers, Chairman Tonko, and Ranking Member McKinley:

On behalf of the Paper Recycling Coalition (PRC) – an organization of eight member companies representing the interests of the 100 percent recycled paperboard and containerboard industries – we appreciate the opportunity to submit the following statement for the record regarding the Committee's hearing, entitled "No Time to Waste: Solutions for America's Broken Recycling System."

The PRC commends the Committee for evaluating the state of the nation's recycling system and considering various legislative solutions. The PRC supports the Committee's concern for, and assessment of, these issues. As the Committee considers possible legislative policies affecting the recycling sector, the PRC encourages the Committee to recognize that recycling commodities are not all equal. Recyclable commodities such as paper have unique characteristics and face different challenges. Federal policy, therefore, should account for such differences rather than adopting a "one size fits all" approach to recycling infrastructure and system improvements.

I. Summary of PRC Comments

As the Committee continues to evaluate recycling policies, the PRC encourages the Committee to consider the following perspectives and recommendations of the PRC, summarized here as follows:

- The Recycling System for Paper is Not Broken: The PRC takes issue with the negative portrayal of the nation's recycling system and the implication that all recycled commodity sectors have failed to invest and innovate toward establishing a resilient recycling system. The 100 percent recycled paper sector has invested billions of dollars in modern recycling infrastructure over the last several decades and has worked to establish robust demand for paper and paper-based packaging. Paper recycling is not broken as evidenced by our sector's robust and well-functioning markets.

- Education, Data, and Access Will Improve Recycling: The federal government is well-suited to help educate the public about the benefits – both economic and environmental – of recycling. It is also in a good position to help collect and report on important recycling data, as well as expand recycling access. Two of the bills being considered by the Committee, which the PRC generally supports, offer a step in the right direction in these areas: H.R. 8059, the "Recycling Infrastructure and Accessibility Act" and H.R. 8183, the "Recycling and Composting Accountability Act."

- EPR Will Not Solve Plastic Pollution but Will Increase Consumer Costs: Federal extended producer responsibility (EPR) regimes present several problems in form and function. Such policies will lead to outcomes that discourage private sector investment, hinder economic growth and job creation, and hurt consumers. For instance, the weight-based fee structures in most EPR models, including H.R. 2238, would increase the cost of recycled paper packaging as compared to other lighter packaging materials, such as plastics. **This could actually result in the use of more plastic**.

  Moreover, consumers will pay more for products affected by EPR and these costs will not be outweighed by the purported benefits of an EPR program. Consumers often end up paying twice, both as taxpayers – a result of increased waste management costs – and as consumers of end-use products. The burden of this double payment falls most heavily on low-income consumers. **Any federal EPR program should exclude packaging materials that have consistently high recovery rates (such as the paper sector's 68 percent recovery rate)**.

- Paper Recycling is the Poster Child of the Circular Economy: As one of the only recyclable commodities with a consistent recovery rate above 60 percent, paper recycling has been the leader in moving the U.S. toward a more circular economy. The paper recycling sector (and the aluminum sector) can serve as a model for policymakers interested in advancing circularity across other sectors and commodities.

- Recycling is a Climate Solution: The paper recycling sector has led the way in moving the U.S. toward a cleaner, more circular economy. A circular economy – with recycling at its core – can serve as an important tool to combat climate change and create a more sustainable future. Indeed, the 100 percent recycled paperboard and containerboard sectors have a net negative emissions profile.

- Paper Recycling is Essential: The ongoing pandemic has demonstrated the resilience of the nation's recycling system and the essential nature of paper recycling as a critical component of the domestic manufacturing supply chain. At the height of the pandemic, the packaging products and shipping cartons produced by PRC members were pivotal to keeping hospitals supplied and shelves stocked across America.

- Paper Recycling is an Economic Driver: The paper recycling sector is growing significantly, with domestic infrastructure investments estimated to top more than $4 billion through 2025. Sound and consistent policies are critical to preserving and expanding this sector.

- Markets Work: The PRC urges caution against any federal intervention to artificially create markets, pick winners or losers, or provide federal support to build out recycling infrastructure that may not be warranted by traditional principles of supply and demand. Markets work best when permitted to operate free of government intervention. This is true of all commodities. For instance, demand for 100 percent recycled paperboard and containerboard products and packaging has attracted significant amounts of private capital to develop, sustain, and grow these markets.

- Modernize RCRA to Reflect Today's Recycling Reality: The definition of "solid waste" under RCRA should be amended to exclude recyclable materials. The solid waste definition treats recyclables as a waste, failing to recognize the true value of recyclables as a valuable feedstock.

- Respect and Maintain EPA's Waste Management Hierarchy: Recent state-level efforts by the plastics industry have sought to undermine EPA's waste management hierarchy by defining "advanced recycling" to include converting plastics and other recyclable materials into chemical feedstocks, fuels, and other energy products. The PRC strongly opposes such efforts. To this end, the PRC recommends that any legislation should expressly exclude such end use products from any definitions of recycling. To do otherwise, would be to overturn decades of recycling law and policy, skew "real" recycling rates, disadvantage true recyclers, and undermine consumer confidence by confusing their understanding of what constitutes recycling.

II. About the Paper Recycling Coalition

The PRC's eight member companies represent the interests of the 100 percent recycled paperboard and containerboard industries. Our members operate 500 facilities in 45 states and support over 63,000 well-paid jobs with competitive benefits throughout the United States. PRC members manufacture 100 percent recycled paper products that are ubiquitous in American commerce, such as cereal and pizza boxes, tubes and cores, beverage carriers, Amazon cartons, and other shipping containers and packaging critical to today's growing e-commerce economy.

The paperboard and containerboard manufacturing sectors are among the country's greatest economic and environmental success stories. Our sectors can recycle fiber many times, putting it to work in the economy, providing good paying jobs, and adding value to the material each step of the way until it is turned into new paper products. The amount of used paper recovered for recycling has nearly doubled since 1990. In 2021, over 68 percent of all paper used by Americans was recovered to be recycled into new products, marking the eleventh consecutive year with a rate above 60 percent.

As rates of paper recycling rise, the significant economic and employment benefits of paper recycling will be compounded. In addition to the 63,000 direct jobs PRC members support, the sector influences another 615,000 jobs across the recycling supply chain (collection, processing, and manufacturing), totaling nearly 680,000 U.S. jobs.[1] The annual economic impact of the paper recycling supply chain amounts to a staggering $150 billion.[2]

The domestic paper recycling sector is primed to drive $4.1 billion into recovered fiber investment between now and 2025. These investments will add 7 million tons of additional U.S. manufacturing capacity in the form of new mills, new paper machines, paper machine conversions and the relaunching of idle mills. In fact, according to at least one industry survey, over a dozen domestic recycling mills representing hundreds of millions in new investments will be coming online over the next several years, much of it able to process mixed paper feedstocks that used to be exported to China.[3] Further, 5 out of the last 7 paper mills opened in the U.S. are 100% recycled. These facilities were planned and built without federal subsidies.

Paper recycling also delivers real environmental benefits for the American people. By recycling paper and turning it into new 100 percent recycled paper products, PRC members prevent it from being landfilled where it degrades, producing methane, a potent greenhouse gas. Additionally, as the paper recycling sector has continued to add capacity in the form of new mills, machines, and related infrastructure, it has continued to improve its energy efficiency, resulting in reduced energy usage and reduced greenhouse gas emissions. In fact, the production of 100 percent recycled paperboard and containerboard products results in net negative greenhouse gas emissions.

The impressive economic and environmental benefits of paper recycling are directly tied to the availability of a clean and stable supply of recovered fiber collected for recycling. For that reason, the PRC's mission is to promote recycling education and to prevent market-distorting government subsidies from diverting recyclable paper from the supply chain. Diverting this feedstock from the circular economy to landfills or for waste-to-energy eliminates opportunities to recycle these materials and turn them into valuable new essential products, such as paper and packaging.

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[1] *See* EPA, "Recycling Economic Information Report" (2016).
[2] *See* EPA Smart Sectors, "Paper and Wood Products" (2020); ISRI, "The Economic Impact of the Scrap Recycling Industry in the United States – Paper" (2019).
[3] Scrap Magazine, "Gearing Up," (July/August 2019).

III. The Recycling System for Paper is Not Broken

The PRC – and its 63,000 direct well-paid employees – take issue with the negative portrayal of the nation's recycling system and the implication that all recycled commodity sectors have failed to invest and innovate toward establishing a robust recycling system. Unfortunately, this line of messaging has led policymakers to believe that a drastic overhaul of the nation's recycling system for all commodities is necessary. This, in turn, has triggered congressional interest in adopting expansive and expensive policies, such as federal Extended Producer Responsibility (EPR) or federal financial support for recycling infrastructure. Such policies would fall short of addressing recycling challenges and risk undermining the positive efforts of recycled commodities, such as paper and aluminum, that have established vigorous and successful markets.

The 100 percent recycled paper sector has invested billions of dollars in private capital over the last two decades to develop demand for our products and establish robust and modern infrastructure to collect the raw material supply. This has resulted in a 68 percent recovery rate of recyclable paper, marking the eleventh consecutive year with a rate above 60 percent. The recovery rate of Old Corrugated Containers (OCC) is consistently above 90 percent. Compare that to less than 10 percent for the plastics sector.[4] In short, not all recycled commodities are created equal. The Committee should recognize and account for these key differences when developing policies related to recycling infrastructure and system improvements.

The ongoing pandemic has demonstrated the resilience of the nation's recycling system. Even at the height of the pandemic, recycled paper manufacturers, such as PRC members, were able to obtain the feedstocks necessary to produce the packaging products and shipping cartons that kept hospitals supplied and shelves stocked across America. This required resourcefulness as PRC members and other recycled product manufacturers shifted from traditional supply streams at shuttered big box stores, office buildings, and other commercial operations to residential supply streams.

This pivot did not by occur by happenstance, luck, or accident. Rather, it was the result of the nation's recycled paper product manufacturers having the foresight to ensure their businesses – and the recycling systems and supply chains upon which they rely – were prepared to undertake such shifts. Even when a portion of communities with recycling programs temporarily suspended their programs, the system bent but it did not break.[5] The pandemic showcased the very definition of resilience within the paper recycling sector; not the lack of it.

Some organizations have suggested that the only way to "fix" America's "outdated" and "broken" recycling system is through a federal extended producer responsibility regime. Proponents of such federal support and intervention claim improved collection will increase

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[4] EPA: Plastics: Material-Specific Data (citing an 8.5 percent recycling rate in 2018).

[5] Approximately 200 communities suspended their recycling programs at the height of the pandemic; however, thousands of other communities continued to operate these vital programs.

recycling rates. But collection is not recycling. What is needed is greater demand for end use products made from materials that are not currently being recycled. Only then will there be sufficient demand – and investment – to pull the materials through the system. In any event, if infrastructure is indeed the answer, then private companies can make such investments. And they can do so without federal subsidies that could put taxpayers on the hook for new infrastructure and programs that may not be supported by market principles.

There is, of course, room for improvement, as is true for any far-reaching system of national significance reliant on regional, state, and local operations. Federal policies can be part of the solution if such policies provide only a "light touch," particularly with respect to paper recycling. Heavy-handed policies, such as federal EPR and federal financial support to construct private sector recycling infrastructure, can skew markets, pick winners and losers, and undermine the success of paper recycling.

IV. Proper Role of the Federal Government in Recycling

Despite challenges for less recycled commodities, the PRC would caution against federal interventions that distort recycling markets. But there are a handful of areas where the federal government can certainly play a role:

- Recycling Education: The federal government is well-suited to help educate the public about the benefits – both economic and environmental – of recycling. Educating communities and consumers about the importance of recycling, what is recyclable, and how to recycle properly is essential to increasing recycling rates and reducing contamination. Therefore, we were pleased to see the RECYCLE Act included in last year's bipartisan infrastructure bill. The RECYCLE Act will inform all participants of the recycling value chain by educating on recycling basics.

- Recycling Access: Equally important is providing communities with access to recycling, which is why the PRC supports H.R. 8059, the "Recycling Infrastructure and Accessibility Act." The PRC supports the bill's objective of expanding access to recycling in communities that have historically had limited access to recycling collection programs. Fortunately, access to paper recycling is readily available. According to the latest data from the American Forest & Paper Association, 94 percent of Americans have access to community paper and paperboard recycling programs. H.R. 8059 will help paper to close the remaining gap, while helping other recycled commodities increase their own recycling access rates.

- Data Collection to Inform Recycling Policymaking: As Congress considers other recycling-related policies, it is important to have accurate and complete baseline data. Such data across the recycling supply chain is lacking. One of the bills being considered today – H.R. 8183, the "Recycling and Composting Accountability Act" – provides a first step to gathering more data related to MRF inputs and outputs, landfill and waste-to-energy diversion, and other data that can inform investment decisions, as well as future policymaking. The PRC would prefer H.R. 8183 be made as an amendment to the Resource Conservation and Recovery Act, which would provide more substantial weight to the important recycling-related definitions included in the bill.

- Protecting Recyclable Feedstocks: The federal government can also ensure a level playing field for recycled paper manufacturers by protecting our raw material – fiber. Currently, the tax code provides subsidies to the waste-to-energy sector that incentivizes the burning and contamination of paper. Policies like the "Protecting America's Paper for Recycling Act" (H.R. 3879/S. 1376) can put an end to such harmful and counterproductive incentives.

V. EPR & Other Fee-Based Frameworks Will Undermine Paper Recycling

The PRC strongly discourages the Committee from adopting or supporting legislation that would establish a federal EPR regime applicable to all recycled commodities. However, should the Committee decide to consider an EPR framework or other "fee-based" approach, the PRC strongly believes any such program should be strategically tailored to address materials and products that have low recovery rates, like plastic packaging. Potential overreach could undermine markets for other recyclable commodities – such as paper – which has a robust and well-functioning market and successful recycling track record.

As the Committee continues to weigh the pros and cons of a possible EPR-related framework, the PRC respectfully requests the Committee to consider the following—

1. *Solutions Should Target Underperforming Commodities*

In contrast to the paper sector's 68 percent recovery rate (and OCC's 90-plus percent recovery rate), other recyclable commodities have drastically underperformed. For instance, according to 2018 EPA data, the recycling rate for plastics is around 8.5 percent. Other materials are in the double digits but the recovery rate for fiber dwarfs them all. Indeed, more paper by weight is recovered from municipal solid waste (MSW) streams than plastic, glass, steel, and aluminum combined.[6] The efficiency and success of recycling commodities varies greatly across the industry. As such, federal policy should account for such differences and underperforming substrates should be held accountable.

2. *EPR May Undermine Recycling's Economic Impact*

Sound and consistent policies are critical to preserving and expanding recycling. Federal EPR policies could lead to outcomes that discourage private sector investment, hinder economic growth and job creation, and hurt consumers. EPR fees will discourage the use of recyclable materials where the fee is higher and encourage the use of materials with lower fees. For instance, the weight-based fee structures in most EPR models being discussed to date would

[6] U.S. EPA, "Advancing Sustainable Materials Management," (December 2020).

increase the cost of recycled paper packaging as compared to other lighter packaging materials, such as plastics. This could actually result in the use of **more** plastic.

3. *EPR Penalizes Consumers*

Proponents of EPR allege that producers will absorb the costs and prevent those costs from being passed onto consumers. Such arguments fail to recognize how manufacturers and producers manage input costs. Consumers will pay more for products affected by EPR and these costs will not be outweighed by the purported benefits of an EPR regime. In fact, consumers often end up paying twice, both as taxpayers (as a result of increased waste management costs) and as consumers. The burden of this double payment falls most heavily on low-income consumers. At least one study of British Columbia's EPR program demonstrated that "costs increased by approximately 26 percent from program inception in 2015 to 2018 while program performance increased by only one percent."[7]

4. *EPR Does Not Address End Use Markets*

End use markets are an essential part of the recycled value chain. EPR proponents suggest that addressing recycling infrastructure and increasing supply will eventually generate demand for certain commodities, like plastic. Economic theory would suggest that end use markets must be established first. This demand will encourage investment and innovation in the recycling system to support that demand. With the low recovery rates of several materials, current recycling infrastructure can accommodate the demands of an emerging end use market.

VI. The Definition of Solid Waste under RCRA Should Exclude Recyclable Materials

The definition of "solid waste" under RCRA treats recyclable materials as a waste rather than a value-added commodity.[8] This does a disservice to the U.S. recycling sector and prevents the U.S. from maximizing the full economic and environmental benefits of recycling. Congress should therefore recognize that recyclable materials are valuable commodities and should not be deemed to be discarded, disposed of, or solid waste. Excluding recyclable materials from the definition of solid waste will finally put recyclable materials on par with other commodities – which are not presumed to be waste – and ensure they are treated with the same status as other commodities. Making this modest update will better reflect modern recycling realities and afford opportunities to capture the full economic and environmental value of recycling.

[7] Resource Recycling, "The Whole Package?" (October 26, 2020).
[8] *See* 42 U.S.C. § 6903(27).

VII. Conclusion

We thank you for your leadership and we look forward to working with you and your staff as the Committee continues considering policies in furtherance of establishing a more circular, sustainable future. The PRC would be pleased to provide testimony before the Committee should future opportunities arise.

Sincerely,

Brian McPheely
Chairman, Paper Recycling Coalition, Inc.
Global CEO, Pratt Industries

Michael P. Doss
Vice Chairman, Paper Recycling Coalition, Inc.
President/CEO, Graphic Packaging Int'l, LLC

Terese Colling
President, Paper Recycling Coalition, Inc.