Recycling & China
What’s happening?

- 2013 – Green Fence
- February 2017 – National Sword
- July 2017 - WTO Notice – import ban
  - Post-consumer plastics
  - Mixed paper
- August 2017 – New specifications
- Ongoing 2017 – import license renewals delayed indefinitely
National Sword

- China’s General Administration of Customs
- Year-long crackdown on illegal smuggling of foreign “waste”; agricultural products, drugs and guns
- Increased inspections
- Arrests, facility closures
- Delays at ports
Filing with the World Trade Organization announcing the ban of 24 "wastes"

Effective end of the year

Products affected:
- Mixed paper
- Post-consumer plastics
- Various metals and other materials not included in curbside programs

October 3rd – 5 WTO members questioned China’s import ban
- U.S., EU, Australia, Canada, Korea
National recyclable standards

- **Draft** recycling standards released by China’s Ministry of Environmental Protection in August
- Applies to materials **not** covered by the ban
- Effective end of the year
- Includes lower limit on prohibitives
Import license restrictions

• Import licenses are not being issued since May
• Rumors suggest new licenses may be issued in November
• Uncertainty abounds
19\textsuperscript{th} National Congress

- China Communist Party Congress opened October 18, 2017
- Weeklong congress where Xi Jinping is expected to be reelected
- Xi is expected to focus on improving the environment
- Anticipated to result in businesses adopting more controls
Why do China’s policies matter?

• Lots of stuff headed to China...
  • Paper
    • Over 40% recovered paper exported
    • About 25% of exported paper goes to China
    • 70% of mixed paper exported
  • Plastics
    • Over 20% of bottles exported
    • About 33% of non-bottle rigid plastics exported
  • Global issue – EU, Canada, Japan all experience restrictions
Impacts of these policies

- Lower revenues – Commodity prices dropped
- Concern about materials movement
- Impacts vary by region and by end markets
- MRFs are focused on quality
  - Throughput of materials is reduced affecting processing costs
Industry commitment to recycling

- More stringent specifications will likely be the new normal
- Complying with new standards may require upgrades to MRFs and limits to what is collected
  - Focus on core materials vs. non-core materials
- Not a good time to add new materials to programs
- MRF upgrades may require higher processing fees
What can be done?

- Support development of alternative markets outside of China:
  - Domestic outlets
  - Other Asian markets (Vietnam, India)
- Understand that alternative markets will develop but not at the timelines for implementation of these new policies
- Ensure consumers know that quality is important!
- Develop durable contracts where risks are distributed among all contractual parties
Garbage in, garbage out.

(Proverb)
Focus on quality!

• Eventual relaxation of restrictions are predicted
• Higher quality standards will be the norm
• Communicate with the community on the importance of generating a marketable commodity!

Quality means doing it right when no one is looking.

Henry Ford

...is everyone’s responsibility.

(Deming, W. Edwards)
Anticipate higher costs

- Quality. Quality. Quality. Ongoing cost investment in quality will require discipline and ongoing investment in education and processing (including financial support)
- Complying with new standards may require upgrades to MRFs
- MRF upgrades will likely require higher processing fees