

*The Covered Electronic Waste (CEW)
Recycling Program:
Net Costs and Payment Rates*

A Stakeholder Workshop



May 25, 2010

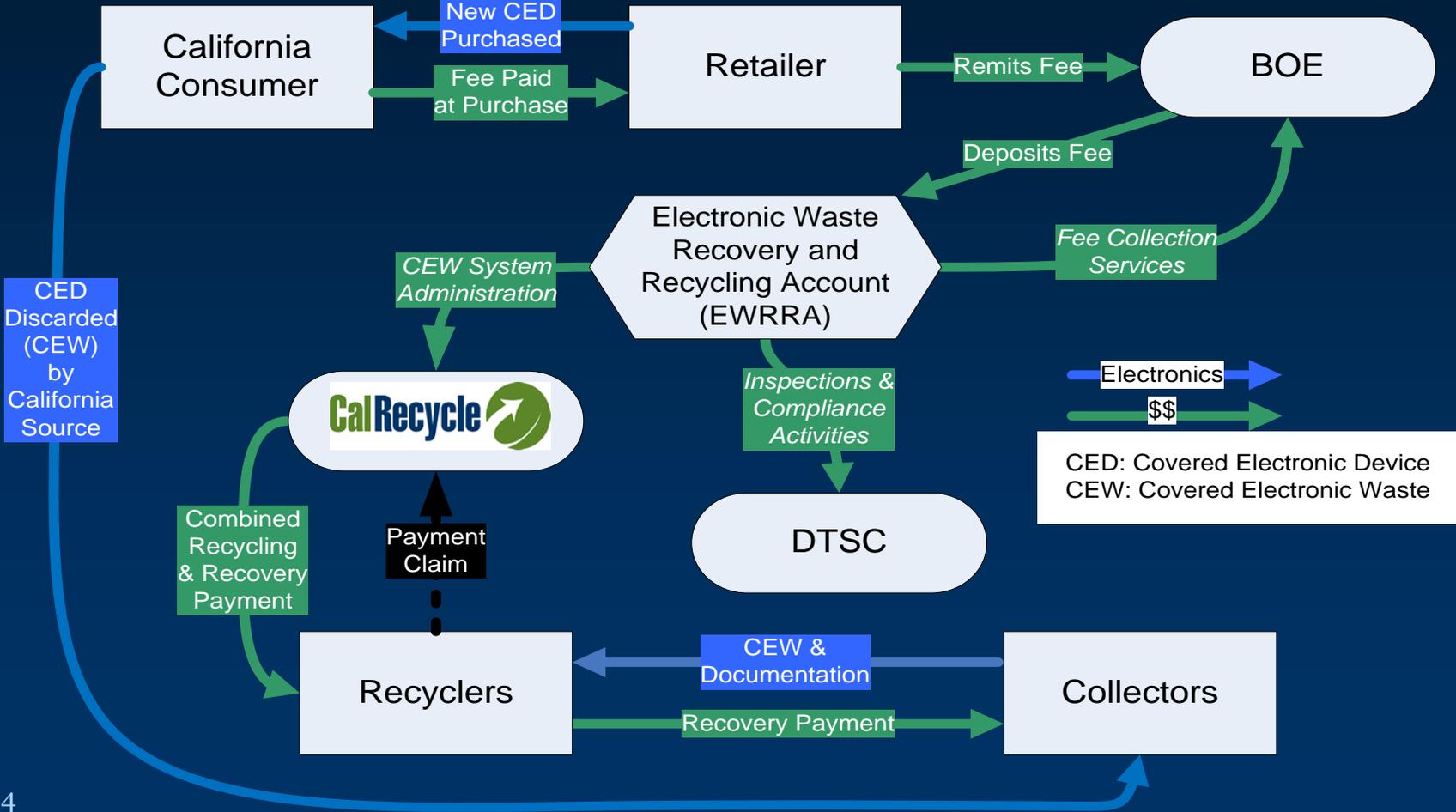
This workshop will cover:

- **Continued Discussion from May 12th**
- **Review of CEW Program Stats**
- **Acknowledgement of Industry Dynamics**
- **Analysis of Net Cost Report Data**
- **Open Discussion**
- **Next Steps**

Electronic Waste Recycling Act

- **Established system to pay for the recovery and recycling of CEW**
 - **Only CEW from CA sources are eligible**
 - **CEW must be recycled (cancelled) in CA**
 - **Treatment residuals must be properly managed (i.e. CRT glass)**
 - **CalRecycle sets payment rates to cover *average net costs* of collection & recycling**

CEW Payment System

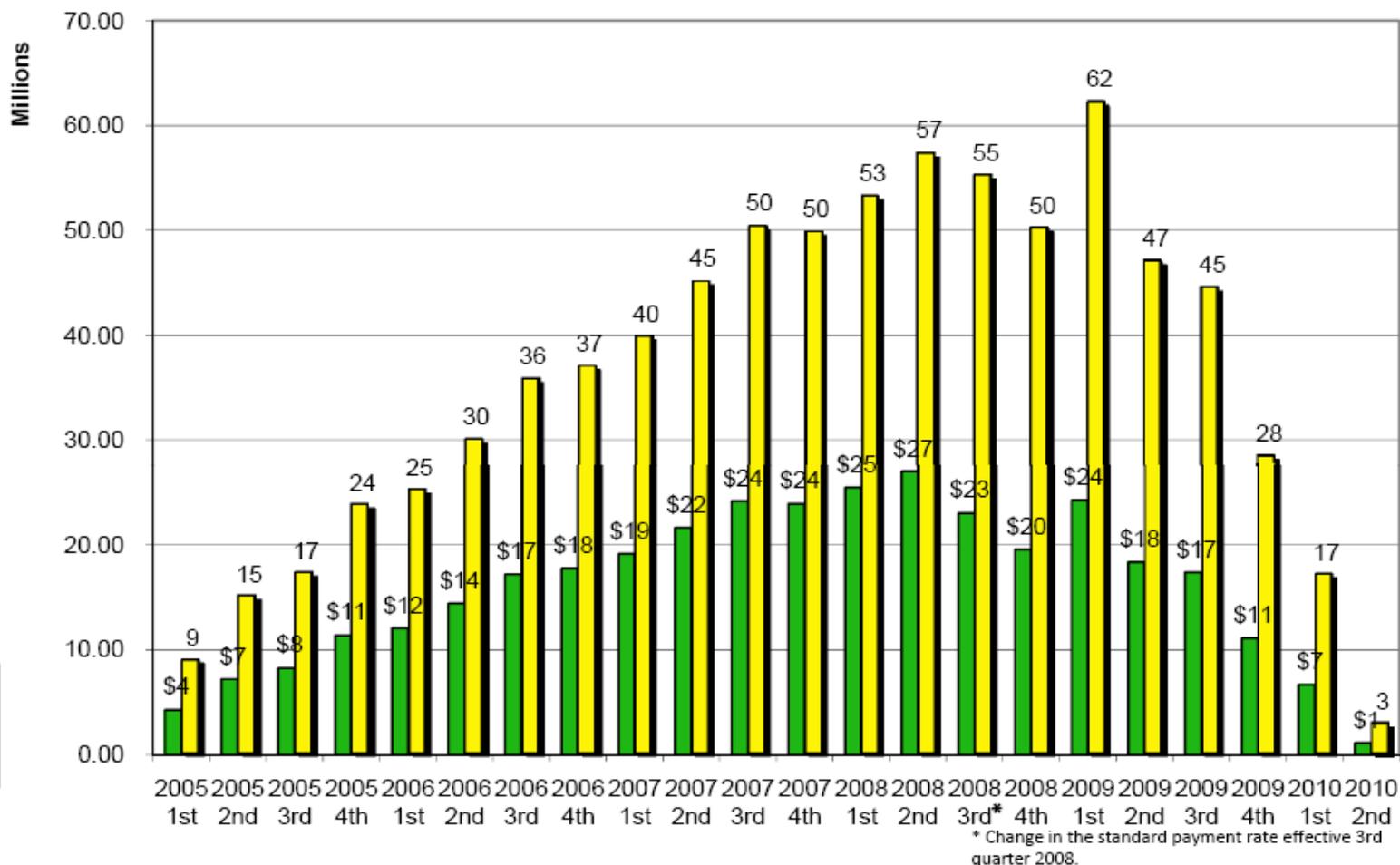


Claim History (as of May 20, 2010)

| | # of Claims | \$\$\$ Claimed | LBS Claimed | \$\$\$ Approved | LBS Approved |
|--------------|-------------|-----------------------|--------------------|-----------------------|--------------------|
| 2005 | 225 | \$ 31,108,559 | 64,809,498 | \$ 29,245,653 | 60,928,443 |
| 2006 | 298 | \$ 61,429,989 | 127,979,144 | \$ 59,826,323 | 124,638,173 |
| 2007 | 351 | \$ 88,891,646 | 185,190,929 | \$ 86,358,807 | 179,841,860 |
| 2008 | 411 | \$ 95,640,919 | 217,277,342 | \$ 88,841,211 | 200,495,548 |
| 2009 | 312 | \$ 70,768,553 | 181,497,830 | \$ 55,915,294 | 143,372,548 |
| 2010 | 54 | \$ 7,776,615 | 19,940,038 | \$ 2,937,471 | 7,531,977 |
| TOTAL | 1513 | \$ 355,957,254 | 797,569,069 | \$ 325,520,564 | 722,951,639 |

Covered Electronic Waste Recycling Payment System Quarterly Monies and Pounds Claimed

(as of May 20, 2010)



Note that 4th quarter 2009 through 2nd quarter 2010 quantities represent only a portion of claims normally anticipated. This is due both to the CRT glass market disruption and claim timing. Recyclers are supposed to submit a claim within 45 days after the end of a reporting month.

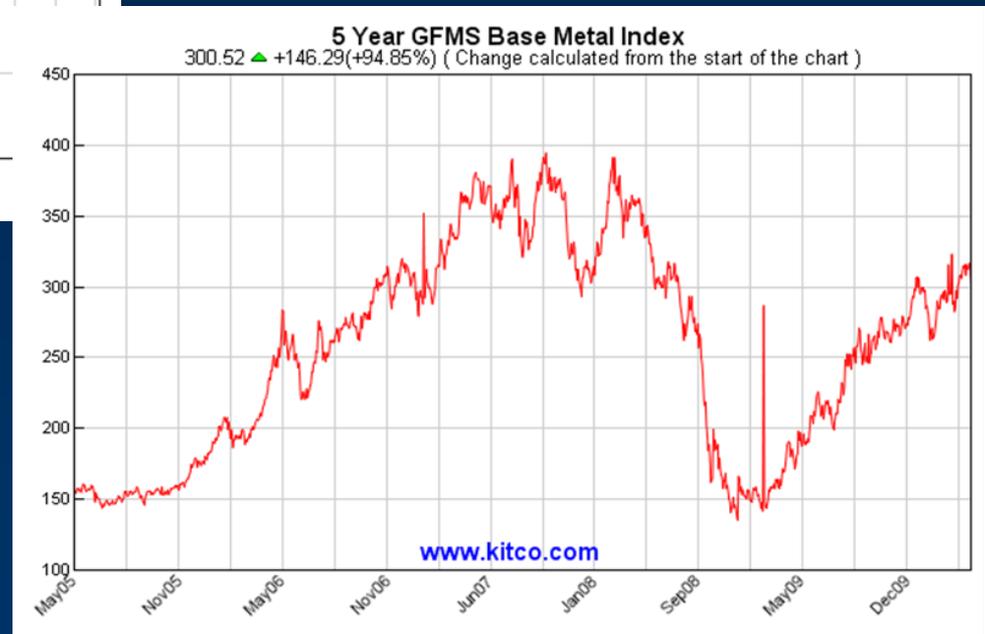
Program Dynamics Today

- **October 29, 2009: USEPA revoked certain CRT glass export AOCs**
 - **CRT glass options still available, but at higher costs**
 - **Some recyclers have shipped; others waiting...**
- **Out of adversity comes opportunity...?**
 - **New glass outlets / capabilities emerging**
- **Recyclers and collectors are being more careful about who they do business with**
- **Some commodities have regained ground**

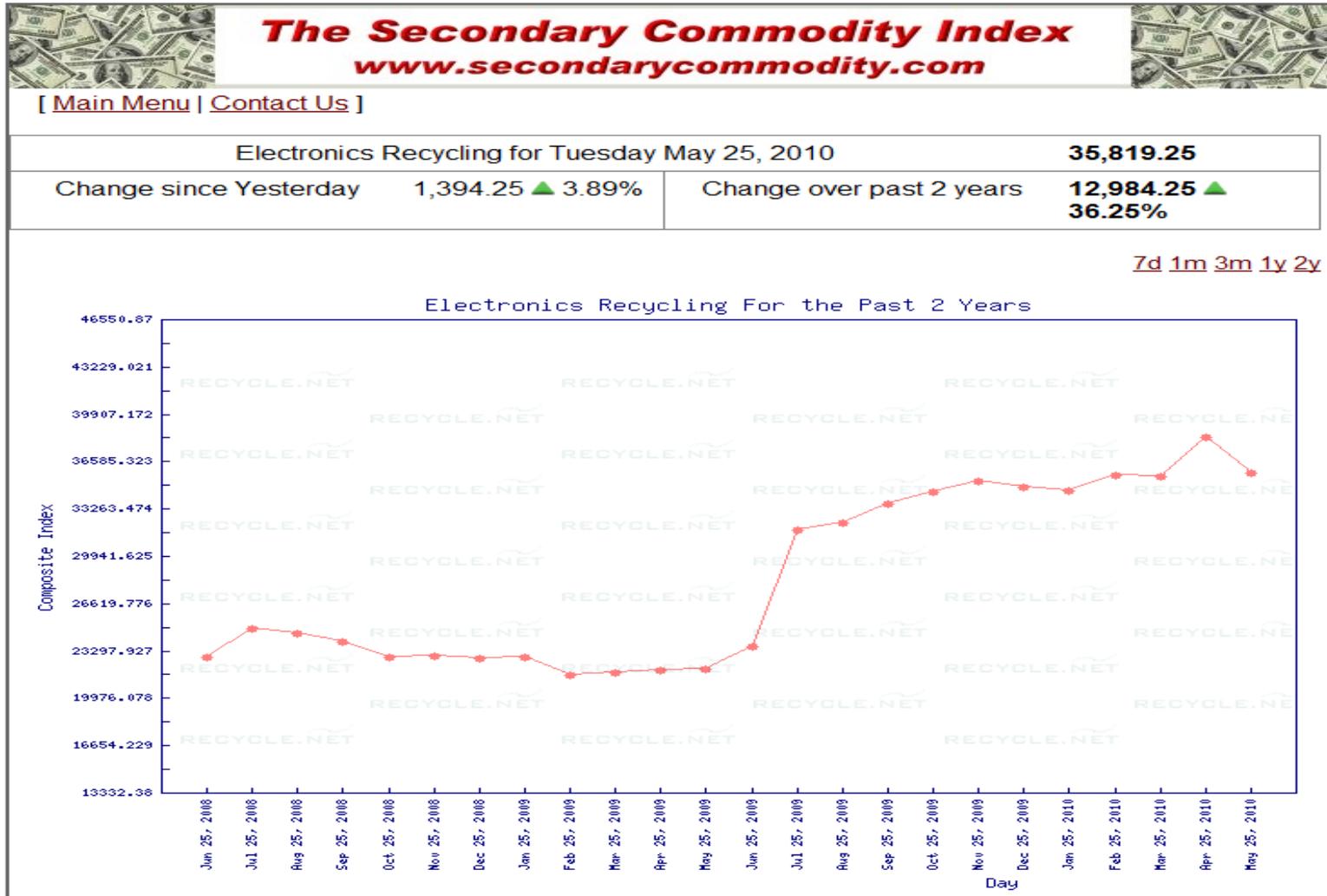
Commodity Price Fluctuations



Commodity Price Fluctuations



Commodity Price Fluctuations



Payment Rate Considerations

- **CalRecycle must establish a “payment schedule” on or before July 1, 2010**
 - **Rates should cover the average net cost for a collector to collect, consolidate, and transport, and for a recycler to receive, process, and recycle, covered electronic wastes**
 - **PRC 42477 & 42478**
- **Net Cost Reports inform CalRecycle**
 - **Report content guided by regulation**

Net Cost Reporting

- Latest report was due March 1, 2010
 - Almost 20% non-compliance
- Analysis of as-reported 2009 data
 - Trend of widely varying costs continued
 - DOF validation exercise completed
 - Reported costs “...generally supported...”
 - Recyclers fared a little better than collectors
 - Results were better than 2008
- Data may require some honing...

2007 data and trend led to rate adjustments...

Comparison of Weighted Average* Net Costs (cents/pound)

| | 2005 | 2006 | 2007 (sampled) | 2007 (all reports) |
|-----------|------|------|-------------------|-----------------------|
| Recovery | 17.1 | 16.7 | 16.7 | 14.8 |
| Recycling | 25.2 | 21.5 | 20.4 | 21.0 |
| Total | 42.3 | 38.2 | 37.1 | 35.8 |

** The weighted average reflects the overall industry cost, calculated as if the industry operated as a single organization – i.e., by dividing the total reported costs by total pounds for all participants in the study sample. By its nature, this measure is affected by the costs and revenues of larger operations more than smaller ones.*

Fast-forward to today...

2009 Costs Calculated

| Net Costs Reported for 2009 | | Weighted Average | Mean | Median | Percentage Below Standard Payment Rate |
|------------------------------------|-----------------|------------------|-------------|-------------|--|
| Recovery | Revenue | 5.3 | | | - |
| | Cost | 21.7 | | | - |
| | Net Cost | 16.5 | 21.9 | 13.0 | 58% |
| Recycling | Revenue | 8.3 | | | - |
| | Cost | 27.0 | | | - |
| | Net Cost | 18.6 | 21.8 | 19.5 | 59% |

2009 Costs Re-Calculated

| Net Costs Reported for 2009 | | Weighted Average | Mean | Median | Percentage Below Standard Payment Rate |
|------------------------------------|-----------------|-------------------------|-------------|---------------|---|
| Recovery* | Revenue | 5.7 | | | - |
| | Cost | 20.0 | | | - |
| | Net Cost | 14.4 | 14.0 | 12.0 | 61% |
| Recycling** | Revenue | 8.3 | | | - |
| | Cost | 27.0 | | | - |
| | Net Cost | 18.7 | 22.4 | 20.0 | 60% |

* *Outliers beyond one standard deviation removed (30 high cost, 6 low cost)*

** *One recycler report > \$0 removed*

2008 Costs Calculated Using All Reports (Raw)

| Net Costs Reported for 2008 | | Weighted Average | Mean | Median |
|------------------------------------|-----------------|-------------------------|-------------|---------------|
| Recovery | Revenue | 4.7 | | |
| | Cost | 21.3 | | |
| | Net Cost | 16.6 | 21.2 | 12.0 |
| Recycling | Revenue | 8.3 | | |
| | Cost | 31.2 | | |
| | Net Cost | 22.8 | 17.1 | 16.5 |

Comparison of Weighted Average Net Costs

| | 2005 | 2006 | 2007 (all reports) | 2008* (all reports) | 2009 (refined) |
|------------------|-------------|-------------|------------------------------|-------------------------------|--------------------------|
| Recovery | 17.1 | 16.7 | 14.8 | 16.6 | 14.4 |
| Recycling | 25.2 | 21.5 | 21.0 | 22.8 | 18.7 |
| Total | 42.3 | 38.2 | 35.8 | 39.4 | 33.1 |

** DOF validation of 2008 reports rated lower than either 2007 or 2009.*

A Closer Look at 2008...

- **Collectors**

- **Medium: 1 to 3 million pounds (33)**

- Mean reported 17.8 cents per pound

- **Large: >3 million pounds (10)**

- Mean reported 11.9 cents per pound

- **Recyclers**

- **Medium: 1 to 10 million pounds (20)**

- Mean reported 14.9 cents per pound

- **Largest: >10 million pounds (6)**

- Mean reported **28.3** cents per pound

Other Considerations?

- Reconciling “average net costs” with intent of Act not a perfect fit
 - **Payment rates based on averages do not cover everyone’s own**
 - By definition: some paid too little, some too much
 - **Weighted averages reflect entire industry’s cost**
 - Must be considered in context of scales and efficiencies
 - **Regulations allow for service charges**
- Program itself influences business behaviors
- Future is uncertain...

Open Discussion

- Thoughts about data?
- What does the near future hold (i.e. CRT glass)?
- What else is going on that CalRecycle (and DTSC) needs to know?

Next Steps

- ❖ Program staff will finalize rate proposal and post for public review, then resolve after June 16th MMLA meeting
- ❖ Based on payment rate, program will calculate required program revenue and develop consumer fee adjustment models
- ❖ Anticipate holding workshop June 22nd on revenue and fee adjustment considerations
- ❖ Plan to finalize and post, then resolve new fee proposal after July MMLA meeting



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