



## MEMORANDUM

TO: Members of Committee of the Whole

FROM: Erin Mahoney, M.Eng.  
Commissioner, Environmental Services

DATE: October 3, 2017

RE: **Impact of Export Market Policy Changes for Recycled Newsprint**

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Newsprint export market halted due to strict new limits on contamination rates imposed by China

In recent years, processors in China have provided the highest price for recycled newsprint, attracting York Region and other municipalities to ship paper to China and resulting in the closure of many North American newsprint end-markets. Recently, the Chinese government's National Sword Campaign imposed a strict new limit of 0.3% contamination for all imported recyclables to China. This new standard is not feasible for material recovery facilities using existing technology, and has stopped virtually all newsprint exports to China from North America. Although the new contamination limits are imposed on all recyclable material, the Region is only affected by newsprint as plastic is currently sold to North American markets.

The impact of this change to the Region's diversion program is large as newsprint currently accounts for approximately 50% of the material tonnage processed at York Region's Material Recovery Facility. The Material Recovery Facility recovers approximately 850 tonnes of newsprint weekly and 44,000 tonnes annually. This situation is not unique to York Region, as the new limit on recycled newsprint exported to China impacts all material recovery facilities across North America.

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

Potential loss of newsprint markets impacts waste diversion and increases operating costs. The impact on 2017 Resource Productivity and Recovery Authority diversion could be as much as three to five per cent by the end of the 2017 if no alternate markets

are secured. However, diversion-from-landfill will not be affected if all non-marketed newsprint is managed through energy-from waste contracts.

Loss of a newsprint market could cost the Region as much as \$2.7 million for the remainder of 2017, including loss of revenue from newsprint sales, reduced funding from the Resource Productivity and Recovery Authority, and additional costs incurred to manage newsprint as waste. These losses can be mitigated in part by continuing to recycle newsprint when possible, even to markets where the Region pays for recycling instead of receiving revenue.

York Region's 2017 operating budget assumed average revenues of \$90 per tonne for all blue box recyclable materials marketed. As of July 2017, year-to-date revenues have averaged \$152 per tonne, which will help offset newsprint revenue losses or other cost incurred for managing this material in the second half of the year.

Miller taking steps to reduce impact on material recovery facility operations

The Region's Material Recovery Facility operations contractor, Miller Waste Systems, is taking steps to minimize impacts, including increased staffing to further remove contamination from newsprint and exporting newsprint to other countries. In the past two weeks, Miller has succeeded in marketing significant quantities of newsprint to India through a network of brokers at a cost up to \$10 per tonne. Some smaller quantities are being sent to mills in the United States where we are receiving between \$70 and \$80 per tonne. As of October 3, quantities sent to these alternate markets has been sufficient to meet the majority of demand. Combined, these efforts greatly assist in reducing inventory at the material recovery facility and represent a cost saving relative to managing the newsprint as waste.

Limited disposal of newsprint necessary to maintain inventories at manageable levels

Long-term storage of newsprint at the Material Recovery Facility is not an option. Apart from limited storage space, excess bales of newsprint can impede facility operations and could present a potential fire hazard. To reduce inventories to manageable levels, staff have authorized Miller to:

- Ship as much newsprint as possible to processors, at cost if necessary to avoid the cost of processing via energy-from-waste
- Store up to 500 tonnes of newsprint at the Material Recovery Facility
- Process excess tonnes using energy-from-waste contracts if possible

As of October 3, approximately 160 tonnes of newsprint has been shipped to energy-from-waste facilities through the Region's existing contracts, with an estimated 11,000 tonnes of newsprint remaining to be generated by year end. Miller has recently secured enough processing in the United States and India to meet short-term demand.

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Shipments to energy-from-waste facilities will only resume if long-term alternative markets cannot be found.

Staff will continue to monitor the situation and update council

Staff will continue to monitor this developing situation and work with other municipalities and Miller to continue to identify alternative marketing opportunities. Additional updates will be provided if necessary.

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