

National Sword Update

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What is National Sword?

- In 2013, China implemented “Green Fence,” an import restriction program
- US exports to China fell by 40%
- In July 2017, China announced “National Sword”
- Seeks to limit or outright ban the importation of certain recyclables, including some paper and plastics, as of Jan. 1, 2018
- Sets a new, exceedingly stringent contamination standard of 0.5%, inconsistent with global standards and perhaps impossible to attain (or even measure)

Why National Sword?

- China seeking to prohibit import of “solid waste with major environmental hazards and intense public reaction by the end of 2017.”
- Halt imports that can be replaced with domestic resources by the end of 2019

Chinese goals:

↓ importation of “waste”

↑ domestic recovery



Impact of National Sword

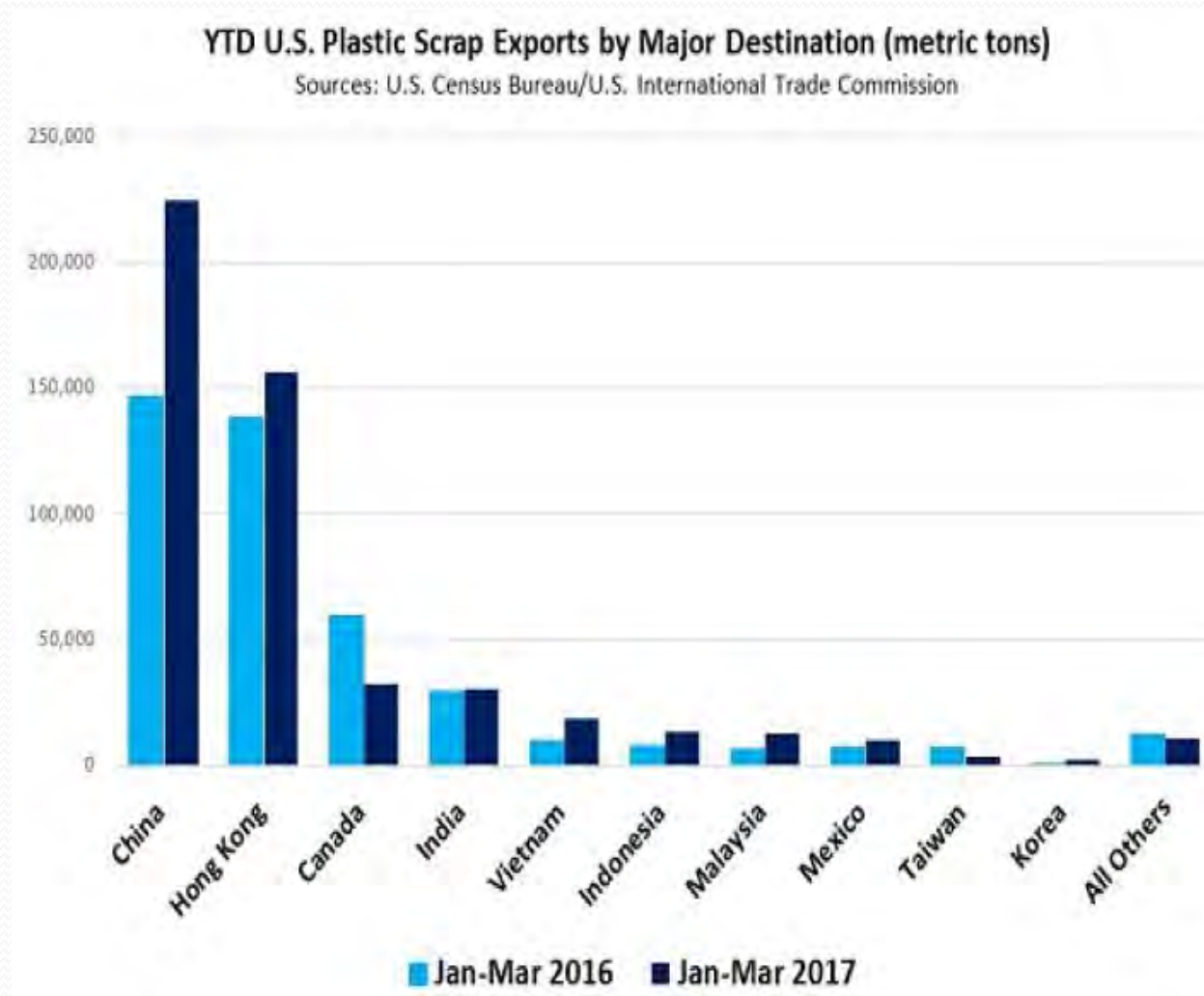
- US is the largest exporter of scrap commodities in the world at 37 million metric tons with a value of \$16.5 billion
- 30% of scrap processed in US is exported
- In 2016, the US exported \$5.6 billion to China
- In 2016, China imported 55% of the world's recovered paper/fiber and 51% of the world's plastic scrap
- Chinese import permits have not been renewed since May so material is already 'piling up' at docks here in the US and ports feeding China

Impact of National Sword

U.S. Recovered Paper and Fiber Export Volume Top 15 Destinations (short tons)				
Country	2014	2015	2016	% Change 2015 to 2016
China	14,292,148	14,979,164	14,527,207	-3.00%
India	1,747,162	1,654,495	1,728,272	4.50%
Mexico	1,321,855	1,298,741	1,646,529	26.80%
Korea	1,112,355	1,120,781	1,140,405	1.80%
Canada	710,905	650,515	717,540	10.30%
Indonesia	368,863	318,884	419,583	31.60%
Thailand	202,426	308,477	324,618	5.20%
Taiwan	257,226	191,092	281,739	47.40%
Vietnam	74,237	111,118	133,807	20.40%
Italy	89,894	112,536	102,700	-8.70%
Japan	51,910	84,342	101,228	20.00%
Netherlands	80,373	90,650	88,467	-2.40%
Colombia	73,428	81,788	88,309	8.00%
Germany	36,122	53,761	52,949	-1.50%
Chile	65,279	43,963	45,048	2.50%

Source:
ISRI

Impact of National Sword

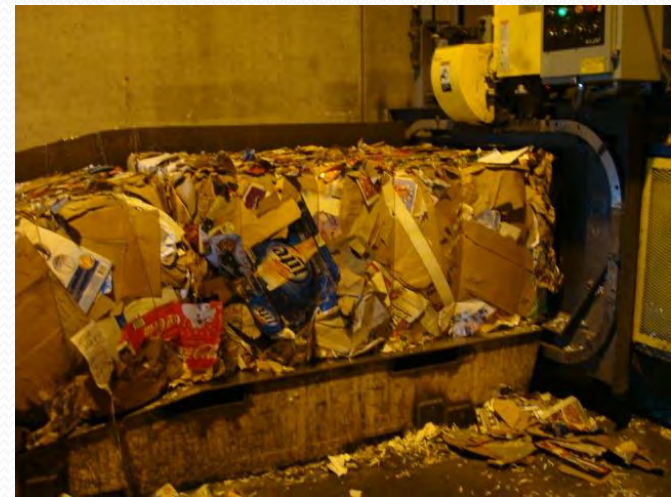


Source:
ISRI

How Will National Sword Affect WI?

Paper

- Newspaper, cardboard, magazines and office paper are only materials banned from landfill disposal, but many programs collect 'mixed paper'
- Strong WI paper industry should allow for programs to still effectively market their material
- Quality will be of utmost importance; significantly increased domestic supply will allow mills to take the best feedstock
- Educate and reduce contamination



How Will National Sword Affect WI?

Plastic

- #1 PETE and #2 HDPE are only materials banned from landfill disposal, but some programs collect #3-7 or mixed bulky rigid plastics
- Only few domestic buyers of #3-7 bales; much mixed bulky rigid plastic is also exported
- RUs /haulers/MRFs may cease collecting certain (non-LF banned) plastics
- City of Madison recently stopped accepting mixed bulky rigid plastic



How is industry responding?

- Institute of Scrap Recycling Industries (ISRI), Solid Waste Association of North America (SWANA), National Waste & Recycling Association (NWRA), Waste Management and others working collaboratively
- Engaging the World Trade Organization (WTO), US Commerce Dept, US Trade Relations, White House, etc.
- Commerce seeking to include this issue during President Trump's Nov. trade visit to China
- Requesting clarification on definitions/what is covered by ban and longer timeframe for implementation
- Offering education and assistance to Chinese officials from US recycling expertise

Other Issues

Chinese Mill Demand

- China does not have enough material within its own country to feed its mills in the near-term
- Quality of US paper fiber is superior due to longer fiber length

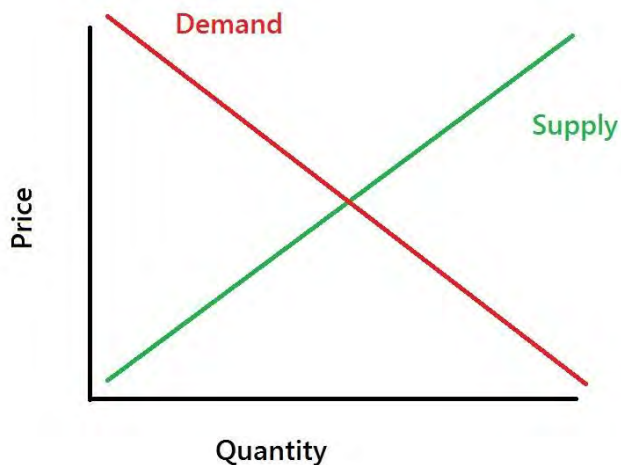
Film Plastic/Plastic Bag Recycling

- In 2015, 52% of collected film was exported
- Currently, the US does not have sufficient domestic capacity for film collected
- May see reduction in film recycling opportunities



Adapting to National Sword

- Keep in communication with your hauler/MRF
- Communicate with the public: “Some programs go above & beyond & collect additional materials not banned from landfills. These materials have less stable markets & are recycled when markets are available.”
- Emphasize clean, properly prepared recyclables; reduce contamination



- Pricing for many recyclables (paper, plastics, metal) expected to decrease
- May result in additional domestic processing

National Sword & DNR

- Clarify what is included (and not included) in WI recycling law
 - Can MRFs legally landfill collected, sorted & processed (baled) #3-7 plastics? Yes
- Monitor work of ISRI, SWANA, NWRA & other US/international associations
- Work with a group of industry leaders (AROW, large MRFs, haulers, recycling programs) on consistent messaging for educating communities, RUs and the general public

Questions



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