Task Force to Study Methods for Reducing Consumer Packaging that Generates Solid Waste

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Nestlé Waters North America, Inc.

I. Background

Nestlé Waters North America, Inc. (Nestlé Waters) is the nation's leading bottled water company and, by volume, the third largest non-alcoholic beverage company in the U.S. We offer 11 bottled water brands, including Poland Spring®, Nestlé Pure Life®, San Pellegrino®, and Perrier®, as well as three ready-to-drink tea brands. We employ approximately 8,500 workers across the country and are proud to be headquartered in Stamford.

As high rates of obseity and diabetes challenge our communities, the availability of healthier packaged beverages is more important than ever. It is, therefore, encouraging that Americans have a growing preference for water—mineral, sparkling, flavored, and still. For the first time, the sales of single serve bottled water surpassed sales of carbonated soft drinks this year. We are proud of the role we are playing to enhance quality of life and contribute to a healthier future as billions of calories are eliminated from the American diet.

In addition to providing healthy hydration, Nestlé Waters has a demonstrated track record of sustainable innovation and product stewardship on both source reduction and recycling initiatives. The following outlines, at a high level, our efforts as well as our recommendations to the Task Force to achieve further reductions—through source reduction and recycling—in consumer packaging.

II. Source Reduction

While some of Nestlé Waters products are packaged in glass or aluminum, the vast majority of our products are packaged in polyethylene terephthalate (PET)—a BPA-free and 100% recyclable material that is, similar to other plastics, produced from raw materials from petroleum refining and natural gas processing. PET is the preferred packaging for most bottled beverages because it is safe, lightweight, transparent, resilient, and has a lighter environmental impact than other packaging materials like glass or aluminum.

Achieving a smaller environmental footprint begins with less packaging. Over the last two decades, we have led our industry in source reduction efforts, most notably in the light-weighting of our packaging. By using less plastic resin to begin with, energy use and waste are reduced. Since the early 1990s, we have reduced the PET plastic content in our half-liter bottles by 62.5%. In 1990, our half-liter bottle weighed 24 grams; it now weighs 8.3 grams. We have also reduced the size of our labels, which are now 35% smaller than our previous labels, and have reduced the size of our caps.

Light-weighting our bottles and reducing the size of our labels and caps saves about 65 million pounds of plastic and 10 million pounds of paper annually. In total, we have saved over 5 billion pounds of plastic and reduced CO_2 emissions by 770,000 tons since 1995.

We are also investing in developing "tomorrow's bottle." In March, we announced an R&D partnership with Danone and California-based Origin Materials to accelerate the development and launch at commercial scale a PET plastic bottle made from sustainable and renewable bio-based material. The project uses biomass feedstocks, such as previously used cardboard and sawdust, so it does not divert resources or land from food production for human or animal consumption. The partnership hopes to see first new bottles reach store shelves in 2020 and intends to make the resulting technology developments available to the entire food and beverage industry.

These types of partnerships and, in particular, Public-Private Partnerships that leverage the expertise of government, academia, industry, and other non-governmental organizations, are critical to driving innovation and the development of next-generation packaging. We encourage this Task Force to explore potential investments to foster new Public-Private Partnerships that leverage in-state expertise to achieve further source reductions across industries.

III. Recycling

Our bottles and cans are 100% recyclable and should be recovered through recycling collection or redeemed through Connecticut's existing bottle redemption system. We strongly support the purposes of these systems as well as continuous improvements to them, since Connecticut's recycling rates are still too low, and any bottle or can that ends up in nature or a landfill is unacceptable.

We are, therefore, committed to promoting the Circular Economy where waste is repurposed as raw materials for the next round of production. As a company, we are making significant progress on this front. In 2015, we introduced a 100% recycled content bottle for our resource Natural Spring Water® brand and have increased the content of recycled materials in our California-based spring water brand, Arrowhead Natural Spring Water® for which 9 out of 10 of our bottles are made from at least 50% recycled content. We have also increased the recycled content of our mid-Atlantic brand, Deer Park Natural Spring Water®.

The market for recycled PET (rPET) goes beyond making new bottles. Recycled PET bottles can be used to manufacture thermoformed packaging, polyester fiber, strapping, and other products. rPET has been instrumental in the resurgence of the U.S. fiber industry, and is routinely used in carpets, clothing, car interiors, and uniforms of professional sports leagues, to name of few applications. In fact, domestic reclamation capacity and end-market demand exceed available supply of PET bottles.

There are, however, challenges to developing a robust market for rPET. Capturing more PET requires additional investments in recycling collection. Since about half of all PET bottles are consumed away from home, investments are needed to collect material in public spaces and workplaces as well as in multi-family dwellings.

In addition, investments in our municipal recycling facilities (MRFs) are needed to reduce the contamination rate when PET is recycled at curbside. Curbside PET has a yield rate (usable rPET produced) of 62 to 67 percent while redemption collected PET has a yield of 78 to 80 percent.[1] PET bottles are also often misdirected in MRFs. A recent Material Flow study found that an average of 5% of PET bottles wound up in paper bales, and that rate was as high as 30 percent for lightweight bottles in some MRFs.[2] Best practices in operations and maintenance can reduce contamination. Maintaining 2D / 3D separation screens, using properly programmed optical sorters, and implementing quality control procedures can all reduce contamination.

To help address some of these issues, Nestlé Waters recently announced a $6 million investment in the Closed Loop Fund, a program that provides zero percent interest loans to municipalities and low interest loans to for-profit enterprises to enhance their single stream collection and recycling programs. But more can be done.

Improvements can also be made to Connecticut's existing bottle redemption program, which was created as a litter control mechanism nearly four decades ago. On its face, the redemption program appears simple, but most of us who work with it every day recognize that it needs to be more efficient, less costly, and less susceptible to abuse. Far too much handling and transportation occurs from when a consumer travels to redeem a bottle to when it is ultimately picked up by a processor who will turn that bottle back into a reusable material. We have worked to simplify the process through voluntary universal redemption—allowing our bottles and cans to be redeemable anywhere in Connecticut, not just where they were purchased, but improvements in the system are overdue.

IV. Recommendations

Connecticut has a strong policy infrastructure with many elements in place (e.g., universal recycling requirements, disposal bans, beverage container deposits, etc.). But, additional resources are necessary to fully implement these expansive policies. One source for such resources could be the unclaimed deposits that are now directed to the general fund. Those unclaimed deposits could be used to improve targeted MRF infrastructure and broadly implement best practices to improve the quality of the materials generated, and to ensure they make it to the correct bale.

We believe that improving the quality of the recycling stream in smaller geographic areas where population density is higer is a "strong link" issue—the system is improved the most when the system's *strongest* performers are improved. That is why the MRF of the future is the mega-MRF. It is a capital-efficient approach that utilizes scale to make the biggest impact on collection and processing.

The funds could also be used to expand recycling collection in some of the more difficult environments (e.g., away-from-home and multi-family dwellings). While additional mechanisms should be considered, including sales tax exemptions and accelerated depreciation on specified

[1] Report on Post Consumer PET Container Recycling Activity in 2015, http://www.napcor.com/pdf/NAPCOR_2015RateReportFINAL.pdf

[2] MRF Material Flow Study, July 2015: http://www.cartonopportunities.org/MRFStudy

recycling machinery and equipment, unclaimed deposits are an obvious choice given that the funding stream already exists and is generated from beverage container consumption. Dedicating funds for investment would also be essential if the state seriously considered transitioning to a Delaware-model recycling fee, similar to what was contemplated in legislation filed this past legislative session. In dedicating funds under either system, the state would also need to consider prohibiting the diversion of bottles and cans to the redemption system once placed into single stream collection.

With respect to the existing redemption system, it needs to be re-imagined with the twin goals of increasing recycling rates and enhancing the market for recycled materials as the driving public policy rationales. The costs associated with the administration of the program need to be reduced and more equitably shared. If a material is more expensive to handle, the handling fee schedule should reflect that.

Potential cost reductions could also be achieved by permitting the comingling of distributor products at redemption center locations and creating centralized administration. Allowing comingling and creating centralized administration would reduce handling costs for redemption centers as well as the costs associated with the current need for each distributor to separately contract with pick-up agents. Three U.S. deposit states and several Canadian provinces utilize various forms of commingled redemptions and centralized administration with great results in minimizing redemption costs.

Lastly, waste management is a shared responsibility, and consumers play an integral role in ensuring that packaging is properly disposed. While significant progress has been made, education initiatives need to be maintained to better inform the public about how and why it is so important to recycle their waste. This includes educating the public on what materials should be (and should not be) discarded in their curbside recycling bins. Significant time and resources are wasted as MRFs remove items that contaminate the recycling stream and potentially cause damage to machinery and equipment.

IV. Conclusion

Nestlé Waters appreciates the opportunity to share our thoughts with the Task Force and reiterate our commitments to reducing packaging and improving recycling rates throughout the state. We look forward to continuing to assist the Task Force in preparing its recommendations and working together on this important issue.