

Used Oil Life-Cycle Assessment Project Status Update

This document describes CalRecycle's efforts to implement the Used Oil Life-Cycle Assessment (LCA) Project mandated by SB 546 (Lowenthal, Chapter 353, Statutes of 2009) and presents CalRecycle's proposed path forward in response to comments received and additional consultation with internal and external stakeholders.

Original Proposal

CalRecycle initially solicited stakeholder feedback on three draft scopes of work (SOWs) and proposed contractors for the LCA Project at its August 11, 2010, Materials Management and Local Assistance public meeting. The proposal called for awarding three interrelated contracts:

- "Contract to Facilitate Stakeholder Process and Legislative Report for Used Oil Life-Cycle Assessment Project"
- "Used Oil Life-Cycle Assessment Study" Contract
- "Independent Peer Review of Used Oil Life-Cycle Assessment Project" Contract

Comments Received and CalRecycle Response

CalRecycle received comments expressing divergent opinions regarding several aspects of this project including overall project purpose/scope and whether or not an economic analysis should be included (Additional details on comments will be posted at <http://www.calrecycle.ca.gov/UsedOil/PolicyLaw/LifeCycle.htm>).

1. Economic Analysis Project Component

Stakeholder Comments: The single largest issue expressed by stakeholders is whether or not the project should include an economic analysis of some type and the nature of such economic analysis. Some stakeholders believe that SB 546 requires the inclusion of eco-efficiency or econometric modeling, while others interpret the inclusion of an economic analysis as beyond the statutory authority of the project, citing the department (as opposed to the LCA Practitioner) as the party responsible for evaluating certain regulatory requirements.

As a result of this overarching difference of opinion, specific comments on the substance of the LCA Practitioner SOW and proposed contractor ranged significantly. These ranged from several important, though relatively minor suggestions (e.g., more detail should be included regarding the data-gathering phase, include sensitivity analysis language, additional opportunity for stakeholder comment before finalizing the LCA study, etc.) to suggesting that CalRecycle postpone approving the SOW until after the first stakeholder meeting. It was suggested that the latter approach would allow further development of the scope of the LCA study, thereby ensuring that the appropriate team of contractors is selected, as well as ensure that, given the scope of the project, all stakeholders are given sufficient opportunity to participate.

Some stakeholders further commented that an econometric model and publically available tool that could be used by others around the country and even internationally should be developed as a part of this project. Others suggest that the geographic scope be limited to California processes, regulatory environment, and impacts.

CalRecycle Response: CalRecycle staff agrees that an economic component for this project is necessary. CalRecycle originally intended to initiate a separate contract to satisfy the relatively short list of parameters in PRC §48651.5(b)(1)C); however, after careful consideration of the statute, CalRecycle has concluded that an economic component as a complement to the environmental LCA is required.

Pursuant to PRC§ 48651.5(b)(1) the purpose of the comprehensive LCA is to provide the Legislature with recommendations for statutory changes that may be necessary to promote increased collection and responsible management of used oil. It is CalRecycle's determination that the critical and far-reaching nature of such recommendations necessitates the inclusion of an economic analysis as part of the overall project. Further, without this component the effort would not be comprehensive and thus would fall short of the Legislature's express mandate. Written comments from the bill's author support this determination. Therefore, CalRecycle staff plans the following:

- Add an in-house economist to the CalRecycle/DTSC project team in an advisor role;
- Conduct an economic study under a separate contract with a separate contractor(s) than the LCA study;
- Wait until the first stakeholder meeting to further explore necessary components for the scope of work on the economic study, to allow for full input from stakeholders;
- Modify the existing "Used Oil Life-Cycle Assessment Study" SOW following the first stakeholder meeting to include tasks related to identifying all assumptions and conducting sensitivity analyses. Since the boundaries and detailed scope of the LCA and economic analyses are, by statutory design, intended to be developed with stakeholder input, further modifications from the stakeholder meeting will likely be included; and
- Present proposed contractors for the LCA study and the economic study as quickly as feasible following the initial stakeholder meeting.

Regarding the comment that an econometric model and tool should be developed that could be used by others, CalRecycle anticipates that the studies conducted in support of this project will necessitate the collection of information from within and outside of California (e.g., on material flows, management methods, and economics). However, funding for this study is directly tied to fees collected pursuant to the California Oil Recycling Enhancement Act (Act), and recommendations contained in the final report to the Legislature will appropriately focus on the Act. CalRecycle thus plans to conduct these studies with a California-specific focus that will take into consideration California's unique regulatory and operational framework. This will entail development of a complementary economic analysis for purposes of this study. CalRecycle intends to ensure that the scope and all underlying data, analytical algorithms, and methods are vetted by stakeholders in the context of the project's transparent process. However, CalRecycle does not plan to develop this into an econometric modeling tool that will be published and maintained by CalRecycle for use by other states and countries. CalRecycle's perspective is that other interested parties may be able to take this study's economic analysis methodology and apply it to situations outside of the California context.

2. Other State Agency Representation

Stakeholder Comments: Some stakeholders request that an economist be added to the project team along with representatives from other state agencies such as the Air Resources Board and Water Resources Control Board.

CalRecycle Response: CalRecycle is considering how to incorporate staff at other California state agencies that have jurisdiction over various processes related to the management of used oil, such as the Air Resources Board and the State Water Resources Control Board, into this project.

3. Facilitated Stakeholder Process

Stakeholder Comments: Stakeholders generally agreed that CalRecycle should proceed with approval of the SOW and contractor for the facilitation component of the project.

CalRecycle Response: CalRecycle approved the SOW and contractor for the "Contract to Facilitate Stakeholder Process and Legislative Report for Used Oil Life-Cycle Assessment Project" on September 15, 2010. As outlined in the SOW, this expert facilitator will guide the stakeholder process via a series of facilitated, in-person meetings and conference call subgroup meetings, toward the development of the scope and design of the LCA study. It should be noted that this contract, as with all others related to this project, will not be fully-executed until the passage of the state budget.

4. International Organization for Standardization (ISO) Peer Review Contract

Stakeholder Comments: Some stakeholders stated that the existing LCA Practitioner SOW language could require the LCA Practitioner to use stakeholder recommendations that may conflict with International Organization for Standardization (ISO) standards. Others stated the need to clearly separate the LCA scope and boundary development phase, which they state, should have broad stakeholder involvement and support, from the assessment phase, in order to avoid potential conflict regarding preconceived solutions/conclusions among the different stakeholders.

CalRecycle Response: CalRecycle is actively considering contractors for this contract. CalRecycle staff recommends slight modifications to the draft SOW at this point. These include, but are not limited to, clarifying that this is an independent review of the LCA related to ISO standards, to ensure that proper protocol is followed, and not a traditional peer review of the merits of any particular outcome alone; and slightly reducing the contractor's involvement in stakeholder activities in order to place additional distance between the ISO reviewers and the process of developing the scope of the LCA study.