



Memorandum

TO: Committee of the Whole
FROM: Erin Mahoney, Commissioner of Environmental Services
DATE: April 25, 2018
RE: Update on Impact of Export Market Policy Changes for Recycled Newsprint

2017 policy change in China forces municipalities to find new markets for recycled newsprint

As reported to Committee of the Whole in [October 2017](#), China's National Sword Campaign has set a 0.5% contamination limit on all imported recyclables. Production of recyclable material meeting this stringent standard is not feasible for material recovery facilities using existing technology. This change has forced municipalities across North America and the world to look for alternate markets in particular for recovered newsprint. For the last quarter of 2017 and the first quarter of 2018, York Region and our contractor, Miller Waste Systems, have succeeded in finding alternative markets for newsprint in India and elsewhere at greatly reduced prices, and in many cases paying the mills to accept the material.

New restrictions on newsprint imports to India creates renewed pressure on recycling facilities worldwide

In response to growing market saturation, India has now imposed new rules on imported newsprint as of April 2018 including a 3% contamination limit and a 5% limit on the amount of boxboard and cardboard included in bales of newsprint. The paper bales produced by York Region's Material Recovery Facility currently exceed both of these limits. This has caused a backlog of newsprint at the Region's processing facility. This situation is not unique to York Region, as the new limits on contamination in recycled newsprint impact material recovery facilities worldwide.

Potential loss of newsprint market significantly impacts waste diversion targets and operating budget

The impact of slow moving newsprint is large as it accounts for over 50% of the material recovered at York Region’s Material Recovery Facility. The facility recovers approximately 40,000 tonnes of newsprint annually.

Since India’s new rules came into effect, Miller has continued to market some newsprint, although sales have not been sufficient to keep pace with production. As a result, York Region has been forced to manage some newsprint as residue using its existing energy-from-waste contracts. Potential loss of newsprint markets impacts waste diversion and increases operating costs. The impact on 2018 Resource Productivity and Recovery Authority diversion could be as much as ten per cent by the end of 2018 if no alternate markets are secured.

York Region’s 2018 solid waste operating budget assumes an average price for marketed recyclables of \$90 per tonne. In the first quarter of 2018, York Region marketed 15,563 tonnes of recyclables at an overall average price of approximately \$70.44 per tonne, including 8,655 tonnes of newsprint at an average price of \$0.84 per tonne. As illustrated in Table 1, if the price of other recyclables remains constant and the Region pays \$95 per tonne to manage all newsprint as residue for the remainder of the year, the estimated year-end average price for all marketed recyclables would be approximately \$29 per tonne, resulting in a 2018 estimated budget shortfall of approximately \$4,398,100.

Table 1
Potential 2018 Budget Shortfall Resulting from Managing Newsprint as Residue

Reporting Period	Tonnes of Recyclables Marketed	Net Revenue Received	Average Price
2017 Actual	67,069	\$8,925,562	\$133.08
2018 Budgeted	72,100	\$6,489,000	\$90.00
2018 Q1 Actual	15,563	\$1,096,294	\$70.44
2018 Year-End Projected (Remaining Newsprint Managed as Residue)	72,100	\$2,090,900	\$29.00
Potential 2018 Budget Shortfall		\$4,398,100	

The budget shortfall shown in Table 1 represents a worst-case scenario that can be mitigated to some extent by continuing to recycle newsprint when possible, even to markets where the Region pays for recycling instead of receiving revenue.

Staff are reviewing alternative options to mitigate diversion and financial impacts

York Region's 2018 solid waste operating budget includes a planned contribution to the reserve fund of \$2.26 million, which could be used to offset increased costs for the processing or disposal of newsprint. A potential additional \$2.14 million withdrawal from a reserve fund may be required to cover the operating budget shortfall under the market failure scenario shown in Table 1.

Staff are working with Miller Waste to develop options for improving quality and marketability of the Region's newsprint through process and technology upgrades. These upgrades, which could take up to a year to implement, could potentially be funded in part through an application to the Continuous Improvement Fund. In the interim, newsprint tonnages need to be managed by other means.

Third-party reprocessing for better marketability is currently being piloted as a short term option. Staff are currently in discussions with Canada Fibers about the feasibility of reprocessing the Region's newsprint at their Arrow Road facility. Under such an arrangement, Miller Waste would pay a fee to Canada Fibres to receive baled newsprint from the Region's MRF, provide secondary processing, and market the end product. The cost would then be passed on to the Region under the Material Recovery Facility operating contract with Miller Waste. While the price of reprocessing newsprint would likely be comparable to managing the material as residual waste, this option would lessen the impact on Resource Productivity and Recovery Authority diversion.

Use of energy-from-waste contracts keeps Region on pace to achieve diversion-from-landfill targets

As of April 13, 2018, approximately 815 tonnes of newsprint have been managed as residual waste through the Region's existing contracts with Emerald Energy From Waste Inc. facility and Covanta Niagara. No newsprint has been shipped to the Durham York Energy Centre due to an Environmental Compliance Approval condition that prohibits processing of source-separated recyclables.

Managing newsprint through energy-from-waste contracts does not count toward Resource Productivity and Recovery Authority diversion, but it does allow the Region to remain on pace to achieve its target of 90 per cent diversion from landfill. However, York Region does not currently have sufficient energy-from-waste capacity to process 40,000 tonnes of newsprint per year on a permanent basis. In the event of a total market failure, the Region may be required to landfill some newsprint if secondary processing or additional energy-from-waste capacity cannot be secured. Landfill would only be considered when all other options have been exhausted.

Staff will continue to monitor the situation and update Council

Staff continue to work with other municipalities, Miller Waste, energy-from-waste contractors and secondary processors to monitor this developing situation and identify new alternatives and opportunities. York Region residents continue to do a good job with placing their recyclables in the blue box even though the complexity and variety of packaging continues to change. York Region staff will continue to work with local municipalities to advocate for reduced packaging and packaging that is recyclable in municipal processing facilities with sustainable end markets. Staff will also continue with ongoing promotion and education efforts to inform residents of steps they can take to reduce contamination rates in the inbound blue box stream. Additional updates will be provided to Council as necessary. Should this market situation persist, any ongoing financial pressures will be considered in development of the 2019-2022 budget.

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