

July 22, 2002

Senator Jeffords
Chair
Senate Committee on Environment and Public Works
410 Dirksen Senate Office Building
Washington, DC 20510

RE: Senate Bill 2220, the National Beverage Producer Responsibility Act of 2002

Dear Senator Jeffords:

Many thanks for your extraordinary efforts in addressing the growing problem of discarded beverage containers by introducing Senate Bill 2220, the National Beverage Producer Responsibility Act of 2002. National legislation that couples beverage container deposits with a minimum recovery rate is long overdue. Setting the deposit level at 10 cents, rather than the more usual 5 cents, provides the public with a strong economic incentive to return bottles and makes the 80% recovery level easily reachable. We fully support your bill, in particular, the incentive for producers to *refill* containers. It is the first national bill on beverage containers to do this. Given the environmental advantages of refillable beverage containers over "one-way" containers, we urge you to strengthen the language and incentives in the bill to more directly encourage refilling.

Sec. 12007(c) Reuse Rate Adjustment of S. 2220 allows brand owners to achieve a recovery rate lower than the 80% minimum if they use refillable beverage containers: "The minimum recovery rate required to be achieved by a brand owner under subsection (a) shall be reduced by 1 percentage point for each percentage point increase in the use by the brand owner of refillable beverage containers."

We fully support that the recovery rate can be met either through refilling, recycling, or some combination of the two. By allowing beverage companies to reach a recovery rate less than 80% if they refill, the bill provides some incentive to beverage companies to refill. However, the bill could more clearly (1) send the message to brand owners that refilling is better than recycling, and (2) reward refilling over recycling.

At minimum, the language in Sec. 12007(c) could be clarified. How is the "percentage point increase in the use by the brand owner of refillable beverage containers" to be measured? Is it measured in number of containers sold in refillables as compared to the previous year or a particular base year? What if total sales increases for one-way containers and refillables but the actual proportion of refillables decreases?

More importantly, S. 2220 is an opportunity to provide a clear message to beverage companies that refillable containers are preferable to one-way containers and companies that convert will be rewarded. We urge you to consider including in the bill mechanisms for providing financial incentives to companies that convert to refillables.

The robust refilling infrastructure that once existed in this country has largely been dismantled. In Europe and Canada, policies promoting refilling systems have focused on *preserving* systems that have existed for generations. In the United States, policies are needed to *revive* and *rebuild* our refilling infrastructure. S. 2220 can help do just this by creating a mechanism to provide financial incentives for companies to produce, distribute, sell, and use refillable containers. Incentives could include tax credits and low-interest loans for any player in the beverage chain that converts from one-way containers to refillable bottles. Incentives, which could be funded from unredeemed deposits or even a "half-back" deposit (see below), could encourage companies to invest in refilling equipment and bottles. S. 2220 could set up this funding mechanism. Here are some specific ways the bill could accomplish this:

- **Establish a multi-tier deposit under which people receive a full deposit refund with refillable bottles and a "half-back" refund with one-way containers.** Thus, consumers have an economic incentive to choose refillable containers over one-way containers. The Canadian provinces of New Brunswick, Nova Scotia, and Newfoundland use half-back deposits.
- **Do not permit the beverage industry to automatically retain unredeemed deposits.** Allowing the beverage industry to retain unredeemed deposits builds in an incentive that discourages the industry from offering refillables under a half-back deposit scheme. Rather, unredeemed deposits can go into an environmental trust fund that makes monies available to industry and local enterprises for specific projects that invest in refilling. The fund can also provide payments to retailers and wholesalers who handle empty refillable bottles to cover their handling costs and to give them an incentive to accept refillables. Furthermore, the fund can support the costs of administering and enforcing the bill at the national level. In Massachusetts the unredeemed deposits on one-way containers go into such a fund (The Clean Environment Fund) while distributors keep the unredeemed deposits on refillable bottles. This has resulted in a much higher percentage of refillable beer bottles in Massachusetts than in other states.
- **Alternatively, allow brand owners to retain a specified percentage of unredeemed deposits only if they offer a minimum portion of their beverage containers in refillables.** For instance, if a brand owner offers 25% of its beverages in refillables, it can retain 25% of unredeemed deposits. It has to offer 50% of its beverages in refillables in order to retain 50% of unredeemed deposits. In addition, the bar can be raised with time. Within 10 years, for example, companies have to offer a minimum of 50% in refillables in order to retain any unredeemed deposits.

In addition, separate legislation could establish government procurement policies that favor refillables. Ideal candidates for such policies include military installations, schools, hospitals, and correctional facilities.

You may wonder if it is worthwhile to revise the bill to specifically and more directly encourage refilling. The answer is "yes!"

American beverage companies offer their products in refillable containers in Canada, Europe, and other countries. If they can do it there, they can do it here. High refilling rates are possible. Consider that 98% of soda containers and 73% of beer containers are refilled in Finland. In Denmark, at least 90% of beverage containers are refilled. In Germany, 75% of beer and soda are offered in refillables. Closer to home in Canada, more than 80% of beer is sold in refillables in Prince Edward Island, Ontario, and Quebec.

Compared to non-refilling systems, refilling systems have many advantages. Potential environmental benefits include reductions in:

- greenhouse gas emissions,
- carbon monoxide emissions,
- solid waste generation,
- consumption and waste of packaging materials, and
- energy consumption.

In addition, refilling eliminates the need to find markets for green and brown glass bottles and plastic bottles. Indeed, Finland embraced refilling because its capacity for recycling glass is limited, and markets for recovered glass are unstable. It also has no facilities for converting recovered PET into feedstock. In the United States, one trend in recycling is the move to collecting a single stream of recyclables (rather than having residents sort recyclables into two or more categories). The result of this is that 15 to 20% of collected recyclables end up as residual needing disposal. Why? Because of glass breakage. Widespread use of refilling would solve this problem.

Most of the refillables in Europe and South America are plastic PET bottles, which greatly reduces the energy usage needed to transport the bottles to and from point of sale.

On the economic side, by reusing containers multiple times, refilling cuts the public costs of waste management, creates jobs, and can reduce the prices of beverages. In addition, some policy instruments implemented to support refilling (such as packaging taxes), can raise millions of dollars in government revenue.

Germany's Packaging Ordinance, for instance, not only increased refilling but also encouraged many medium-sized beverage companies to invest in refilling systems. Of the 161,000 jobs directly connected to the manufacture and filling of beverage containers and to the distribution and selling of packaged beverages in Germany, 73 percent involve refillable containers. One study estimated that 53,000 jobs would be lost if one-way containers completely overtook refillables. Yet if a transition occurred in the opposite direction, 27,000 new jobs would be created.

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In Denmark, refillable 500-ml PET bottles are almost 15 times cheaper than their one-way counterparts (on a price per filling basis). Its packaging tax raised 101 million Euros in 1999 (only 255,000 Euros were spent to set up administration and collection of the tax and 1999 operating costs were 27,000 Euros). The country's refilling requirement for soft drinks and beers has prevented an estimated 390,000 tons of waste annually. In Finland, refilling has prevented 380,000 tons of waste annually.

Refilling systems will need to be part of any long-term method of sustainably reducing and managing municipal solid wastes. One key to reviving and rebuilding a refillable infrastructure in this country is providing the right incentives and financial rewards to spur players in the beverage chain to convert to refilling. S. 2220 presents an unprecedented opportunity to send a message to the American beverage industry that refilling is preferable and will be rewarded. We urge you to take advantage of this opportunity to help build a sustainable production and consumption system for beverages in the U.S.

For more information on our work on refilling, please visit our recently launched ***Reduce, Reuse, Refill!*** Web site at <http://www.ilsr.org/recycling/index.html>.

Please do not hesitate to contact us if we can be of further assistance in improving S. 2220.

Yours Sincerely,

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President

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