

Closing the Circular Economy Loop



A Call for EU Action on Recycled Content Mandates for Plastics

We, the cosignatories of this call to action, welcome the voluntary commitments introduced in the European Commission's Plastics Strategy to boost the uptake of recycled plastics, but we believe that without minimum recycled content legislation there is not enough incentive for product manufacturers to shift from using virgin to recycled plastic feedstock on a long-term basis.

We also believe that voluntary procurement agreements can result in uncompetitive business, particularly at times when virgin resin is cheaper than recycled resin. When oil prices are low, companies not bound by content commitments can purchase cheaper virgin resin and gain a competitive edge.

We are of the view that the legal certainty provided by recycled content mandates for plastic packaging and products would be beneficial for all Member States, collection and sorting companies, recycled-resin producers, and producers of plastic goods or goods packaged in plastic. A minimum recycled content of just 30% by 2025 would considerably boost the markets for recycled plastics within Europe thereby growing and strengthening the local market. Recycling up to 10 Mt of plastic waste EU-wide means €10 billion investments in collection, sorting, and treatment facilities. Economic visibility is essential for triggering investments, and mandatory recycled content will create the conditions for a much-needed shock on demand.

Baseline minimums for businesses that procure resin for plastic products and packaging should be applied in a manner that supports Europe's single market. Policy that levels the playing field will enable the entire value chain to capitalise on a scaled-up transformation to circularise plastics as quickly and efficiently as possible.

While we recognize that there is currently insufficient quantity of clean recycle on the market to meet mandated recycled content requirements, we believe

that by working together with the entire value chain, that both supply and demand can be met in an economically viable manner.

How we got here

For nearly two decades, the dominant market for many of the world's recycled materials was China. In 2016 alone, Chinese manufacturers and recyclers imported 7.3 million metric tons of waste plastics (valued at \$3.7 billion) from developed countries, including the EU, Japan, the U.K., and the U.S. China also took in more than half of the world's exports of waste paper.

The demand for large quantities of material with little concern for quality (because low cost Chinese labour could sort it to specification) spurred a massive growth of municipal recycling programs in both Europe and North America. These programs collected a wide range of materials, including plastics Nos. 3-7, or "all plastics." Materials recovery facilities increased in number, as did their average annual throughput capacities. Business was booming and the circular economy was moving along nicely, with much of the actual recycling happening in the world's most populous country.

However, China's recently announced ban on imports of 24 categories of recyclables and solid waste will change all of that. The import ban applies to several plastic resins (including PET, PE, PVC, PS and "other" plastics), textiles, unsorted mixed paper, and other materials.

In place since January 1, 2018, the Chinese ban has already dramatically affected commodity prices and has resulted in shifts in municipal recycling contracts and material acceptance. There are reports from all over Europe and North America that recycling programs are stuck with sorted material with nowhere to go, except landfill or energy from waste.

Unlike the worldwide economic downturn of 2008, which saw Chinese demand bounce back within a year, China's recent decision is likely to have long-term impacts on the recycling industry, requiring fundamental change in the way we do things. If the demand for sorted recyclables is significantly reduced from the status quo, the future of existing collection and sorting facilities is at risk, which threatens a massive slowdown of the circular economy. In order to make up for this reduced demand, the EU needs to create a well-functioning market for waste plastics which incentivizes quality plastics recycling, attracts investment in plastics recycling plants, and rewards its environmental benefits.

Market dynamics of recycled resin

Demand for recyclables is driven by raw material procurement decisions made by product and packaging suppliers and their customers. In the vast majority of cases, the key variable that determines the amount of secondary material used in production (besides quality, of course) is price. When energy costs are moderate to high, secondary materials are attractive to producers since the move allows them to benefit from a slightly lower price. This is especially true with plastics because petroleum use is an important part of most virgin plastic production.

Going the recycled route also allows producers to meet corporate social responsibility goals, including greenhouse gas reduction targets, since using recycled material avoids all the emissions associated with virgin material extraction.

On the other hand, when the price of energy or raw materials is low, the attractiveness of secondary material inputs diminishes, and businesses will choose virgin. It is for this reason that voluntary initiatives among product manufacturers, although laudable and very important, cannot be the sole path to push greater use of recycled materials.

Mandated Recycled Content (MRC)

Recycled content laws are not without precedent. Such mandates, which require that a certain percentage of recycled material be included in certain new products and packaging, have been enacted in two U.S. states. Last year California mandated recycled content for beverage containers. Similar mandates for plastic film used for garbage bags and rigid non-food containers have been in place since the 1990s.

The new Directive on single use plastic products, as well as revisions to the EU's Packaging and Packaging Waste Directive; Construction Products regulation; and End-of-life Vehicles Directive present a golden opportunity for stakeholders to stimulate increased investment in domestic recycling infrastructure by providing assurance to the recycling value chain that government is committed to promoting recycling, improving quality and efficiency, and increasing capacity.

MRC also offers an opportunity for national governments to promote innovation and creativity in product design. In the past, the quality and performance of some recycled-content products did not always measure up to those made from virgin materials, but technology has come a long way and it is now possible to manufacture high-value and high-quality recycled products that meet or even exceed the performance of virgin products.

Perhaps more importantly, introducing minimum recycled content requirements for selected products and packaging will help to ensure the continued movement of recyclables and provide an economic incentive to increase collection and treatment in Europe, irrespective of markets evaporating in China or anywhere else. This would make countries more resilient to market fluctuations that national governments cannot control, allowing them to grow economies more sustainably. It would also prevent the loss of tens of thousands of jobs and the closure of sorting and recycling facilities throughout the U.S., the EU and elsewhere.

If the increasingly globalized world is to realise a truly circular economy, end markets must be available for the recycled materials that the recycling and reprocessing sector produce. We can set ever-higher recycling targets, but our recovery efforts will be impeded if no market can be found for the material that's collected, sorted, and turned into a secondary raw material.

All cosignatories of this paper are keen to work in close cooperation with the entire value chain to ensure that both supply and demand are met in an economically viable manner, taking relevant market forces into account.

Recommendations to EU policy-makers:

- ◆ We recommend setting minimum recycled content requirements for plastic products and packaging products where environmental benefits exist, and where food safety considerations are met, noting levels will vary by product and material. These requirements should escalate over time.

Utilisation of recycled resin instead of virgin resin has a significant impact on energy and pollution reduction. It exponentially reduces climate emissions and improves resource efficiency, while at the same time carving out a future role for European enterprises and turning the recent China ban to our advantage.

- ◆ We also recommend that eco-modulation of fees paid by producers is designed in a way that does not only consider the recyclability of products, but the recycled content as well. Likewise, green public procurement is also an important tool to increase demand for secondary raw materials.
- ◆ Lastly, we recommend that the European Commission review and consider new and innovative approaches through economic incentives and penalties to encourage the procurement of recycled resin.

The following organisations and companies endorse this Call for Action:

