Voluntary Product Stewardship (VPS) for Post-Consumer Carpet

Information for Qualified Sorters

December, 2014
Agenda

- What You Need to Know about VPS
- Benefits to You and Your Customers
- Timing
- Resources
- Questions
Why Voluntary Product Stewardship (VPS)?

✓ Over 3.25 billion pounds of Carpet Diverted from the Landfill since 2002

✓ Entrepreneurs, Mills, NGOs and Governments are working Together within CARE

✓ VPS is the Next Step on Our Mission to Divert More Post-Consumer Carpet from U.S. Landfills
VPS Program for Post-Consumer Carpet

Voluntary, nationwide program, to support the carpet sorting network for diversion of post-consumer carpet from landfills through market-based solutions
Creation of VPS Program

- Dialogue between Entrepreneurs, Mills, CARE BOD
  - Recognition of Challenges faced by Sorters
- Response to Changes in Supply Chain of Carpet Recycling
- Assist Sorters to improve their business results
Objectives of VPS

- Maintain a competitive carpet flooring industry that is both sustainable and viable
- Support the Carpet Sorting Network
- As part of the industry’s government relations activities, promote and support the CARE mission to find market-driven solutions to the diversion of Post-Consumer Carpet from landfills as an alternative to EPR (extended producer responsibility) –type legislation or regulations
- Participants support market-driven solutions as opposed to EPR-type legislation
VPS Specifics

- Program is funded through voluntary contributions from Carpet and Rug Institute (CRI) Members
  - Members are have committed $4.5 Million for the initial year of the VPS Program.
  - It is expected that the VPS Program will have a two-year term.
- This is a new Program: expect the Program will evolve over time
- Sorters will be asked to sign legal Agreement.
- Program elements and/or Program sunsets as Objectives are achieved.
What is the Scope of the VPS Program?

- **Included:**
  - All *Carpet* regardless of polymer type
  - Commercial and Residential Broadloom and Carpet Tiles

- **Excluded:**
  - Carpet Collected from or Sorted in States and municipalities which currently have EPR Regulations
  - Rugs, Underlayment, Carpet Cushion
  - Synthetic Turf
CARE is the Carpet Stewardship Organization for VPS Program

- Nationwide, voluntary 501c3 organization
- Began in 2002
- [www.carpetrecovery.org](http://www.carpetrecovery.org)

CARE represents >90% of US carpet manufacturers and >95% of carpet recycled in the US

CARE is also the Carpet Stewardship Organization for California Carpet Stewardship Program, AB 2398
## Extended Producer Responsibility (EPR) and Voluntary Product Stewardship (VPS)

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
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<tbody>
<tr>
<td>Both Programs Seek to Increase Carpet Diversion from Landfills</td>
<td>EPR is Established by Government Regulation</td>
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<td>Both Programs Reward Results</td>
<td>VPS is a Voluntary, Market-based Program</td>
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<td>Both Programs are Professionally Managed, with Oversight and Accountability</td>
<td>EPR does not sunset; VPS sunsets as solutions to objectives are achieved</td>
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<td>Both Programs accept all Post-Consumer Carpet, regardless of polymer type</td>
<td>VPS is nationwide; EPR is currently in one state</td>
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Carpet Recycling Supply Chain

1. Carpet is made
2. Sold and installed
3. Removed
4. Sent to sorting facility
5. ID’d, baled and brokered
6. Sent to end users or processor
VPS Program Definition

- **Sorter**: An entity that is engaged in the activity of Sorting collected U.S. Post-Consumer Carpet. Sorters will accept and manage all applicable Post-Consumer Carpet, regardless of polymer type or primary materials of construction, at the facility where the Post-Consumer Carpet is analyzed and baled.

- **Why This Definition is Important to You:**
  - Allows the VPS Program to encourage the full range of activities necessary to divert more Post-Consumer Carpet from the landfill
  - Aids those Sorters who engage in the diversion of ALL types of fiber
  - Supports the Sorters who commit to the Objectives of the Program for market-based solutions
VPS Program Definitions

- **Qualified Sorter:** A U.S.-based Sorter that meets the criteria for qualification of funds as identified in the VPS Program and in the Sorter Agreement. A Qualified Sorter may consist of multiple affiliated entities consisting of various wholly or partially owned operations, but all such affiliated members are considered a single Qualified Sorter under the VPS Program.

- **Sorting:** The method used for segregating collected Post-Consumer Carpet into the various backing types (PVC, SBR Latex, etc.) and/or fiber types (e.g. Nylon 6, Nylon 6.6, Polypropylene and Polyester), and transferring for internal or external processing or alternative fuel source.

- **Sorted Output:** U.S. Post-Consumer Carpet that has been analyzed by fiber type (i.e. Nylon 6, Nylon 6.6, Polypropylene, PET), or backing type, separated, baled and sold/shipped for internal or external processing, or alternative fuel use. Sorted Output must be reported on a dry weight basis.
Qualified Sorter Criteria

- Submit all quarterly 2014 data to CARE, by 1/31/15
- Submit to CARE by deadline dates:
  - Annual Qualified Sorter Agreement
  - Quarterly attestation letter
  - Quarterly reports and forecasts
- CARE will Review and Determine Eligibility
# VPS Program Timeline for Qualified Sorters

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*Version 1.1 12/19/14*
Eligible Post-Consumer Carpet Uses

- Sorted Output sold and shipped to Processors, either internal or external
- Sorted Output sent to alternative fuel uses such as Waste-to-Energy, Pyrolysis, Cement Kiln and Carpet As Alternative Fuel (CAAF)
- Re-Use of Post-Consumer Carpet
Beginning in Q1 2015, CRI members submit voluntary contributions to Carpet and Rug Institute (CRI)

CRI transfers funds to Carpet Stewardship Organization (CARE)

Funds used by Qualified Sorters to make it easier to recycle carpet, new product development, diversion, etc.

CARE distributes funds to Qualified Sorters quarterly, beginning at the end of Q2 2015
Current Model- Distribution of Funds to Qualified Sorters

- The Distribution of Funds will abide by the VPS Plan Guiding Principles

- Note: This model is subject to change based on business results and VPS Program results.

- Use of Sorted Output Eligible for Base Payout:
  - Sorted Output sold and shipped for Internal or External Processing: $0.02/lb.
  - Sorted Output sold and/or shipped for alternative fuels: $0.01/lb.

- Bonus for Overall Growth Year over Year:
  - Sorted Output sold and shipped for Processing: $0.025/lb.
  - Sorted Output sold and/or shipped for alternative fuels: $0.01/lb.
  - Bonus calculated on overall market growth; and distributed proportionally

- The VPS Funding for Base Payout is Capped at $150,000/quarter, up to a maximum of $400,000/year per Qualified Sorter
Example 1: Overall market growth of 5%/year in 2015 and in 2016

- In 2014, the Qualified Sorter sold and shipped 800,000 lbs. of Sorted Output. Total market grew by 5% in both 2015 and 2016, and the Sorter had a 0.4% market share.
- In 2015, the funding could be ~$14,850 and in 2016 the funding could be ~ $15,533
Example 2: No Overall Market Growth

In this example, a Qualified Sorter sells and ships 5 Million lbs. of Sorted Output in 2014, 6 million lbs. in 2015, and 7 million lbs. in 2016.

- There is no growth in the total market in 2015, or in 2016. Therefore, there is no bonus in 2015 or in 2016.
- The Base Payout could be ~$110,000 for 2015 and ~$130,000 for 2016.
Example 3: Sorter reaches $400,000/year Cap and 5% Market Growth

- Sorted Output grows significantly from 15 Million lbs. in 2014 to 19 Million lbs. in 2015 to 25 Million lbs. in 2016.
- Sorter has a 9% market share in 2015 and 11% in 2016.
- In 2015, the base payout would be $310,000, and in 2016 the base payout would be adjusted to $400,000 (-$20,000)
- The bonus would NOT be adjusted; the bonus payout for 2015 could be $26,512 and in 2016 it could be $33,223
Why Carpet recycling is good for all of us

VPS Program will assist Qualified Sorters’ efforts to Divert Carpet and Recycle carpet across the U.S.:

- Saves landfill space
- Recovers valuable raw materials
- Reduces our dependence on fossil fuels
- Creates green jobs in local Communities
- Gives you more choices for products with recycled content
Why Carpet recycling is good for all of us

For Qualified Sorters:

- Provides you the mechanism to meet needs of architects, designers, and specifiers – certificates of reclamation
- Helps you meet customer sustainability expectations
- Positive press in your communities
- Claim credit for landfill diversion
- Claim credit for avoiding CO2 emissions
- Claim credit for H2O savings
For More Information:

- CARE Staff
  - Bob Peoples, CARE Executive Director, bpeoples@carpetrecovery.org
- www.carpetrecovery.org