



CARPET AMERICA RECOVERY EFFORT SM
Developing market-based solutions for the recycling & reuse
of post-consumer carpet

CA CARPET STEWARDSHIP PROGRAM - NOTICE TO PROCESSORS
March 2015

On behalf of CARE, this document serves as notice to program participant processors of CA post-consumer carpet regarding recent updates affecting the California Carpet Stewardship Program incentives and reporting.

1. New Program Participant Agreements—Effective January 2015

New agreements were adopted by CARE as a requirement for all processors participating in the California Carpet Stewardship Program, effective January 2015. Agreements incorporate various program policies into a single document and are required to be executed by all processors participating in the incentive program.

If you are requesting incentive payment for the first time in 2015, and have not yet submitted an executed agreement, you must sign and return an executed agreement to CARE **ASAP and no later than the 45th day of the quarter**, in order to be eligible for incentive payments. Upcoming due dates for filing: May 15, 2015 for Q2-2015; August 15, 2015 for Q3-2015; November 15, 2015 for Q4-2015.

Failure to submit signed agreements by the stated deadline will forfeit eligibility for incentive payment for the prevailing quarter.

Please scan and email signed agreements to:

*Brennen Jensen, CA Program Manager at bjensen@carpetrecovery.org
and Anthony Cline acline@carpetrecovery.org*

2. New Reporting System—Effective For Q1-2015 Reporting Period

As of the Q1-2015 reporting cycle, CARE has moved to a new AB2398 data reporting entry system. While the data you enter will be essentially identical to the past, the interface will look a bit different. All processors should have received an introductory email describing the new system and providing you with an initial username and password. We have done the work to insert your information into the system and prequalified you as an approved processor. We hope to make this as easy as possible. Once you are ready to submit your Q1-2015 Report, please go to the following link: <https://carpetrecovery.org/california-ab-2398-new/>

If you have not yet received an email inviting you to log in the new reporting entry system, or if you have any questions in preparing your report, please contact bjensen@carpetrecovery.org for assistance.



CARPET AMERICA RECOVERY EFFORT SM

Developing market-based solutions for the recycling & reuse of post-consumer carpet

3. New Processor Incentives—Effective For Q2-2015 Payouts

In December of 2014, CARE submitted to CalRecycle an Addendum to the California Carpet Stewardship Plan version 3.2.2 (Plan). This Addendum was approved by CalRecycle in Jan 2015, and becomes effective in Q2-2015. The full addendum and response can be found here: <http://calrecycle.ca.gov/carpet/Plans>

CARE listened to the concerns raised by CalRecycle and stakeholders and have completed a comprehensive analysis of past performance of the subsidy program.

CARE's Sustainable Funding Oversight Committee, its highest level decision-making entity, has approved a series of changes and additions to the subsidy program, summarized below. These changes offer new and expanded opportunities to processors participating in the CA Carpet Stewardship Program.

Overview of Incentive Changes:

Three new incentives have been added to the Program, effective Q2-2015. In addition, existing incentives will continue unchanged, with an increased payout being offered for Tier 2 End User Non-Nylon. The table below summarizes each element of the approved addendum. Items noted in red are the changes implemented.

Element	Metric	Status
Type 1 Recycled Output Payout	\$0.06/lb	No Change
Type 2 Recycled Output Payout	\$0.03/lb	No Change
Bonus for Type 1 Output Growth	\$0.10/lb	No change: Growth target changes annually
Tier 2 End User Non-Nylon Payout	\$0.17/lb	Modification: Increased from \$0.10 to \$0.17/lb
Tier 2 End User Non-Nylon Growth Payout	\$0.10/lb	New: Analogous to the Type 1 growth bonus
Calcium Carbonate	\$0.07/lb	New: Paid for CC used as a raw material only
Tile Reuse/Recycle	\$0.10/lb	New: To drive reuse and 100% recycle of tile

A. Existing Incentives—No Changes

- Payout for high value (Type 1) recycled output materials¹ at 6 cents/lb., and lower value (Type 2) material at 3 cents/lb. will remain unchanged.

¹ **Type 1 Recycling Material:** Output of the materials with the most benefits to manufacturers of finished products. Examples of Type 1 recycling materials include post-consumer carpet fiber, post-consumer carpet backing, engineered resins and material for carpet cushion. Products contain <25% ash content per CARE testing protocol.

Type 2 Recycling Material: Output of the materials with benefit to manufacturers of finished products, but a lower value than Type 1 recycling materials. Examples of Type 2 recycling materials include carpet filler and non-functional filler.



CARPET AMERICA RECOVERY EFFORT SM

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- The Growth Incentive on Type 1 material remains at 10 cents/lb., while the threshold target for payout will be adjusted upward annually as growth continues, per the original Plan, and is in addition to the base subsidy for Type 1.
- There remains no growth incentive on lower value Type 2 recycled materials.

B. New & Existing Incentives—New Timeline Guarantee

- One of the key changes to the Program is a guarantee of stability in subsidy funds by providing a 12 months plus current quarter notification before any decrease in funding is implemented.
- This element of the Plan is designed to reduce risk for investment and provide the ability to plan ahead in terms of cash flow.

C. Modified / New Tier 2 Incentives—Increased Payout, New Growth Bonus

Recognizing that non-nylon, and polyester (PET) in particular, is experiencing a significant increase in sales and represents a growing challenge for recycling output, CARE is implementing two targeted elements for the revised Plan.

- First, the existing subsidy payment for **Tier 2² End User Non-Nylon** pounds will go from **10 cents/lb. to 17 cents/lb.** to accelerate the recycling rate in order to meet the 2016 and 2020 recycled output goals of the Program.
- In addition, we are also adding the implementation of a **Tier 2 Growth Bonus** for non-nylon of **10 cents/lb.**
 - The target for the End User Non-Nylon Tier 2 Growth bonus will be set based on 2014 results.

D. New Calcium Carbonate Incentive

It is important to note that today the calcium carbonate (CC) that results from processing has no useful outlets, yet typically represents 30-40% of the weight of the collected broadloom carpet. Finding a use for this material would significantly increase recycled output through improved recycling output yields. We believe the subsidy placed on this material will help to build market outlets.

² Tier 2 refers to manufacturers that represent the stage in the supply chain after recycling processors.



CARPET AMERICA RECOVERY EFFORT SM

Developing market-based solutions for the recycling & reuse of post-consumer carpet

- New Calcium Carbonate (CC) incentive for use as a raw material at 7 cents/lb.

Eligible Uses of CC:

- This incentive has the potential to stimulate the recycling of CC into:
 - carpet backing,
 - production of Portland cement,
 - other applications presently utilizing virgin CC, sand or limestone

Ineligible Uses:

- It is important to note, this is a raw material use credit and is not a fuel application for kilns. The concentrated CC from processing has no fuel value to a cement kiln (i.e., the BTU value is far too low) being typically 80+% CC.

CC, given the right stimulus, offers an offset for the recycle of a material that is strip-mined as virgin limestone used to make cement and other products today. While the impact on virgin limestone replacement may be minimal, the value of this recycled stream would add to our total recycled output as opposed to sending it back to landfill after original collection, and further benefit processors by offsetting disposal costs of this material.

E. New Carpet Tile Reuse or Recycle Incentive

This incentive targets carpet tile and offers several high impact advantages. First, we desire to increase reuse of this product as it is one of the easier reuse applications due to size, ease of handling, and typically commercial tiles are cared for under a maintenance program and thus, tend to be in better condition enabling reuse. When carpet tile is recycled, 100% of the tile is recycled into new carpet backing so there is no material left after processing.

- New carpet tile Reuse or Recycle subsidy of 10 cents/lb.
- Collector/Sorters as well as Processors are eligible³ for Carpet Tile Incentives Only

Reporting Changes:

- CARE will modify report forms and track carpet tile reuse, and carpet tile recycling separately to ensure it isn't confused with Type 1 recycling materials.
- Participant will be required to maintain records to support all claims of reuse and recycling and to prevent any potential or appearance of impropriety.

³ All participants must complete proper paperwork including annual contract agreements, be a CARE member in good standing, adhere to program guidelines and appropriate business practices



CARPET AMERICA RECOVERY EFFORT SM

Developing market-based solutions for the recycling & reuse of post-consumer carpet

Secondary Benefits:

- There is currently a large transportation cost for recycle of tile from the west coast since most recycling occurs near the east coast. Until such capacity exists in California, this incentive is expected to facilitate increased tile recycle.
- This incentive reinforces CalRecycle's waste hierarchy by encourage reuse.

F. New Resources—Staff & Support

In addition to the existing CARE staff and CA Program Manager, CARE will be increasing staffing support for the California Program by:

- Adding a fulltime resource at the end of Q1-2015
- Continuing to support Mike Tinney to work on market develop of new and existing products containing post-consumer carpet content.
- CARE will continue to work with Gigantic Idea Studio on educational and outreach activities in the State.
 - If you are a Tier 1 or Tier 2 processor, contact Mike to explore opportunities for new product expansion, promotion and procurement, pertinent to your business (miketinney@aol.com or 916-849-2114)

G. Timeline for New Incentives

- **New Incentives are effective for Q2-2015 Payouts, for material processed April 1, 2015 through June 30, 2015**
- **First reports for new incentives will be due 30 days following the close of Q2-2015, or July 30, 2015**
- **All processors must submit annual signed agreements as well as quarterly report attestation letter with each incentive payment request**

4. *New Program Assessment Increase—Effective April 1, 2015*

In order to fund the subsidy increases on projected growth in recycle output pounds, it is necessary to increase the assessment from \$0.05 to \$0.10 per pound. In January 2015, CalRecycle approved CARE's request to increase the assessment from \$0.05 to \$0.10 per pound, effective April 1, 2015. Since receiving approval, CARE has engaged in a thorough noticing and outreach process to promote this new program change with retailers, manufacturers and other stakeholders.



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As a processor, your business benefits from the increased availability of incentives. Processors are encouraged to utilize these funds to increase service opportunities for retailers, collectors and community disposal locations (transfer stations, MRFs and landfills) and to develop new products and market outlets in an effort to increase overall Program effectiveness.

Should you receive questions about this new assessment increase from your retailers or other service locations, please direct interested parties to the CARE website to learn more:

For Retailers:

<https://carpetrecovery.org/ca-retailers/>

For Manufacturers:

<https://carpetrecovery.org/ca-manufacturers/>

For Other Stakeholders:

<https://carpetrecovery.org/california-ab-2398/>

For additional information about this notice, please contact:

Brennen Jensen, CA Program Manager at bjensen@carpetrecovery.org

END OF NOTICE