



WWF and ABA Joint Principles for Reducing Materials Footprint and Achieving Circularity

The public is increasingly aware of the environmental, social, and economic impacts of fast-moving consumer good production and disposal. These costs include the conservation impacts of virgin material production, including the significant contribution of virgin plastic production to the global carbon footprint, materials leakage into all environments through mismanaged disposal, disproportionate siting of landfills and under-regulated virgin plastic production facilities in historically underserved and marginalized communities, and imbalanced and incomplete access to recycling.

Underlying and enabling these impacts is a linear economy built on inefficient market signals that favor both overproduction and reliance on virgin materials over recycled content. A transition to a more circular economy would benefit job quality, environmental standards, and public health.

While the scope of current concerns is troubling, the necessary changes are relatively straightforward. There is growing consensus across sectors that these changes are both necessary to achieve stated objectives and actionable by affected industry. WWF and ABA would like to work with Congress and the Administration to build a consistent and flexible Federal framework to reduce the current materials footprint and to achieve circularity. Our groups believe that such a system should reduce truly unnecessary material use and replace that use, where appropriate, with sustainable alternatives; produce results that are in line with environmental justice and public health objectives; and establish the necessary incentives, standards, and public/private funding mechanisms to drive an efficient circular economy.

The recommendations below focus specifically on what our groups see as the linchpin for creating such a circular economy: Extended Producer Responsibility (EPR).

The Current Situation

Inadequate investment, tight municipal budgets, and a patchwork of solid waste management regulation across more than 20,000 local jurisdictions have led to inconsistent performance and lack of accountability. As a result, recycling programs in the U.S. range from very high-performing to very low-performing with low recycling rates overall. For instance, today, 13 percent of plastic packaging is recycled in the US, while globally eight percent of plastic packaging is recycled and only two percent achieves circularity. A focused effort to bring substandard programs up to a high-performance level nationally would dramatically increase material recovery; expand the recycling industry; and reduce environmental, social, and economic costs. WWF and ABA believe that EPR has a crucial role to play to realign incentives

to favor high quality recycled content production over virgin production and to finance the infrastructure to supply industry with material needed to fuel a circular economy.

Extended Producer Responsibility Systems

Based on our global observations and experience with holistic EPR systems, WWF and ABA have developed the following principles and parameters for EPR programs. A flexible EPR framework, sensitive to regional differences, would ideally be established at the Federal level. This framework would steer the transition from a linear to circular economy nationally and link policies to increase the quality and quantity of recyclables collected with goals for use of those materials in new products. This means establishing material-specific, numeric targets for recyclability, recovery, and use of recycled content. The EPR framework should optimize the performance of recovery systems and promote coordination with related initiatives such as tipping fee surcharges, deposit return systems, and new infrastructure financing programs.

The overarching principles for a successful system are:

- Generate strong environmental, social, and economic outcomes in an efficient and accountable manner
- Provide convenient service to consumers
- Create a financially sustainable model
- Offer producers access to recovered material for closed loop recycling
- Support environmental justice objectives in recycling systems

Program Parameters

- **Clear scope of products affected and programs funded**
 - Products include all types of consumer goods packaging and printed paper with products labeled clearly, simply, and consistently for consumers to indicate recyclability and the appropriate manner for disposal and recycling. The list of materials that can be recycled is consistent across the jurisdiction.
 - The program funds 100 percent of the net cost (net of scrap value) for residential recycling of packaging and printed paper including both single- and multi-family dwellings and including education and outreach programs. Excludes costs for industrial, commercial, and institutional waste management and for disposal of residential material.
 - Legislation states overall program performance objectives, with initial recovery targets for packaging and printed paper of 50 to 60 percent depending on the region and ramping up over time, recyclability goals to both eliminate package components that hinder recycling and encourage design for recycling, and recycled content requirements that complement program objectives.
- **Centralized program management**
 - A single, non-profit Producer Responsibility Organization (PRO) – composed of the responsible parties that create any covered product for commercial use, sale or distribution – manages the funding system for the entire jurisdiction, with professional staff answerable to a producer-led board of directors. Complementary systems such as

deposit return programs could have their own PRO and should work together to maximize overall system performance.

- The PRO develops and implements a plan to achieve the program goals stated in legislation, developed in consultation with other stakeholders and usually mapped out over five to seven years. The legislation spells out timeframes and parameters for regular plan updates and review.
- After plan approval, the PRO sets fees for producers following the cost principles below, implements needed recycling system changes, coordinates infrastructure financing sources to modernize systems, establishes funding and reimbursement arrangements with recyclers, evaluates and reports on performance, and markets recycled materials. Obligated producers have right of first refusal to their share of recovered material at market terms.
- The PRO does not typically operate recovery vehicles and facilities, but contracts for those services either directly or through reimbursement of private sector or municipal costs to provide the services.
- **Transparent cost principles**
 - The PRO sets producer fees by material type (*e.g.*, PET, aluminum, corrugated cardboard) based on the cost to recycle the material minus its value in the scrap market. Because costs and commodity values change over time, fees are reset typically once per year.
 - Producers pay fees based on these net costs with fees assessed based on the weight of various materials sold, with a *de minimis* threshold set to relieve the smallest producers of obligation. Producers typically update sales annually and the data is treated confidentially.
 - The PRO modifies fees based on environmental and social factors (*i.e.*, eco-modulation) to incentivize product design decisions. Fee reductions might be considered, for instance, for products that are the most recyclable, contain recycled content, or have a low carbon footprint. Surcharges (disruptor fees) may apply to difficult to recycle materials with the highest fees charged to materials that cannot be recycled.
 - The overhead costs of running the PRO and the government's cost of rulemaking, oversight, and enforcement are also embedded in the producer fees.
- **Defined role for government**
 - Enabling legislation sets the scope of the program and its goals to assure a level playing field among producers of consumer goods packaging and printed paper. The legislation also specifies the role for government and how those activities are funded.
 - The designated government agency evaluates and approves the PRO's plan for achieving program goals, monitors program progress, and provides enforcement.

- Government agency costs for rulemaking, plan approval, oversight, and enforcement activities are reimbursed by the PRO, with those costs embedded in the producer fees. No additional government funds are drawn from the producer organization, other than reimbursements to local and regional governments for recycling services as noted above. The amount of government reimbursement is publicly available as is the way government funds are allocated.