Welcome

California Carpet Stewardship Program

Stakeholder Workshop

July 14-15, 2015
Carpet Stewardship
State of the Industry

Bob Peoples, Executive Director – CARE

July 14-15, 2015
State of the Industry

National and Global Context Sets the Stage for Local Efforts

- CARE National Trends – 2014 Results
- New Ground – National VPS Program
- Global Trends
State of the Industry

GROSS COLLECTIONS - National Performance Trends Over Time

Pounds (millions)

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<tr>
<td></td>
<td>94</td>
<td>106</td>
<td>225</td>
<td>261</td>
<td>296</td>
<td>292</td>
<td>311</td>
<td>337</td>
<td>333</td>
<td>351</td>
<td>534</td>
<td>494</td>
</tr>
</tbody>
</table>
State of the Industry

National Collection Regional Map

Northwest (Including Alaska & Hawaii)

Midwest

Northeast

California

Southwest

Southeast
Gross Collections - National Percentages By Region

- Northeast: 14.5%
- Southeast: 26.1%
- Midwest: 23.4%
- Southwest (excluding CA): 11.5%
- Northwest (including AK and HI): 7.1%
- California: 17.3%
Pounds Gross Collected & Recycled Output Over Time:

Annual Performance Trends for Gross Collections and Recycled Output Over Time

Materials (Millions of Pounds)

2011  2012  2013  2014
Gross Collections *
12.0  36.0  44.1  123.1
Recycled Output **
12.0  36.0  44.1  43.4
CA Program Status

Pounds Gross Collected & Recycled Output Over Time:

- Gross Collection *
- Recycled Output **

*HIDDEN*
Pounds Gross Collected & Recycled Output Over Time:

**Actual & Projected Recycled Output**

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual (%)</th>
<th>Projected Target (%)</th>
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<tbody>
<tr>
<td>2011</td>
<td>7%</td>
<td></td>
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<tr>
<td>2012</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>22%</td>
<td></td>
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<tr>
<td>2020</td>
<td>24%</td>
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</tr>
</tbody>
</table>

<< ACTUAL Performance RESULTS  PROJECTED Performance TARGETS >>
Recycled Output Yield Over Time:

Percent of Gross Collections Converted to Recycled Output (Yield):

- 2011: 24.5%
- 2012: 32.2%
- 2013: 41.1%
- 2014: 35.3%
CA Program Status

Percent Fiber by Type Over Time

- Nylon 6
- Nylon 66
- Polypropylene
- PET
- Wool
- Other/Mixed Fibers

2011: Nylon 6 = 42%, Nylon 66 = 24%, Polypropylene = 6%, Other/Mixed Fibers = 1%
2012: Nylon 6 = 36%, Nylon 66 = 25%, Polypropylene = 8%, Other/Mixed Fibers = 0%
2013: Nylon 6 = 30%, Nylon 66 = 26%, Polypropylene = 9%, Other/Mixed Fibers = 0%
2014: Nylon 6 = 25%, Nylon 66 = 23%, Polypropylene = 12%, Other/Mixed Fibers = 8%
Major Program Outcomes Achieved:

**Gross Collections**—
- 1/3 of discards collected = 123M lbs

**Recycled Output**—
- 12% of discards were recycled = 43M lbs

**Yield**—
- 35% of gross collections were recycled = 1/3 of collections
Major Program Outcomes Achieved:

**Net Diversion**—
- 27% of discards diverted from CA landfills

**Green Jobs**—
- 17 green jobs were net added in CA in 2014

**Market Growth**—
- 6 new processors entered the marketplace in 2014
Macroeconomic Factors

Slow Growth in 2014

• Drop in global petroleum (oil/gas) market
• CA Port labor dispute hindered movement of goods
• Unexpected decline in demand from Asia, especially China
• Increased volume of non-nylon discards as portion of waste stream

Image: www.foxnews.com
Macroeconomic Factors

Real Time Price of Crude Oil Over Time

Source: [http://www.eia.gov/forecasts/steo/realprices/](http://www.eia.gov/forecasts/steo/realprices/)
# Recycling Trends Across Materials

## Key Recycling Industry Statistics

<table>
<thead>
<tr>
<th>Activity thru March 2015</th>
<th>2015 Quantities</th>
<th>% change year over year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovered paper exports</td>
<td>45.74M mT</td>
<td>-6.2%</td>
</tr>
<tr>
<td>Recovered paper exports avg. price</td>
<td>$160/mT</td>
<td>-8.7%</td>
</tr>
<tr>
<td>Aluminum scrap exports</td>
<td>725.34M mT</td>
<td>-18.3%</td>
</tr>
<tr>
<td>Aluminum scrap exports prices</td>
<td>$0.74/lb</td>
<td>-4.6%</td>
</tr>
<tr>
<td>Glass scrap exports</td>
<td>7,335.6 tons</td>
<td>+38.7%</td>
</tr>
<tr>
<td>Glass scrap export prices</td>
<td>$612/ton</td>
<td>-9.3%</td>
</tr>
<tr>
<td>Scrap plastics exports</td>
<td>9,974.4M lbs</td>
<td>-9.4%</td>
</tr>
<tr>
<td>Scrap plastics exports avg. price</td>
<td>$0.186/lb</td>
<td>-4.5%</td>
</tr>
</tbody>
</table>

Source: Recycling Review, June 2015, p60
Macroeconomic Factors

Especially in U.S. Recyclers of Carpet

Three Major Players

• Shaw Industries Slowdown
• Columbia Recycling Slowdown
• Wellman Slowdown

*Entrepreneurs See:*
*Outlets Down = Inventories Up*  
* = Cash flow crisis*
CA Program – Big Changes

Action in Response to Dynamic Market Conditions:

• Deliberative Process Considering New Ideas/Approaches
• Addendum Submitted Dec 2014 Outlining Changes
• New Assessment – Adjusted from 5 cents to 10 cents (April 1st)
• New Program Incentives & Resources
  – Tier 2 non-nylon incentive increase
  – Tier 2 non-nylon incentive growth bonus added
  – New Calcium Carbonate (CC) incentive added & increased
  – New Carpet Tile incentive added
  – New Staffing & Education resources added
  – New 12 month + current quarter incentive guarantee
Summary of New Incentives, Effective Q2-2015

<table>
<thead>
<tr>
<th>Element</th>
<th>Metric</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 2 End User Non-Nylon Payout</td>
<td>$0.17/lb</td>
<td>Modification: Increased from $0.12 to $0.17/lb</td>
</tr>
<tr>
<td>Tier 2 End User Non-Nylon Growth Payout¹</td>
<td>$0.10/lb</td>
<td>New: Analogous to the Type 1 growth bonus</td>
</tr>
<tr>
<td>Calcium Carbonate²</td>
<td>$0.12/lb</td>
<td>New: Paid for CC used as a raw material</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Modification: Increased from $0.07 to $0.12/lb</td>
</tr>
<tr>
<td>Tile Reuse/Recycle</td>
<td>$0.10/lb</td>
<td>New: To drive reuse and 100% recycle of tile</td>
</tr>
</tbody>
</table>

¹ Tier 2 non-nylon Growth incentive threshold = 2 million pounds per quarter in June 2015
² CC incentives was increased from 0.07/lb to $0.12/lb in response to market feedback in June 2015.
Today is an Opportunity

• Thank you for Your Contributions
• Understand Current Trends and Opportunities
• Share Feedback and Constructive Ideas
• Co-Create Solutions Together
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  • Follow us on Twitter @CarpetRecycle
  • Email me: bpeoples@carpetrecovery.org
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