

## **NEPSI FINANCING SUBGROUP TELECONFERENCE NOTES**

November 29, 2001

The Financing Subgroup met via teleconference on November 29<sup>th</sup> from 1:00 to 2:30. Raoul Clarke, the subgroup chair, led the meeting. The list of participants is attached. During the teleconference, procedural matters were covered, the status of the information collection efforts of individual members was reviewed, and several existing financing models researched since the last subgroup meeting were briefly discussed. The following is an account of these discussions.

### **Procedural Matters**

The subgroup reviewed the Subgroup Member List distributed in a previous e-mail. The Chair asked for any revisions. Several members wished to add their colleagues as alternates.

The subgroup reviewed the revised meeting minutes from the November 8<sup>th</sup> and 9<sup>th</sup> subgroup meeting in Boston, which had been distributed in a previous e-mail. It was agreed that a wording change would be made to the 2<sup>nd</sup> paragraph. The 2<sup>nd</sup> question in the 4<sup>th</sup> sentence would be changed to: "How accounting systems can take into account EOL management considerations." It was also agreed that the following sentence would be added to the 8<sup>th</sup> paragraph regarding research issues: "Other research issues may arise during future discussions." With these changes, the group approved the minutes.

The chair turned the group's attention to the Matrix and the Work Plan for the subgroup, which were documents distributed in a previous e-mail. No comments were offered on either document and they were accepted as is by the subgroup members.

### **Status of Definitions Research**

At the last meeting, Holly Evans agreed to begin compiling a set of definitions for certain terms. She reviewed the list of terms compiled to date and asked the group to confirm whether all the terms required definitions or whether some were really research questions. The list of terms from the previous meeting is as follows:

- Cost internalization
- Visible vs. invisible fees
- Product licensing fees
- Third-party organization vs. industry-managed Producer Responsibility Organization
- Incentives for return
- Incentives for DfE

The group agreed that the following terms need definitions:

- Cost internalization

- Visible fee
- Invisible fee
- Product licensing fee
- Producer Responsibility Organization (PRO)
- Third-party organization
- Orphan products
- Historic products
- Uniform fee (e.g., uniform geographically, by product category, by green design characteristics)

The group agreed that the following were items for further research:

- Incentives for return
- Incentives for DfE
- Can a third-party organization that functions like a PRO be managed by parties other than the producers?

It was agreed that Holly would develop a first draft of the definitions by December 5<sup>th</sup>. This list would be circulated among subgroup members for comment and for additional terms and definitions to be added as appropriate.

### **Status of Existing Financing Model Research**

At the last meeting, individual subgroup members had volunteered to gather information about specific existing financing models and add them to the matrix that assesses their individual characteristics. The status of these research tasks is as follows:

- Dutch model – Scott Cassel and Patricia Franco have started collecting information and will have a draft before the next conference call. They will investigate both the consumer product and the information technology product systems.
- Japanese model – David Thompson was not present, but Holly Evans relayed that the information will be available for the next conference call.
- SWICO – J. Ray Kirby has compiled a draft and will circulate it before the next conference call.
- Norway and Taiwan – Gary Davis was not present.
- Australia – Maureen Hickman has sent a list of questions and is waiting for a reply. She will circulate a draft by December 7<sup>th</sup>.
- BC Paint Care – Clare Lindsay has completed a draft.
- Massachusetts used oil system – Scott Cassel has completed a draft.
- South Carolina tire program – Ted Campbell has completed a draft.
- Batteries – Alan Phipps has completed a draft.

## **Review of Information Gathered on Existing Financing Models**

Scott Cassel gave an overview of the used oil system that has been proposed in Massachusetts. The legislation, which has been pending for 4 years, was developed via consensus among stakeholders, including the petroleum industry, environmental groups, retailers, service stations, and quick oil-change operators. A 5-cent-per-quart fee would be collected at the first point of sale (usually the manufacturer to the distributor). When the consumer returns the used oil, they would receive a 5-cent refund. The fee paid by the manufacturer would be invisible in the product price paid by the consumer for a new quart of oil. The fund would be managed by the government and would cover the costs of collection, transportation, education, and processing (if the market for used oil drops). All stakeholders support the legislation. There is a lack of political will to pass the legislation because the governor perceives the fee as a tax. Several subgroup members noted that a fee is often difficult to pass, citing similar problems in South Carolina and Arkansas, and suggested this be a strong consideration when developing a model for an electronics recycling system. Other members suggested not eliminating a fee system from consideration this early in the process.

Clare Lindsay described the BC Product Care system. In British Columbia, there is legislation that requires brand owners to cover EOL costs for used paint, pesticides, and flammable liquids. Producers can operate a system on their own, or they can join the BC Product Care system. Under this system, a visible eco-fee is levied at the point of sale to the consumer. The fee covers collection, transportation, recycling, and education. A surplus is kept to cover unexpected events, such as a glut of historic products being returned. Consumers can drop off used paint, pesticides, and flammable liquids at any of the 104 depots free of charge. The money collected by the retailer is transferred to a federal non-profit organization that manages the fund. BC Product Care sets the fees high enough to cover costs and can adjust the fees up or down as needed. Fees are uniform across the province, but vary according to product type and quantity. The fee is paid by the producer directly to Product Care. The producer is reimbursed when the fee is collected from the consumer. The fee is separately itemized on the price tag of the product and also on the purchase receipt. The fee is clearly separate and visible to: (1) prevent a mark up within the product chain; (2) allow easy tracking; and (3) inform the consumer. Antitrust issues were avoided by not establishing the fee as mandatory for all producers.

Alan Phipps described the systems that have been in place for many years to collect lead acid batteries. The Battery Council International developed model legislation that included banning lead acid batteries in landfills and incinerators, requiring retailers to accept used batteries from consumers, and collecting a deposit in lieu of a trade-in when consumers purchase a new battery. Most states have adopted parts or all of the provisions in the model legislation. The system provides an incentive for consumers to return the used product—the recycling rate is 93 percent. Retailers manage and can keep any deposits collected from consumers. Because of the lead content, used batteries have economic value and are purchased by battery manufacturers and retrieved as deliveries of new batteries are delivered. These batteries are also relatively easy to recycle. Even

before the incentive for return, the recycling rate for this type of battery was high. A small number of states are charging an advanced disposal fee for lead acid batteries.

J. Ray Kirby described SWICO, the Swiss system for recycling electronics. This industry-run system was mandated by the Swiss government after the success of the voluntary pilot program. The consumer pays a fee at the point of sale, which is visible, and is prorated based on the sale price. Fees pay for collection, transportation, recycling, and education. Retailers are required by law to accept used equipment from consumers and consumers are required to return products at EOL. The industry board governing the system, made up of 130 members, sets fees as well as certifies and audits recyclers that handle the waste products. Mr. Kirby will investigate the specific recycling targets, but is aware that targets allow plastic waste to be incinerated in a waste-to-energy plant. The group agreed it would also be useful to know how the fees were structured.

### **Wrap Up**

A subgroup member noted the importance of rewarding manufacturers who are incorporating EOL considerations in their designs. It was agreed that a useful research project would be to investigate existing systems that incorporate incentives for DfE by discounting fees for producers whose products have environmentally valuable attributes.

Before the next call, subgroup members will complete their research on existing financing models, add existing systems to the matrix, and develop a working draft of definitions.

The next conference call is scheduled for December 10 (Monday) from 1:00-2:30pm EST.

**LIST OF PARTICIPANTS  
FINANCING SUBGROUP TELECONFERENCE  
NOVEMBER 29, 2001**

<b>Subgroup Member</b>	<b>Affiliation</b>
Raoul Clarke	Florida DEP
Bill Cass	NEWMOA
Maureen Hickman	Minnesota OEA
Patricia Franco	Philips
Jennifer Sheperd	Solectron
Bette Fishbein	INFORM
Eric Most	INFORM
Alan Phipps	PSI
Holly Evans	EIA
J. Ray Kirby	
Ted Smith	SVTC
John Burkitt	Compaq
Scott Cassel	Product Stewardship Institute
David Isaacs	Hewlett Packard
Chris Taylor	Oregon DEQ
Frank Marella	Sharp
Margaret Walls	RFF
Mario Rusino	Canon
Buddy Graham	PAZ
Clare Lindsay	EPA
Lynn Knight	ERG