Impact of China’s “National Sword”

Rumpke of Ohio, Inc.

March 21, 2018
China’s National Sword

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

- OCC Cardboard
- ONP Newspaper
- Mixed Paper
- Plastics
Miami Valley Regional Planning Commission
China’s National Sword - 2018

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?
Historical Importance of China

- 70% of U.S. fiber exports shipped to China
- 58% of U.S. plastic exports shipped to 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%

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<thead>
<tr>
<th>Mixed Paper</th>
<th>March 2017</th>
<th>March 2018</th>
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<td>$90/t</td>
<td>$25/t</td>
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#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.”
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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