

January 17, 2017

Vance D. Bell
Chief Executive Officer
Shaw Industries Group Incorporated
616 East Walnut Avenue
Dalton, GA 30721



Dear Mr. Bell:

I am writing to you on behalf the Global Alliance for Incinerator Alternatives (GAIA) and Changing Markets regarding our latest report (attached) on the failings of the carpet industry to increase recycling rates and comply with Californian legislation (AB 2398). Although Shaw has made progress in developing a limited quantity of recycled content material and reducing toxicity in its carpeting, your company's sustainability leadership claims are undermined by its apparent lack of commitment to carpet recyclability and recycled content. As the world's largest carpet manufacturer, Shaw has a responsibility to become the leader in the circular economy of carpets and significantly increase carpet-to-carpet recycling rates.

In a circular economy, products are not just used once and discarded, but are reused, recycled and returned to the economy. The principle benefit is that the use of virgin materials, like petroleum based feedstocks, is dramatically reduced, as is waste that typically ends up in landfills and incinerators. A circular economy disfavors "downcycling" reclaimed materials into products that are ultimately not recyclable and destined for landfill or incineration.

Because carpet production is projected to grow 4.5% annually to 14.6 billion square feet by 2019 in the U.S., the way carpets are produced and discarded is critical in moving towards a more sustainable U.S. and global economy. Currently, carpets present 3.5% of all waste disposed in the U.S. (4 billion pounds). Most of this waste is landfilled, contributing to methane and toxic chemical emissions related to landfill. In addition, 6% of carpets are incinerated (via waste to energy or cement kiln), which releases high levels of greenhouse emissions, organic pollutants, endocrine disruptors, and other hazardous chemicals. Many carpets contain polyvinyl chloride (PVC), which creates dioxin – one of the most dangerous chemicals in existence and a proven carcinogen - when burnt. Even the most modern and expensive pollution control devices cannot prevent the escape of many hazardous emissions such as ultra-fine particles of polychlorinated biphenols, dioxin, furans, and nanoparticles, which are not regulated by the US EPA. These particles can be lethal, causing cancer, heart attacks, strokes, asthma, and pulmonary disease. The health impacts of this pollution are felt first and worst in the places which border these facilities, in the U.S. largely low-income communities and communities of color.

Data shows that only 1% of post-consumer carpet is recycled back into carpets, which goes against the principles of circular economy. For most materials, recycling has been proven to reduce greenhouse gas emissions and conserve significantly more energy and materials than incineration or landfilling. Recycling also creates 10-20 times as many jobs as incineration. Recent CARE reports to CalRecycle show that the carpet industry is failing to increase its recycling rates and comply with its own targets. The Californian carpet stewardship law (AB 2398), enacted in 2010, was intended to result in a robust carpet recycling program. Represented

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by CARE, the carpet industry set a goal of a 16% recycling rate for carpet in California by 2016. However, it has repeatedly failed to meet that goal and in 2014 and 2015, the recycling rate in California fell from 12% to 10%. In its latest annual report (2015), CARE reported decreases in the collection rate, recycled output, and the recycling rate, from 2014. Meanwhile disposal to landfill and waste to energy of carpets both increased.¹ Over the past 5 years recycling increased only 2% increase, while incineration via waste to energy increased from 4% to 7%.

Your company claims to be leading the carpet industry in terms of carpet reclamation and recycling as it takes and processes more than 100 million pounds of carpet per year.² However, in the last few years, Shaw has moved away from recycling carpet. Shaw used to operate a recycling plant Evergreen in Augusta, GA, where it recycled nylon 6 face fiber into nylon 6 fiber, which is very much aligned with the concept of circular economy. However, your company shut this plant down and opened Evergreen Ringgold to recycle nylon 6, nylon 6.6 and polyester, mostly by creating recycled materials for use in low-grade engineered plastics and, thus, down-cycling precious material. Only 18 months later this facility was no longer recycling face fiber. The closure of these two recycling facilities and move away from recycling nylon 6 face fiber into recycled carpet raises questions about your role as a “sustainability leader.”

As one of the board members of CARE and the biggest manufacturer, Shaw has a responsibility for the failure of the California stewardship program. Some of the problems were present in the CARE proposals from the start. The flat rate of the carpet stewardship assessment fee does not encourage innovation in product design and increase the share of recycling. Furthermore, the current fee of \$0.25 is still too low to cover recycling costs. It wasn't until 2015 that CARE provided an incentive for reuse (\$0.10 per pound) and the subsidy for non-nylon recycling increased from \$0.10 to \$0.17. Meanwhile the subsidy for more recyclable nylon recycling is only \$0.10, providing a less even playing field for a more recyclable material. These subsidies are too low to make a difference, especially in the face of historically low oil prices.

The Plan failed to provide adequate and easy collection system for carpets. Back-stamping carpets should have been a priority from the outset and its implementation is lagging. The lack of available collection sites is also a major impediment. CARE reported that in 2015 there was 3 times the amount of recycling capacity as carpet available to be recycled. Only 23 of California's 58 counties have any drop off facilities and even in counties that have them, there are too few. Furthermore, the education and outreach program has been weak. It failed to engage installers, the primary link in collection, and failed to evaluate its own success or lack thereof.

Unfortunately, CARE's new Plan for 2017-2021 continues along similar lines and, for this reason, was rejected by CalRecycle. Outside California, the industry's efforts towards recyclability are showing little improvement. CARE is also responsible for the Voluntary Carpet Stewardship Program, which it has been used as tool to prevent carpet producer responsibility legislation in other states. In order to receive recycling subsidies, recyclers are forced to sign a document stating that they are not allowed to support the creation of any producer responsibility legislation in any state.

Shaw claims to focus “on continuous improvement in order to meet [its] 2030 goals and to respond to the evolving marketplace. That requires innovation.”³ We agree that innovation is needed and believe innovative energy should focus on moving to closed-loop recycling, rather

¹ <http://www.calrecycle.ca.gov/files/Carpet/CARE2015.pdf>

² <http://www.shawcontract.com/Html/EnvironmentalReclamationRecycling>

³ <https://shawinc.com/getattachment/68d2a10c-bdc5-4279-b7a2-bc706dbf23a1/attachment.aspx>

than burning up precious resources in incinerators that generate more greenhouse gases per unit of energy produced than a coal-fired power plant.⁴ Shaw also states that they “design, manufacture and deliver [their] products to create a better future guided by Cradle to Cradle philosophies.”⁵ We encourage Shaw to apply its commitment to sustainability and C2C principles by implementing the following recommendations:

- **Invest in better design-** Shaw should dramatically increase efforts to design and market carpets with reuse and recyclability in mind. This means using recyclable materials and design for the simple separation of backing and fibers. Carpets should also be designed without chemicals that harm people’s health and environment.
- **Take responsibility for the products that it puts on the market.** Shaw has already shut down two carpet recycling plants. Shaw must guarantee that there are facilities in place to recycle the carpets they produce. It should invest in local recycling facilities, enable increased collection, and pursue innovative reuse, such as leasing models.
- **Make a real commitment to carpet stewardship.** Shaw has been undermining carpet stewardship by closing recycling facilities and preventing the adoption of carpet legislation in other U.S. states. In the revision of the next five-year plan for AB 2398, we will be looking for a commitment to decrease incineration of carpet while increasing carpet to carpet recycling significantly over the next five years.

We urge you to focus on these recommendations and work within CARE to put forward a more meaningful stewardship program that focuses on real recycling efforts and decreases landfill and incineration. We would be happy to discuss this letter and our recommendations in further detail. We would be grateful, if you could respond to this letter by 31 January 2017.

Sincerely,



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cc: Paul Murray, Vice President, Sustainability and Environmental affairs, and member of CARE’s Board of Directors

⁴ Energy Justice Network, 2014: “Trash Incineration More Polluting than Coal”: <http://www.energyjustice.net/incineration/worsethancoal>

⁵ <https://shawinc.com/getattachment/68d2a10c-bdc5-4279-b7a2-bc706dbf23a1/attachment.aspx>