REVENUE STREAMS WITHIN RECYCLING REFUND PROGRAMS POTENTIALLY ENABLE NET REVENUE INCREASE FOR RECYCLING SORTATION FACILITIES

WHAT ARE BEVERAGE CONTAINER RECYCLING REFUND SYSTEMS (I.E., DEPOSIT RETURN SYSTEMS)? In a recycling refund system, consumers pay an upfront deposit when purchasing a beverage that is refunded when the empty beverage container is returned. These systems deliver much higher recycling rates and cleaner material for recycling, which translates into a significant environmental and economic impact.

WHY ARE MATERIAL RECOVERY FACILITIES (MRF) CONCERNED ABOUT RECYCLING REFUNDS? A MRF is a facility that receives, separates, and prepares recyclable materials for sale to recyclers. MRFs are concerned about the financial impact of recycling refunds considering beverage containers, particularly aluminum beverage cans, drive significant revenue for MRFs. A recycling refund system would incentivize redemption of beverage containers, thereby diverting some of them from municipal recycling programs.

STUDY CONCLUSION

The financial impact of recycling refund programs on MRFs can be offset by revenue from the recycling refund program. This analysis identified the "break even" point where revenue from the recycling refund program would fully offset financial impacts to a model MRF and its customers (i.e., the municipality). The average "break even" point for the model national MRF of the five and ten cent deposit scenarios were:

- The model MRF would need 46% of the refund value of beverage containers that continue to flow through it; or
- The model MRF would need 25% of the scrap value of beverage containers redeemed.

These break even points were determined assuming that the MRF would not also receive the revenue from the sale of the beverage containers flowing through it. The break even points are lower when the analysis assumes that the MRF also gets to keep the revenue from the sale of these beverage containers.

Existing recycling refund bills such as SB85 in Illinois have both of these revenue streams available to MRFs. **This study shows that at sufficient levels, one or both of these revenue streams can enable a net revenue increase for MRFs.**

STUDY METHODOLOGY

This study was prepared by Resource Recycling Systems (RRS) for the Can Manufacturers Institute. Financial impact mitigation analysis is provided for a national model MRF and a Minnesota model MRF. For the model MRF assumptions, the analysis draws on the results of a 2022 study by RRS for the National Waste and Recycling Association. It is important to note that MRF operations are highly variable and there are several factors that can influence the financial impact of recycling refunds on MRFs and their customers. Eureka Recycling, a mission-based MRF, supported the project by reviewing the model and assumptions.

Prepared for:

Can Manufacturers Institute

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