



September 28, 2023

Dear Members of Senate Committee on Environment and Public Works,

I sit before you today representing what can happen when collaboration between the public and private sector works. The results: partnership of over 50 years between the beverage industry and the environment to produce the most successful deposit return system in the United States, and one of the most successful in the world. At a redemption rate of nearly 90% and with over 2 billion containers recycled last year into high-quality, grade-A material, all of which is recycled domestically, Oregon produces both a proportionate quantity and quality of recyclable material unmatched by any other deposit return or curbside recycling program for beverage containers in the United States. The vision of the company I work for, Oregon Beverage Recycling Cooperative, is a world where no resource is wasted. Beverage containers aren't waste. The glass, plastic, and metal materials that compose the packaging, and even the containers themselves in the case of refillable bottles, are resources to be used again and again.

OBRC, the industry steward of Oregon's Bottle Bill, was founded in 2008, but grew out of previous companies and distributor collaboratives going back to 1971, when Oregon passed the first "Bottle Bill" in the nation. When the legislature created Oregon's deposit return system, it didn't have a road map. Instead, it set the refund value of the container – not a deposit – and then assigned the parties responsible for making sure the system worked. Grocers had the responsibility to take back containers, and distributors had the responsibility to pick up the containers from the grocers, process them, and reimburse the grocers for the refunds that were paid to consumers.

The legislature asked the private sector to figure out the rest, and over time, it did. The term "Extended Producer Responsibility" or "EPR" has recently come into fashion, and yet while no one in 1971 would have understood that term, Oregon's Bottle Bill was the nation's first EPR program. Oregon is now implementing EPR for other kinds of packaging, but it remains distinct and separate from the successful deposit return program for beverage containers.

The primary feature of Oregon's deposit return system is that industry is responsible for all costs and all benefits of the program, and internalizes the incentives to get it right. The model has four fundamental principles: 1) industry pays for all aspects of the program and accepts no public funding; 2) industry keeps unclaimed refunds above the target redemption rate to invest in operating, expanding, and improving the system (unclaimed

refunds below the target redemption rate are contributed to the Oregon Community Foundation to support grants to nonprofits working in the spirit of the Bottle Bill); 3) industry keeps the scrap material, allowing for full material circularity and the ability to send price signals to the market on the recyclability of material; 4) no handling fee exists in Oregon. This last principle allows for vertical integration of the system under the umbrella of OBRC's not-for-profit cooperative structure, the efficiencies of which create the lowest cost per container in the nation, and likely the world, and maximize convenience and access for consumers.

This efficiency and verticality would not have happened without continued partnership from the Oregon legislature. Senator Jeff Merkley, when he was still State Representative Jeff Merkley, speaker of the Oregon House, shepherded a major set of reforms that expanded Oregon's Bottle Bill and allowed industry to coordinate as a cooperative, creating OBRC as we know it, with over 300 beverage distributor patrons. These patrons range from small craft producers with self-distribution, to large multi-state distributors, most of whom support Oregon's Bottle Bill. Further reforms allowed for the creation and deployment of BottleDrop Redemption Centers, and the creation of the Green Bag program, the most recognizable customer-facing feature of the Oregon model. Oregon now has over 1 million Green Bag account holders in a state with only around 1.5 million households, who collectively return nearly 12 million bags of containers each year. While policymakers focused on streamlining responsibilities and strengthening outcomes, the beverage industry focused not only on efficiency, but on convenience.

Deposit return systems can seem complicated, but they are actually quite simple. Ultimately, there are only two things that affect whether a system is successful: convenience, and incentive. A system with high incentives will fail if there is no convenience. Imagine having to drive for hours just to get your deposit back, even a high one. But likewise, the most convenient system in the world will fail without an incentive. Curbside recycling is just such a system, and the highest performing curbside systems fail to get back more than around 40% of beverage material, and often much less. While the yield produced by these systems is comparatively low, the quality of that material recovered is also usually much lower.

Curbside systems represent the recycling of last resort, and work best for those things that cannot be easily returned. By contrast, the combination of convenience and incentive in Oregon means nearly all beverage containers are collected with other beverage containers, helping protect food-grade materials from contamination, and returning them to their highest and best use, which is often a new bottle or can. Even if curbside invests in technology to improve the quality of recycling, without an incentive, these systems will not generate the volume necessary to meet the needs of American recycling infrastructure, like the new aluminum plants being built in the South. Deposit return systems provide the volume and quality necessary to grow American jobs, and to displace materials in the global market provided by Russia and China.

While the combination of incentives and convenience may make a successful system, convenience for one person may not look like convenience for another, and people's reasons for returning containers may differ. So how did OBRC provide convenience? First, Oregon law created room for innovation by allowing industry to work out the details in the private market while internalizing costs and benefits. In Oregon, government regulators act more like referees than coaches. They make sure everyone is playing fairly and according to the rules, but don't serve in any sort of operational role – that's the job of the beverage industry. It is worth noting that the most successful system in Europe, the German reuse system, is set up much the same way.

Second, OBRC created a strategy for “customer segmentation”, allowing for return pathways that make sense for different users. For some people, the refund value is a source of income to make ends meet. OBRC provides fast, high-volume return options for those that want to get their cash every day. For others, the Green Bag program means families can just place glass, plastic, and metal containers all in the same bag, and drop their bags off at a redemption center or grocery store when they go to do their shopping. Most Oregonians use this method. Still others are motivated to redeem containers when their local charity, church, or school puts a “Blue Bag” non-profit bag in their hands and asks them to return those bags to fund the nonprofit. There are over 5,600 nonprofits in Oregon using Blue Bags, and they raised \$5.1 million last year to support everything from homeless services, to pet adoption, to pre-schools, and everything in between.

Third, OBRC makes it easy to use your money. The BottleDrop app allows you to use Venmo, Paypal, and bank-to-bank transfer to move your money. You can easily donate your balance to a nonprofit. You can connect your account to a child's 529 college savings plan. Or you can spend your balance for groceries with in-store credit, and earn a 20% bonus on your money. However you want to use your money, we've got a way to do it. None of these innovations were mandated – rather, the flexible structure of Oregon's deposit return law has allowed them to happen. Furthermore, OBRC and the beverage industry have grown beyond recycling, introducing the nation's first statewide refillable/reusable bottle program. With nearly three million units in circulation and a dozen craft beverage makers participating, Oregon's BottleDrop Refill program is nearly three times larger than the beverage reuse program in Paris, France.

As Congress examines a national deposit return system, it should look to the principles of the Oregon model. Oregon has had 50 years to build its program, and not every state will look the same. But the principles of government facilitation (instead of regulation), and empowerment of the private sector to do what it does best in service of public goals, should be at the heart of a national system. Such a system won't be one-size-fits-all, and will need to allow for latitude for state-based innovation, especially as every state does beverages differently. Successful statewide systems should be acknowledged in any federal legislation, and allowed to continue operating under their successful frameworks. But the benefits of a national system are large – fewer cross border issues, much more recyclable material (and at a higher quality) to build American industries and jobs, and the opportunity to do reusable packaging at scale.

Oregon's deposit return system is not partisan. A recent resolution commemorating our program passed nearly unanimously in the legislature. And we're not done. We're still learning and innovating, and when Congress is ready to take up the issue, we're ready to help.

Sincerely,

A handwritten signature in black ink, appearing to be 'Jules Bailey', written in a cursive style.

Jules Bailey
President and CEO