

Comments on the California Carpet Stewardship Plan ADDENDUM #2

October 19, 2015

To the Carpet Team at CalRecycle and Carpet America Recovery Effort (CARE) –

XT-Green has spent the past almost 3 years testing, developing and self-funding an advanced, innovative, next generation carpet recycling technology. Besides producing the highest quality reclaimed material at extremely high recycling rates, the facility will also eliminate respirable dust exposure to our employees and fugitive particulate emissions to the environment while generating minimal production waste.

Our goals include accepting the widest range of fiber and carpet types and creating markets for our reclaimed material in California to help create manufacturing jobs here. XT-Green is ready to move forward with its first facility to be located in Southern California. Under the name of *EarthCare Carpet Recycling*, we plan to be operational by mid-2016 if we can overcome our final challenges, including the current structure of the California Carpet Stewardship Plan.

We want to thank the CARE organization for its role in developing the XT-Green advanced carpet recycling technology. It was through relationships developed as members of CARE that XT-Green assembled the team and resources needed for this challenging project. We also appreciate the ongoing support and encouragement of Bob Peoples, Executive Director of CARE.

I want to personally acknowledge the long-term support of the CalRecycle carpet team, especially Kathy Frevert. Her support and kindness made a major difference in our efforts to overcome the increasingly-challenging obstacles to reach our goals.

During the week of October 19, XT-Green will be conducting our final testing stage of full-scale equipment at our Pilot Plant so I will not be able to attend the meeting on October 20th. Therefore, the following provides our comments regarding Addendum #2.

XT-Green is extremely pleased that CARE is proposing to provide grants and loans as part of the California Carpet Stewardship Plan. We are self-funding the capital costs of the planned facility but plan to submit a grant application for this program to help offset start-up costs and expedite the time line to begin buying PCC, start up our operations and ramp up production rates.

However, we have major issues regarding the implementation of the grant/loan program as proposed in the draft Addendum #2. The following is a discussion of these concerns:

1. More than just a “priority” should be given to California-based applicants.

One of the purposes of AB 2398 is to create California jobs and support a carpet recycling infrastructure in California. Also, the processing of post-consumer carpet (PCC) outside of California (primarily in the eastern United States) requires the transport of heavy material across long distances thus significantly adding to the carbon footprint beyond that generated from the transport of carpet within California.

Therefore, “priority” should be changed to require that all the Cycle 1 grant funds are committed to California-based facilities unless CARE demonstrates that there are additional funds available to out-of-state applicants after grants are awarded to all qualified applicants with facilities based in California.

If it is decided that out-of-state facilities are qualified to apply for California grants or loans under Addendum #2: To ensure a level playing field with California facilities, as part of the grant/loan application, the out-of-state facilities should be required to prove that they will be meeting the equivalent standards as California facilities for protection of employee health and safety, air emissions to the environment, handling of solid waste and fire protection standards.

Finally, “Carpet Manufacturing Facilities” are listed as “Eligible Applicants.” As noted in the next item, the amounts in the proposed grant and loan programs are extremely limited. Therefore, they should be utilized to support California-based entrepreneurs, not carpet manufactures which by definition are extremely large companies, with the major companies having over a billion dollars a year in gross revenue.

2. Grant and loan elements should be higher than \$3 M per year.

The initial purpose of this program as stated is the “capital investment in processing.” The current maximum amount of \$3 million is a very minimal funding amount to support this and other goals. This is especially true as it is unclear whether additional funding released for “subsequent grants and/or loan solicitations” planned to follow cycle 1 will also include capital investment in processing equipment.

3. CalRecycle should provide more than just “oversight” of the Grant program.

The administration of the California Carpet Stewardship Program by CARE is conducted primarily by two committees made up of representatives of the carpet manufactures and carpet recycling processors. Measures need to be put in place to ensure there is no conflict interest or advantages for members of these committees who may be applying for grant or loan funding.

Therefore, to support a level playing field and “transparency” in the program, there should be more than just “oversight” by CalRecycle but rather approval by CalRecycle should be required prior to awarding grants under this program, especially while CARE continues to be in non-compliance with AB 2398.

4. Temporary storage strategies with financial guarantees should be implemented rather than “energy recovery diversion strategies.”

There is wide-spread concern regarding the current lack of available outlets for collected carpet and recovered fiber from processing – both nylon and non-nylon material. To respond to this problem, Addendum #2 includes a major emphasis on energy recovery diversion strategies as a proposed alternative to recycling and an applicable application for grant and loan funds from this program. In fact, the amount of references to energy recovery diversion strategies in Addendum #2 could lead one to the assumption that CARE has already decided to make grants to this strategy a priority.

However, instead of pushing for energy recovery diversion strategies, every effort needs to be made to utilize the grant/loan funding to increase the “continuous meaningful improvement” of recycling and meet the requirements of the California Waste Hierarchy. These efforts should include issuing grants for the temporary storage of sorted and baled carpet (especially nylon material) until market conditions change or the start-up of new carpet processing facilities, such as the one planned by XT-Green for mid-2016.

This strategy has been used by the carpet industry, specifically by Shaw to help stabilize the reclamation infrastructure. As noted in the recent “Floor Focus” magazine 2015 Sustainability Report: In the past Shaw “warehoused large volumes of nylon 6,6 while the industry struggled to find end users.”

To ensure the past and current problems with uncontrolled storage is not repeated, Collector/Sorters applying for storage grants would need to demonstrate that the storage of the sorted bales would be done indoors according to CalOSHA requirements, local fire ordinances and best practices. To ensure that the companies wouldn’t “walk away” from the material, applicants would either need to demonstrate the financial strength of their company or put up a Performance Bond to ensure that they are liable for disposal of the material if markets do not develop in a defined period of time.

XT-Green is fully supportive of this storage option, especially for nylon material. Its facility planned for mid-2016 will initiate production with nylon carpet, including commercial broadloom, before moving onto other fibers. Purchase of baled nylon PCC by XT-Green is planned to begin during the second quarter of 2016. XT-Green will need a minimum of 3 million pounds of PCC per month to supply its facility.

The percentage of nylon post-consumer carpet in the waste stream is reducing constantly. The fact that a portion of this historically valuable material is currently going to landfill or may soon be managed utilizing an energy recovery diversion strategy subsidized by this grant program is of great concern to XT-Green. This is especially true as we are planning to create a market for this material during the first half of 2016.

Whether or not this proposed storage option is implemented, if it is determined that CARE will support energy recovery diversion strategies in their grant program, CalRecycle should make it clear that this diversion option does not relieve them of their requirements for “continuous meaningful improvement” for recycling.

Also, a major reason for recycling in California is due to our commitment to controlling greenhouse gases that impact climate change. Therefore, carbon emissions should be considered before CARE issues grants under the assumption that energy recovery diversion strategies is a more environmentally sound alternative to landfilling.

CalRecycle should solicit the opinion of the California Air Resources Control Board (CARB) to assess the carbon contribution from energy recovery from carpet vs. the landfilling of carpet which sequesters the carbon. (Note: I believe this analyses has already been done by CARB in the past regarding carpet associated with the operation of the Commerce Waste to Energy facility by the County of Los Angeles.)

5. **Prioritizing Options: Short and Viable Long-Term Solutions**

A long list of needs for the funding infusion are listed on page 5 of Addendum #2. Although there is a need for flexibility, there also needs to be prioritizing of these options. This should include a combination of short-term solutions, such as the storage option discussed above, but also longer term, sustainable solutions including:

#7 – “Allow new processors to get established thereby increasing California capacity for collection, processing and storage.”

It should be recognized that a third processor has recently closed in Southern California in addition to the 2013 closures of The Carpet Recyclers and the Carpet Collectors. A major contribution to the closure of these facilities was the inability of the chosen processing technologies to generate the quantity and quality of recycled output to generate the profits needed to sustain these facilities. Therefore, grant funding decisions should include an evaluation of the long-term viability of the applicant’s technology and sustainability of their business prior to issuing grants.

6. Definition of “Manufactured Product”

In Addendum #2, for the purpose of this initiative, a manufactured “product” is “defined as a good or package in a form which requires no further processing or forming before it is offered for sale to an end-user.”

XT-Green agrees that an extruded pellet should not be considered a manufactured “product” but is concerned that the above definition could be interpreted to not include parts that manufactured utilizing recycled content from carpet but are not sold to a final “end-user.” An example of this would be injected molded engine parts sold to the auto industry. XT-Green requests that this definition be clarified to include these important types of applications.

Thank you for this Addendum to add grants and loans to the California Carpet Stewardship Program. I regret not being able to come to the October 20th meeting in Sacramento.

Please don’t hesitate to contact me if you have questions regarding these comments or would like to know more about the XT-Green’s *EarthCare Carpet Recycling Facility* planned for 2016.

Thank you for this opportunity and your consideration.

Regards --

Gail Brice

Gail Brice, Vice President

XT-Green
2 Park Plaza, Suite 450, Irvine, CA 92614
562-592-5989 (direct)
562-448-4254 (mobile)
gail.brice@xt-green.com