



June 3, 2020

The Honorable Gavin Newsom
Governor, State of California
State Capitol, First Floor
Sacramento, California 95814

Re: California Beverage Container Recycling Infrastructure

Dear Governor Newsom:

On behalf of the organizations represented above, we write to ask that you utilize surplus funding in the California Beverage Container Recycling Fund to temporarily help the recycling industry in California survive the economic harm caused by the COVID-19 pandemic. Without aggressive measures, the beverage container recycling infrastructure in California faces imminent collapse.

Your strong leadership and proactive response to the COVID-19 pandemic has saved lives and is keeping many Californians safe. However, the economic challenges the pandemic poses to our state’s recycling industry are numerous and ongoing. This past March, industry stakeholders and recycling advocates were grateful when you provided explicit guidance and

designation of essential infrastructure businesses that included the recycling industry. Despite this action, some localities refused to treat recycling services as essential, leading many recycling centers and processing facilities to close. Over the past few months, despite high sales of bottled water and other beverages, the redemption centers that remained open saw incoming volumes plummet when the public took heed of health orders throughout the state and stayed home. Further strain was put on the recycling industry's finances by the significant and swift decline in economic activity resulting from the COVID-19 pandemic, which caused rapid and marked declines in overall scrap prices. Prices for some scrap commodities, like plastic, saw even greater drops when US crude oil prices plummeted in mid-April. This combination of events—steep drops in scrap prices and a rapid plunge in volumes—has resulted in a perfect storm that has crippled important parts of the recycling industry and distressed supply chains.

Recycling provides economic benefits and energy savings through the beneficial reuse of non-renewable resources. More important, perhaps, are less immediately tangible benefits of recycling, such as reducing greenhouse gas emissions and virgin materials extraction while creating sustainable green jobs. Although not always recognized, the recycling industry is a vital and integral part of our supply chain and economy. It collects, transports, processes, and supplies key feedstock to manufacturers producing materials and products that our society relies upon.

California's recycling infrastructure and industry is the product of an ongoing investment in environmental stewardship and responsible economic and sustainability policies. Our state, local governments, and businesses have collectively spent billions over the decades working to increase and maintain recycling rates with new infrastructure, education campaigns, and generating higher demand for post-consumer materials.

A good example of this success is the California Beverage Container Recycling Program, which is a self-funded program that encourages consumers to recycle. This program is responsible for the management and recycling of more than 18 billion beverage containers annually. Since the program was first implemented in 1987, the recycling rate of eligible containers has increased from 52 percent to a program high of 85 percent in 2013. In addition to creating and sustaining one of the largest recycling infrastructures in the nation, California's Beverage Container Recycling Program has supported thousands of jobs in the state's recycling industry and has kept these containers out of California landfills, reduced litter on our streets and in the natural environment, all while reducing energy needs during manufacturing and greenhouse gas emissions associated with mining and refining of new raw materials.

Over the last few years, this program has faced and survived various challenges, but the impacts of the COVID-19 pandemic could cause this program to collapse without immediate government intervention. **The organizations above are asking that the unredeemed funds in the program be used to provide targeted temporary emergency payments to recycling centers of \$0.006 per eligible beverage container recycled, subject to appropriate parameters and conditions.** By way of example, we recommend that minimum and maximum amounts be set and that payments be made available only to certified recycling centers that were operational prior to the issuance of Executive Order N-33-20 on March 19, 2020. This would provide the critical support needed to ameliorate the most significant impacts caused by the COVID-19 pandemic.

The economic reality facing our state over the next few years is sobering and any financial support will have to be thoughtfully evaluated. However, if the state does nothing, the beverage container recycling industry in California will continue to rapidly deteriorate and likely collapse and the years of investment will be lost. Our organizations and members want to be part of the solution and will continue to help you and the state proactively address both crises.

Should you or your staff have any questions, we stand ready to assist.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Young". The signature is fluid and cursive, with a large initial "J" and "Y".

Jason Young, CEO
Allan Company