

SCRAP TIRE ADVISORY COMMITTEE MEETING

December 11, 2014
 10:00 a.m. - 2:00 p.m.
 Lansing, Constitution Hall, Atrium South
 D. Hale Brake Conference room

MEETING SUMMARY

Participants

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1. Introductions and Welcome were done by Mike Marshall.
2. The September 10, 2014, Meeting Summary was discussed. There were no changes. Mike Marshall will have the meeting summary placed on Scrap Tire Web site.
3. Remarks on the Governor's Recycling Initiative were given by Steve Sliver. The November 6, 2014 Status Report was handed out. The new Recycling Specialists were named and Katie Venechuk was on the phone. There was a discussion about how the \$1 million in general funding was being utilized and efforts toward benchmarking including P2 Grants and the progress on the ReTrac contract were discussed. The Governor's Recycling Summit will be held on May 5, 2015 in conjunction with the MRC Recycling conference on May 6 and 7, 2015.
4. Update on Program Funding and Staffing was given by Rhonda Oyer. Rhonda passed out the handout (attached) on the Status of the Scrap Tire Regulatory Fund as of September 30, 2014 as it was agreed at the last meeting that the Status document would be updated quarterly to keep the STAC informed on the budget and fund use. Changes in staffing around the state were discussed with Mary Ann St. Antoine hired in the UP and Trisha Confer taking up the tire duties for the Saginaw Bay District.
5. Sarah Howes gave an update regarding the draft legislative bills, SB 941 and SB 942 sponsored by Senator Kowall and Senator Casperson, which would make changes to Part 169. The bills passed out of the House committee unanimously and were expected to be taken up on the floor early next week and be in effect by the beginning of 2015. HB 5202 was also brought up and it was noted that the PSC is the lead agency on and opposes the bill that would make TDF a renewable fuel or at least the natural rubber portion of the tires.
6. There was a lengthy discussion of tire markets. The End-Use Table was recently completed and was handed out. The decline in TDF use was the biggest issue and potential compliance issues may begin cropping up if processors continue to rely on that market. The DEQ has been focusing on rubber-modified asphalt (RMA) but that is not the ultimate solution. There are also concerns with recycling RMA in 10-15 years which will have to be addressed. At a minimum, there is a plateau in the amount of TDF that can be used. The Renewable Portfolio Standard (RPS) has a discount for TDF but that is likely to change in the future. There have been discussions in that arena regarding biomass v. TDF. 2015 is likely to be a big year for energy policy in the legislature which is leading to a lot of uncertainty. While the DEQ End-Use Table showed a significant drop in TDF use in two years, there has been a steady downward trend since 2010.

There was some discussion regarding how products were reported on the End-Use Table. DEQ is working to standardize the terminology for how products are reported. There was also a question regarding double counting on the table and DEQ responded that they have tried to eliminate as much of that as possible.

The question of landfilling tires was raised and a comment was made that DEQ paid for landfilling of tires under some grants. It was noted that this was due to the tires being dirty or so degraded that there was really no other place for them to go. Landfilling tires is a cost to processors and if they cannot count that toward the 75% used or recycled, that may require the processors to get bonding. There is concern by the processors that they don't want to have to pay to landfill and also pay for bonding and that landfilling should count toward the 75%. If the material is used for alternate daily cover, the use can be counted but not if the material is going to the landfill strictly for disposal.

Pyrolysis was raised as a potential market with an operating plant in Oregon cited as an example. The DEQ has met with six potential projects in the past couple of months. These types of facilities are successful in places where landfill tipping fees are high. While the process works, the economics are just not there, especially in Michigan where landfill tipping fees are relatively low. Michigan does have a company, HTR in Grand Rapids that builds pyrolysis machines. OTR in Georgia was cited as another facility that is in operation. Cobalt stated that they provide crumb rubber to a company in Indiana that is compounding it with plastics from diapers to make pallets. Michigan needs these types of companies. It was suggested that the legislature go to the automakers as potential markets. It was stated that there is champion or champions needed in Michigan to promote the use of tire material or be advocates for getting the market in Michigan.

The DEQ noted that the industry itself has a big burden to be the ones who do the promotion. The industry's goal is to make products rather than landfill the material. There needs to be a push to ban plastics and tire material from landfills and put it into products rather than landfill it. This is seen as a good time to make that push due to the state level interest in recycling and the Governor's Recycling Initiative. One of the potential hurdles to the auto manufacturers using more tire materials is that they are reluctant to change the formulations of materials due to safety standards. There is additional testing that they would need to do with adding more crumb rubber and recycled plastics.

It was discussed that processors are already operating on a minimal margin, so the economics have to be attractive enough. The bottom line is the purse controls the markets. On the supply side, other products are competing with fuel. In order to stimulate markets, you have to cut cost of the material. Dry mix RMA is one way to do this. Look at creative ways to get materials into the markets. Get County Road Commissions to use in large volume roads as that is the next largest volume after TDF. Data has long been the issue to breaking into markets like roads and have had some luck using data from other states. California has a 5% crumb rubber mandate for roads.

There was discussion of the past use of whole tires by Holnam/Holcim cement plant that has closed. It was suggested that whole tire use in cement kilns be incentivized. The biggest hurdle to this use is the air permitting issues and the cost to revise permits. It was suggested that help be provided to cover these costs to get more going to this market. Lafarge has a test burn permit but it was not known if or when that expires.

It was commented that a lot of Michigan crumb goes to markets in Indiana and Illinois. Another person commented that they could make it easier if they were a transporter rather than a processor. Frustration was expressed that the RMA market hasn't gone further since Reith-Riley has portable equipment.

Competitiveness/cost of non-hazardous secondary materials for fuel is one of the issues leading to the decline in TDF. There are other trade-offs that count for something and those need to be pointed out as far as their value compared to cost to shift away the market from the cheaper fuels. Policies need to be set and the true costs and benefits need to be focused on. There needs to be an

understanding of what these materials are up against in the marketplace. It was suggested that increased tip fees are needed for specific end-uses. There needs to be a focus on what can be done in short order. Counties have a fair bit of say in how they build their roads and shouldn't be driven by profit. Cost and performance have always driven the road market. Hot-mix asphalt is a detailed, technical process. What can be produced in a lab under controlled conditions is not always directly related to field conditions and what can be produced in the field. There are still some concerns with odors and the increased demand for liquid asphalt in some mixes, especially dense graded mixes. Road funding is currently a big topic in the legislature and the one big question is does the increase in costs equal an added benefit in the roads? MDOT does have a permissive spec for rubber-modified asphalt. Crumb rubber doesn't melt in asphalt, it just gets soft and that should not lead to increased odors.

The DEQ is seeking input on where to focus the efforts of the new recycling specialists. It was suggested they touch base with the auto industry to see what the potential is there for markets. The Renewable Portfolio Standard is under discussion and they are trying to add back in TDF or a portion based on the biogenic carbon reduction for the natural rubber fraction of a tire. There needs to be a focus on the benefits of the end-use markets in a way that will drive the public to demand these products but these products still have to be competitive. The DEQ has focused efforts in the past on decreasing the generation of scrap tires by educating consumers on proper tire pressure and tire maintenance.

It was discussed that market development issues are not unique to scrap tires but DEQ is looking for new innovative things to focus on. It was stated that there is a real need to bring the energy policy discussion into any discussions about recycling. There has been talk at the state level of consolidating the various energy related piece from various places.

DEQ staff met after the STAC meeting to discuss what we heard from the stakeholder discussion to create a Market Development Strategy. Essentially there were four main points that were taken away from the STAC discussion to move the markets forward: 1) there is a need to promote markets to both legislators and consumers; 2) appropriate testing is needed on product safety and performance; 3) there is need to do a true market study beyond collecting end use data; 4) there needs to be a change in the economics to make products more competitive. Some things the DEQ felt they can do to address these issues in the short terms are: look at and adopt appropriate ASTM or other recognized national standards for products that should be determined to be commodities; continue to obtain data from other states and the industry and have this data available to respond to safety and performance concerns; and provide grant funding and put out a request for proposals for a Market Study.

7. Mike Marshall then proceeded to provide an update on the FY 15 grants. There are 55 scrap tire cleanup grant applications but the total amount of funding has not been calculated yet due to the way the grants will be paid. There will be a lower number of PTEs covered but the total amount in dollars will likely be close to what was awarded last year. For Market Development grants, there were 49 letters of interest and \$11.6 million in requests for the \$3.2 million available. Two-thirds of these were invited to submit full applications. Most of the applications were for RMA road projects but there were some other types of projects. The DEQ is pressing ahead with what we were asked to do in terms of the MD grant program.
8. For FY 15 cleanups, the DEQ has switched to paying for the work on a per trailer basis. The rate is \$1,000 per dropped trailer. Then there would be a \$2/PTE up to a maximum of \$2,000/trailer. Grantees will still be responsible for tracking the number of tires received on their manifests as a

check on how this is working. This is an attempt to address the costs of the processors without placing more burdens on the grantees and address trailers with few tires in them.

9. DEQ gave an update on the number of 2014 registrations issued and the number pending as of December 10: 238 Registered Active Haulers; 40 Registered Active Collection Sites; 2 Applications with district staff pending approval; 14 Administratively Incomplete. For 2015: Emailed Hauler/Collection Site Memo on 11-21-2014; 4 Registered Active Haulers; 47 Applications with district staff pending approval; 1 Administratively Incomplete; Emailing letter and registrations to registrant rather than mailing. A web update was submitted on 12-2-2014 to update the registration lists on line.
10. The bond exemption issue was discussed during the Market Development discussion. The bottom line is that material going to a landfill has to be used to count toward the 75% recycled or used requirement for processors.
11. HB 5205, EPA Carbon Framework was discussed in the context of the Market Development Discussion above.
12. AT&T Connect will be used to broadcast future meetings and the dates for FY 2015 will be determined by Doodle polls. Potential dates were included in the meeting agenda.