



BLUETRITON

# EVOLVING DEPOSIT RETURN SYSTEMS FOR CONSUMERS & PRODUCER RESPONSIBILITY

BlueTriton Brands Supports a Best-In-Class DRS Policy

## FOREWORD

In our pursuit of creating a renewable world for communities today and tomorrow, BlueTriton must rise to the challenge and recognize that our product is not simply water; it is also the vessel our products are bottled in, which has an environmental impact on our value chain. Creating shared economic value and reducing waste generated from our packaging materials after our products are consumed is the focus of this paper.

Plastic recycling is often framed to include different products such as staplers, bags, and bottles despite the drastic differences among these products namely, factors affecting recyclability of the product, the type of plastic material (polymers) that the product is made of, product design and the product's intended use. The aggregated recycling performance of plastics is dismal, and there is not a single solution to the challenge today. While bottles are part of the overall plastic recycling discussion, this paper departs from the "one size fits all" plastic recycling approach, and instead focuses on waste reduction solutions for beverage containers and their associated packaging, like caps and labels.

Plastic, aluminum, and glass beverage containers can be more easily recycled than other materials. These materials benefit from shared collection programs and are valuable

feedstock for growing end markets of recycled materials. Specifically PET, the material that is in the majority of BlueTriton's packaging footprint, is highly recyclable. Recycled PET (rPET) is in high demand because of industry-wide recycled content commitments.

While it will be a challenge to reduce BlueTriton's waste footprint, we recognize that there are several existing systems in the U.S. and Canada, which provide a foundation for value creation and substantial waste reduction through reuse and recycling of packaging materials. These systems are called Deposit Return Systems (DRS), Bottle Bills, or Recycling Refunds. Although not perfect, we can iterate on these systems to better meet the needs of consumers, communities and industry.

This paper describes specific policy provisions that characterize a foundation for a best-in-class DRS policy supported by BlueTriton. The suite of provisions that are highlighted here reinforce each other in establishing a flexible system optimized to achieve high return rates and higher quality recycled materials, eliminating major cost factors and balancing stakeholder concerns. A successful DRS policy will create a system that reduces waste, creates value for communities & industry, and is convenient for consumers to use.



## DEPOSIT RETURN SYSTEMS

(also known as Recycling Refunds, Beverage Container Deposits or Bottle Bills)

Today, Deposit Return Systems (DRS) policies exist in 10 U.S. States, with the top performing system recycling or reusing more than 85% of covered beverage containers. These systems have proven results and are complementary to other packaging waste solutions like curbside recycling, extended producer responsibility, reusable packaging innovation, and product design for recyclability. DRS programs are unique in their ability to (1) increase collection of litter by providing consumers with a direct financial incentive to return their packaging to the correct location, (2) increase the yields of recycling processes by source-separating beverage containers from contamination before entering the recycling system as noted in [The 50 States of Recycling](#) (March 2021, pages 25-26), and (3) create a consumer culture of returning beverage containers, which can pave the way for more reusable packaging in the future such as the Oregon Beverage Recycling Cooperative's Refillable Bottle Program.

Successful Deposit Return Systems reduce plastic, glass, and aluminum waste by aligning key stakeholders across the beverage value chain, including, consumers, local communities, and businesses that produce, distribute, sell, collect, and recycle beverage containers. High-performing DRS programs are built around three core components: (1) a shared goal which creates value for all stakeholders, (2) clear guidelines and rules for everyone to follow, and (3) mechanisms which provide timely and transparent feedback on progress towards the shared performance goal, and whether the system guidelines are being followed.

Deposit Return Systems have been documented as the most effective mechanism to capture and recycle beverage containers at the end of their useful life. For example, the redemption rate for containers in Oregon was an exemplary

85.8 percent in 2019 under the DRS run by the Oregon Beverage Recycling Cooperative (OBRC). The OR \$.10 deposit creates a financial incentive for consumers to return containers for recycling, thereby increasing consumer participation in DRS programs.

In addition, DRS typically keeps beverage container types separate (from each other and from non-container recyclables), thereby improving material quality, market value, and reducing processing loss, all of which lead to higher yields. DRS can also create an infrastructure to foster beverage container reuse systems which generally offer substantial environmental benefits over recycling.

Ten US states have deposit systems in place. Their effectiveness, as measured by return rate and cost, varies depending on key policy elements and choices. Return rates, for example, are higher in programs with a \$.10 deposit rather than a \$.05 deposit.

Often, opposition to the expansion of the use of deposits, either to include more beverages in the existing programs, or to establish new DRS programs, comes from three sectors - the retail sector, the municipal recycling sector, and producers/distributors. The retail sector generally is not supportive of requirements to redeem containers on site due to health & safety concerns and space requirements. The municipal recycling sector, including haulers and material recycling facility (MRFs) operators that service those programs, typically fear the loss of revenue from valuable recyclable materials if DRS is expanded. Lastly, producers/distributors often oppose DRS given the costs, including the impact of fraudulent returns, inefficiencies and poor experiences in legacy bottle bill states. Costs to producers/distributors are significantly higher in systems

with a mandatory handling fee and/or a requirement to remit the unclaimed deposits to state government general funds. These program elements increase fixed costs and reduce the revenues available to offset DRS operating costs. Another leading concern is the fraudulent redemption of containers originally purchased in non-bottle deposit states.

On the other hand, public support for DRS programs in the US is high. For example, a 2017 public opinion poll conducted in Iowa found that 88 percent of respondents stated the deposit system has been good for the state. More recently, recycling industry groups, such as the Association of Plastics Recyclers, beverage producers, and material

trade groups such as the Glass Packaging Institute, and the Aluminum Association have expressed support for DRS program such as the efficient Oregon/ORBC model.

Given the increasing concerns regarding low recycling rates, and the growing support for the circular economy, several states have enacted extended producer responsibility (EPR) measures for packaging, with many other states considering similar measures. Three of the four states that have moved forward with EPR for packaging have long standing DRS systems in place, demonstrating that DRS and EPR can function simultaneously and complement each other.

## DEPOSIT RETURN SYSTEM FLOW CHART





# RECOMMENDED BEST-IN-CLASS DRS POLICY

BlueTriton supports the adoption of the key policy provisions that characterize a best-in-class DRS policy across the United States and Canada. The suite of provisions highlighted here reinforce each other in establishing a flexible system optimized to achieve high return and bottle to bottle recycling while eliminating major costs and balancing stakeholder concerns and program considerations. To be high-performing a DRS needs to be (1) performance-based, (2) customer-centered, (3) an inclusive circular system, (4) industry-led, and (5) transparent & accountable.

## PERFORMANCE-BASED

- Set performance targets that are aggressive, but achievable, on a schedule that reaches an 85 percent redemption rate in 5 years.
  - Include reuse rate targets and mechanisms (financial, programmatic, or otherwise) to facilitate increased reuse of beverage containers.
  - Include reporting requirements for producers to share aggregate sale-to-market estimates to provide a denominator for determining redemption rates.
  - Include reporting requirements for producer/distributor/independently operated redemption centers to share aggregate collection estimates to provide a numerator for determining redemption rates.

## CUSTOMER-CENTERED

- Enact a sufficiently high deposit on all beverage containers such as \$0.10 to incentivize consumers to return containers and redeem their deposits. A higher bottle deposit will shift consumer behavior and cultivate a take back culture that will open the door to more reusable packaging.
- Include a performance-based data-driven review and escalation mechanism if the recycling target is not achieved.
- Establish a network of convenient collection points such as bag drops, redemption centers or other equitable collection channels for easy and accessible consumer return and redemption by the producer responsibility organization.
  - Establish government-endorsed convenience standards to ensure consumer access to collection points that are based on geography, demographics and market conditions (e.g., one center for every community of greater than 10,000, one center within 1 mile of any beverage retailer, etc.).
    - › Work collaboratively with retailers to participate voluntarily, particularly as soon as convenience standards have been met.
  - Require that collection points accept all beverage containers, regardless of brand, material or size (known as “universal redemption”).
  - Ensure that large scale collectors (e.g., canners, NGOs) are serviced by the collection/redemption network.

## INCLUSIVE CIRCULAR SYSTEM

- Enable bottle to bottle recycling with the collection of uncontaminated material of good quality that can be re-manufactured and secured by beverage producers.
- Include all beverage container materials and formats (aluminum, glass, PET, HDPE, cartons and pouches) not intended for reuse or other material recovery outlets preferential to recycling; less traditional or new container materials & formats can be phased-in if needed.



## PRODUCER-LED

- Require beverage producers to submit their plan to establish a single, not-for-profit, cooperative producer responsibility organization (PRO) to a government oversight entity detailing their proposed program, including:
  - A description of how the DRS will be administered and managed, and documentation of its ability to achieve the performance targets.
  - Details on the redemption/collection network including the proposed location of centers, the systems and technology to be used, and how the network meets consumer-focused convenience requirements and facilitates reuse.
  - An outreach, education and promotional program to encourage participation.
  - Agreements with retailers, redemption center operators, recycling collectors, recycling processors and others necessary to deliver the program.
- Ensure that the deposits forfeited by consumers who chose not to redeem their containers, and the scrap revenue from redeemed containers, remain with the PRO for financing system operations and infrastructure.
- Create mechanisms for retailers to collect the deposit from consumers at time and point of sale, and to remit the full deposit to producers/distributors.
- Establish a variable fee schedule for individual producer/distributor contributions to cover overall system costs where necessary (i. e. when scrap value and unclaimed deposits do not cover full program costs); ensure that fees are structured to consider handling cost, weight, market value, design for recyclability and other relevant considerations.
- Require existing municipal recycling collectors and processors to be compensated for the beverage containers managed through their systems using a fair and equitable formula.
  - Any entity benefiting from the formula-based compensation will be subject to reporting requirements similar to the performance-based requirements of the deposit return system.
  - Consider a transition period to compensate material recovery facilities (MRFs) and waste haulers for the shift in recycling collection.

## TRANSPARENT & ACCOUNTABLE

- Ensure transparency of the program through strong and public reporting requirements and annual reports by producers on program performance.
- Establish government authority in a convening and oversight role, with the ability to set reporting requirements, and to enforce for underperformance.
- Examine opportunities for regional collaboration and harmonization among states with DRS to promote consistency of program structure and prevent fraudulent redemption across state lines.



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