

Impact of China's "National Sword"

Rumpke of Ohio, Inc.

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China's National Sword

What is the National Sword and it's impact to Ohio?





OCC Cardboard
ONP Newspaper
Mixed Paper
Plastics

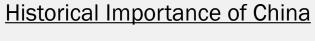


Chronology of Events

- 2007 US recyclable materials becomes one of top exports to China
- 2008 "The Wasteland" aired 60-Minutes shows e-scrap pollution
- 2011 US exports of plastics, metal & paper worth \$10.8 billion
- 2013 Operation "Green Fence" implemented from Feb to November
 - Zero tolerance for medical waste, food waste & e-scrap
 - First 6 months, 800,000 tons recyclables rejected/247 co.
- 2016 "Plastic China" documentary film depicts harsh conditions
- 2017 China enacted "National Sword" policy to ban 24 commodities
 - Included unsorted scrap paper & 8 types of plastic scrap
 - Contamination rate reduced from 1.5% to .3% paper
 - Key factor is how many renewed license for 2018?







- 70% of U.S. fiber exports shipped China
- 58% of U.S. plastic exports shipped China
- Lenient contamination percentage
- China's demand for commodities added much needed pressure to domestic demand
- China's demand can't be quickly replaced









#1 - Contamination Dilemma

- Typical bale contamination rates were 2 to 3 percent
- In August, China stated the enforcement of 0.3 percent contamination standard
- U.S. recycling stream now more diverse than ever
- On-going pressure to add more items to stream









#2 -Mixed Paper Dilemma

- MRFs in midst of radical change composition of fiber
- "Amazon effect" direct-ship to household major impact
- 2012 Rumpke projected
 60/40 split (News/Mixed Paper)
- Today, projected ratio has reversed to 10% / 90%







#3 - MRF Processing Dilemma

- Existing MRF systems can't meet China's new standards
- We can improve, but how much?
- Slow conveyor speeds
- Add more labor or technology
- Robotic sortation promising but has limitations
- Require more capital



Reason for China's actions?

- Contamination issues now has attention Pres. Jinping
- Stop "foreign garbage" from inundating China
- Not renewed import license
- Small mills at risk (less 300,000)
- Govt support for large mills
- World stage ... they have to address pollution issues

RISI — "A ban on imports of scrap commodities into China would be catastrophic to the recycling industry." MIXED PAPER GRAND BALLROOM I - 7TH FLOOF Moderated by Linda Leone of WestRock paperstockindustries.org



Pratt Paper paperboard mill bringing 300 jobs to Wapakoneta

BUSINESS, TOP STORIES

By Camri Nelson - cnelson@limanews.com



WAPAKONETA — A new recycled paperboard mill and corrugated box manufacturing facility could be on its way to Wapakoneta, thanks to a state tax credit. The project could create 300 full-time jobs, generating \$14.3 million a year by 2023.

On Monday, the Ohio Tax Credit Authority approved the credit to Pratt Paper LLC for a new project in Wapakoneta, according to the Ohio Development Services Agency news release.

The Ohio Tax Credit Authority approved a 1.263 percent, eight-year tax credit. The tax credit agreement requires the company to maintain operations at the project location for at least 11 years.

Pratt is America's fifth-largest corrugated packaging company and the world's largest, privately-held 100 percent recycled paper and packaging company, according to the company's <u>website</u>. In

Wapakoneta, the company will build a new recycled paperboard mill and a corrugated box manufacturing facility.

What do we need?

- Export markets other than China
- Continued efforts to increase content standards in U.S.
- New domestic consumers of recycled materials



Summary

- All shareholders have to focus on contamination
- Consider residential cart-based programs (if option)
- Expectation it will take time to develop new markets
- Development of revenue-based Processing Agreement
- Private sector MRFs must continue to invest technology



Thank You

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