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China's Policies Rock US Recycling Market

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Consumers rarely think about where their bins of recycled cans, bottles and cereal boxes end up after they put them out on the curb. They might not know that for decades the majority of their recycling waste has gone to China -- 4,000 shipping containers of it every day.

Collecting recycled materials is a profitable business. Materials Recovery Facilities (MRFs) pay municipalities for their recycle waste, bundle it up and sell it to China for a profit. China processes it and turns it into goods and materials. It's a win-win situation.



But all that changed this year.

On January 1, 2018, China began enforcing its "National Sword" policy which bans 24 types of solid waste, such as plastics and unsorted mixed papers, and sets a tougher standard for contamination levels, changing the threshold of acceptable contamination from 1.5% to 0.5%.

The new regulations are sending shock waves throughout the entire industry, leaving waste and recycling companies scrambling for solutions.

Where is all that waste going now that China won't buy it? Long-established waste bans on what's considered "trash" prohibit the dumping of recycled materials into landfills. In some cases, bundles of paper, plastics and metals are piling up in old parking lots and other temporary holding sites until MRF operators can find a place to sell them. And all that material is beginning to degrade, which can cause environmental contamination problems down the road.

Recycling is an industry in crisis. Bottom lines are taking a hit as waste and recycling companies are beginning to see a decrease in the recycling commodity prices, as well as an uptick in operational costs. Municipalities might soon face the prospect of not being able to collect recycled materials. Risk mitigation needs to be top of mind.

So, what happens next?

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Although no other country can match China's intake of materials by volume (except perhaps India), MRF

operators are looking at opening up new foreign markets in Southeast Asia. Vietnam, Thailand, South Korea, Malaysia and Indonesia have become potential buyers. But little is known about the long-term ramifications of new trade partners as these countries begin to assess their own regulations.

Build processing mills in the U.S.

Why do we need to export our raw recycled materials in the first place? Why not process them in America? The practice of selling our waste to China for so long has essentially limited our options. We're behind the curve from an infrastructure standpoint. Building processing mills and putting systems in place to could take four to five years. This is an area to watch from an investment standpoint, but short-term solutions are needed first.

Better sorting

Going from 1.5% to 0.5% contamination will be difficult, but perhaps not impossible. Changing sorting processes can make MRFs more in line with China's rigorous new standards. But sorting and pick-up rules vary greatly from state to state and town to town. Some municipalities have strict rules on how consumers separate waste; others allow for solid waste to be mixed in with recycled material, which can contaminate the salvageable material.

Over the years, there's been a big push to get consumers to recycle and we've raised entire generations of green-minded kids with recycling in their DNA. It was an easy sell back when it was good for the earth and didn't cost anything to consumers. Now costs might be passed on to consumers to recycle and that could be a game changer.

For decades the United States has been dependent on shipping our raw recycle waste to China, but the future of recycling is at a critical point. The recycling model in America is broken. MRFs and waste and recycling companies across the country will need to be smart in how they position themselves to best react to the new normal of exporting waste.

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