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**Senate Standing Committee on Environmental Conservation
Assembly Standing Committee on Environmental Conservation**

**Public Hearing to Examine Legislative Solutions to Increase the Effectiveness of the
Bottle Bill**

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Keys Elements for a Successful, High-Performing Deposit Return System (DRS)

The International Bottled Water Association (IBWA) is a strong proponent for advancing a circular economy. Together with our members, we are working to support bottle to bottle recycling with the collection of uncontaminated material of good quality that can be re-manufactured by beverage producers.

For decades, the bottled water industry has supported the reuse and recycling of our packaging to help reduce waste and protect the environment. The industry uses the most environmentally friendly packaging available (i.e. lowest carbon footprint), and has led the way in reducing the amount of plastic used in bottled water containers. The industry is continuing its efforts to increase recycling rates for both polyethylene terephthalate (PET) and high-density polyethylene (HDPE) plastic bottled water packaging to help meet voluntary company-specific recycling goals and mandatory recycled content use laws.

Modern, high-performing deposit return systems can offer beverage producers a collection method that improves material quality, market value, and reduces processing loss, all of which lead to higher yields, and offers consumers a convenient method for redemption. To be high-performing a DRS needs to be (1) performance-based with achievable targets, (2) industry-led, (3) focused on material collection, (4) affordable and (5) convenient for consumers.

Of the ten states that currently operate deposit return systems, only one provides a model of efficiency and success that the IBWA believes should be replicated: Oregon. The Oregon DRS program run by the Oregon Beverage Recycling Cooperative (OBRC) leads the United States with an 88.5% redemption rate (2022), a 5% increase from 2021. In contrast, current data show that in 2022, beverage container redemption rates stagnated in most other states with older, less efficiently designed deposit return programs. The older DRS models were designed for a different era, and are now inconvenient to consumers, expensive to operate, lack oversight, deploy new technologies poorly (if at all) and lack enforcement against fraud, thus driving up costs for consumers.

Without improving recycling systems, states will struggle to improve recycling rates, and beverage producers will struggle to meet recycled content packaging requirements. A well-designed DRS program focused on performance can create a system that reduces waste, creates value for communities & industry, and is convenient for consumers to use.

IBWA believes that the following recommendations should be included in any DRS program to maximize its potential for success:

- **Performance-based with Achievable Targets.** Targets for redemption, recycling rates, and the quality of redeemed material should be established and must be measurable, achievable, and cost effective. Targets should be phased in over time, and revision of performance-based targets should be carried out at appropriate intervals. If a target is not achieved, the producer responsibility organization must make changes to the program. Targets for new programs should account for the considerable time necessary for consumers to adapt to a new collection system.
- **Industry Led Producer Responsibility Organization.** Best practice for a deposit return system is to establish a third-party organization, often referred to as a Producer Responsibility Organization, or PRO, that manages the DRS and is led by beverage manufacturers and distributors. The PRO will set the redemption system cost structure and associated fees to ensure an effectively and efficiently run program. This cooperative model will foster higher rates of redemption rather than artificially capping redemption rates due to an inefficient costly structure.
- **Ensure Primary Access to Post-Consumer Content.** As noted earlier, IBWA supports a true circular economy which is only achievable when producers have access to post-consumer recycled materials such as rPET. To support a closed loop circular economy system, a PRO's primary mission must be material collection. Beverage producers who are members of the PRO must have first right of refusal to collected post-consumer recycled materials that can be re-made into new bottles. IBWA does not support the "downcycling" of post-consumer recycled material (e.g., taking rPET from beverage containers and using it to produce carpet) which undermines the concept of a circular economy.
- **Unclaimed Deposits Stay with the DRS Program.** All funds from unclaimed deposits should be used solely for collection of post-consumer materials and improvements within the DRS program. Time and again in existing DRS systems, states have diverted consumers' unclaimed deposits to general funds for other uses undermining the DRS system's integrity and consumers' trust that material is actually recycled.
- **Focus on Reducing Contamination and Increasing Yield.** DRS typically keeps beverage container types separate (from each other and from non-container recyclables), thereby improving material quality, market value, and reducing processing loss, all of which lead to higher yields, and thus support the circular economy. This could include standardizing quality control and increasing oversight of recycling processing to better ensure proper sorting of materials.
- **Convenient for Consumers.** A DRS PRO should establish a network of convenient collection points such as bag drops, redemption centers or other collection channels for easy and accessible consumer return and redemption. Use of consumer-friendly technology tools will also improve consumer engagement and operational efficiency of the system.

- **Controls to Reduce Fraud and Abuse.** A PRO, in cooperation with the government oversight agency, should work to prevent and reduce opportunities for fraud. This could include licensing of redemption facilities, regular inspections at return facilities, increasing penalties for violations, and a daily limit on the bottle quantity that can be redeemed by an individual or entity.

For more information about IBWA's work to support the inclusion of these recommendations in DRS programs, please contact JP Toner, IBWA Director of Government Relations, at jtoner@bottledwater.org.
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