

Oregon Packaging Surcharge - Producer Fees Concept

Oregon Packaging Surcharge Concept for charging fees and raising needed funds to support modernization of Oregon's recycling system

Concept Summary and Recommendation:

Under this concept, we recommend that the State mandate producers of all subject materials ("covered materials") to pay fees. Fees would have two components: "base fees" and eco-modulation.

- Base fees would account for the quantity and type of material, and specifically the cost and other impacts of those materials on Oregon's recycling system. Base fees would include a minimal per unit amount on all packaging even if readily recyclable ("Level 1"). Materials covered under this program that are not currently recyclable, are difficult to recycle, or that are out-right contamination should have to pay additional base fees.
- These "base fees" would be subject to additional eco-modulation, to account for other (non-recycling) environmental considerations and to incent better disclosure, design, and impact reduction. Eco-modulation would result in net fees that are higher or lower than base fees, depending on other environmental considerations.

Concept Elements

Base Fees

There would be three levels of Base Fees. It is important to note that under this concept, materials can move from level to level depending on their compatibility with Oregon's recycling system. This could motivate producers to make decisions that could reduce the fees they pay.

Materials would pay base fees as follows:

- Accepted for recycling and easy to recycle: Level 1 fees only.
- Accepted for recycling but more problematic to recycle: Level 1 + Level 2.
- Not accepted for recycling: Level 1 + Level 3.

- **Level 1** – Charged to ALL materials: This fee is a contribution to the pay for the impact that all materials have on the environment, and to support investments in Oregon's recycling system. It is essentially a "system fee" ...for being part of the manufacturing system that generates materials that must be handled after use.

Level 1 fees would be assessed in order to pay for many of the core elements of Oregon's modernized recycling system. Exact details will be determined by the RSC. Types of program costs that Level 1 fees might pay for include (as examples):

- Cost to process above a designated dollar amount (may relate to local landfill rates)
- Cost to expand education at the curb (Material List; contamination reduction programs)
- Cost to reload and deliver material from communities that do not have local access to Comingle facilities
- Funding assistance to support rural programs (depots... or return to retail?)

Oregon Packaging Surcharge - Producer Fees Concept

- Funding assistance to support programs in financially distressed communities
- Funding assistance to support collection of materials that need to be segregated (depots return to retail)
- State-wide litter prevention
- Waste prevention and reuse programming
- Feedback and consequences in every stage of the system related to contamination (metrics and technologies to provide data-informed feedback)
- **Level 2** – In addition to level 1 fees for hard to recycle packaging. These materials do have a market, but it is more expensive to process them.
 - Pay for additional costs to sort and market these materials (capital, labor, and marketing)
 - Feedback and consequences in every stage of the system
 - Cost to expand education
 - Grants to support collection of materials that need to be segregated (depots return to retail)
- **Level 3** - Materials that do not have recycling markets. These materials are not currently able to be recycled and are a burden on the processing system. The materials are essentially contamination
 - Feedback and consequences in every stage of the system. This fee would provide grants to MRFs to add equipment to remove contamination
 - Cost to expand education

Eco-Modulation

After setting base fees (based on compatibility of materials with Oregon's recycling system), fees should be further eco-modulated.

Eco-modulation is defined as an adjustment of base-fees by a specified factor (% of base fee), either upward or downward to account for environmental and other system considerations ("criteria") that are either desired or not desired by the State. The intent of eco-modulation is to influence design and manufacturing choices.

Eco-Modulation considerations that producers must incorporate:

- a) Producers of all material/format combinations (regardless of "level" of base fees) will have their fees adjusted for any/all eco-modulation criteria that are relevant.
- b) Where practical and appropriate, criteria shall consider (but are not necessarily limited to considering) factors such as product-to-package ratio, material choice, recycled content, and the disclosure of life cycle assessments.

At a later date (sometime after voluntary disclosure of environmental impacts has been incentivized through eco-modulation), require the largest producers of covered materials to evaluate life cycle environmental impacts of such covered materials, calculated consistent with methods determined by the EQC, and submit to DEQ and disclose to the public the results of such assessment.