

Curbside Recycling Management

1. How does Extended Producer Responsibility (EPR) change the way the system is managed?

With the introduction of EPR for curbside recycling, ÉEQ, as the Producer Responsibility Organization (PRO), must plan, implement and finance the entire curbside recycling system for containers, packaging and printed paper marketed in Quebec. This means moving on from over 500 municipalities that were responsible for managing curbside recycling contracts until December 31, 2024, to a single prime manager overseeing the system, Éco Entreprises Québec, enabling standardized management and promoting optimization.

The regulations specify that the new system must respect the acquired rights of municipalities, in addition to adding new obligations in terms of service (customers), materials and performance. ÉEQ is currently in discussions with the government to spread the application of these new obligations over a number of years. This is one of the mitigation measures under study.

2. What changes for the municipalities?

Under the compensation plan, municipalities were the contracting authorities and legally responsible for the curbside recycling. They determined the accepted materials, the criteria, and the collection modalities.

Under EPR, municipalities become service providers and are therefore contractually bound to ÉEQ. They issue and manage collection contracts, using the specifications provided by ÉEQ to optimize and standardize the service offered, the materials accepted and the terms and conditions to be respected. Éco Entreprises Québec has also mandated them to manage customer service for citizens (complaints, questions, etc.).

3. And what about the sorting centres (MRFS)?

Under the compensation plan, in effect until December 31, 2024, sorting centres (MRFs) had contracts with municipalities to sort and sell the material. Accepted materials varied from a region to the other.

This is how some accepted pots and pans and metal objects in addition to containers, packaging and printed matter, confusing the public. Depending on their nature, sorting centres either kept the revenues (private sorting centres) or reinjected them into their activities (for non-profit organizations). Some shared a portion of revenues with municipalities.

With EPR, sorting centres are contractually bound to ÉEQ to do one thing: sort the material to make it suitable for resale. It is Éco Entreprises Québec that determines the materials accepted, the quality criteria to be met to facilitate resale, and the acceptable rejection rates. As owner of the material, ÉEQ receives the revenue from the sale, helping to reduce system costs.

Explaining Costs

4. What measures has ÉEQ implemented to reduce system costs under EPR?

In implementing its curbside recycling management program, ÉEQ has already introduced several elements to reduce costs:

With municipalities:

- Grouping of municipalities (from 565 to 135) responsible for the collection and transportation of recyclable materials to facilitate management and optimize costs (fewer employees to manage, fewer empty trucks, etc.);
- Best practices for collection specifications: reduced collection frequencies; choice of collection day left to the bidder to optimize their trucks and price;
- Optimization of transport of collected materials to sorting centres: ÉEQ determines the allocation of materials to sorting centres based on the distance to be covered and the price charged.

With sorting centres:

- Upgrading of sorting equipment integrated into the per-tonne cost of medium- and long-term sorting contracts: costs authorized by ÉEQ and amortized over time to control expenses;
- New sorting centre in Montreal East (January 2025): Opening necessary due to the closure of Montreal's main sorting centre (Saint-Michel). The new sorting centre is already delivering cost efficiencies per tonne of material sorted.

Sale of the material:

- Centralized marketing of sorted materials: to consolidate volumes to be marketed.

5. What can ÉEQ not do to reduce system costs under EPR?

To reduce system costs, certain options are not feasible at all, such as:

- Discontinue curbside recycling whether on a one-off, short-term or medium-term basis;
- Ask citizens to put containers, packaging and printed matter in the garbage to reduce the amount of materials collected;
- No upgrading of sorting centres, which would result in equipment breakdowns, under-capacity to sort the materials collected, and difficult conditions for employees.

6. Total 2025 costs are more than double those that producers had to pay in the fall of 2024. How is it possible that producers have to finance two systems at once?

For 2025 and 2026, producers must both finance the compensation plan in place since 2005 and pay the costs of EPR curbside recycling operations.

Since 2005, companies have been paying the costs of the compensation plan more than 18 months after the service has been implemented. Municipalities therefore absorb the costs during this interval.

For example, the costs of the 2023 system, included in the 2024 Schedule of Contributions (SoC), were paid by producers in September and November 2024. For 2024 system costs, the Regulation provides for reimbursement to be spread over two calendar years, 2025 and 2026. ÉEQ is currently in discussions with the government to further extend this deferral.

Under EPR for curbside recycling, ÉEQ must make real-time payments for services rendered. Municipalities, as suppliers to ÉEQ for collection and transportation, are paid on a quarterly basis, while sorting centres are paid monthly. Thus, the 2025 costs of collection and transportation services, included in the 2025 PFP that came into effect on January 1, 2025, must be paid by ÉEQ in April 2025, 4 months after the start of the year, and costs for sorted materials must be paid monthly.

The overlapping payment terms of the compensation plan and the EPR for curbside recycling are putting major financial pressure on producers. **ÉEQ is discussing with the government the possibility of changing the payment staggering provided for in the regulations for the compensation plan.**

Level Playing Field

7. Who are the producers with a payment obligation and who pays for imported products?

For both the compensation plan and the EPR for curbside recycling, the regulations stipulate that producers subjected are those who own the brands of products marketed and have a Quebec address.

The regulations also stipulate that when these brand owners do not have a Quebec address, it is the first suppliers, i.e. those who bring the products into Quebec, who are responsible.

So, for example, when a product is imported into Quebec from California, unless it is under the private label of a producer with a Quebec address, it is the distributor or retailer who is responsible for paying the amounts as first supplier. This explains why retailers assume more than 50% of the costs of the system, since they are both brand owners AND first suppliers.

ÉEQ has also set up a procedure to enable producers with no place of business in Quebec to decide to declare and contribute voluntarily for the targeted materials they market in Quebec. More than a hundred ÉEQ member producers are voluntary contributors.

8. Who pays for online sales?

Since 2022, ÉEQ has obtained the regulatory levers to subject all transactional website platform operators selling in Quebec, regardless of where they are located.

9. What does ÉEQ do to ensure that all producers pay their share?

ÉEQ takes the identification, integration and support of new producers seriously. By 2024, when all companies were required to sign a membership contract, ÉEQ had identified over 300 new companies, representing a 10% increase on the 2,700 or so current members. Among its members, 9% pay 90% of the costs, while 50% are small businesses that together pay 1% of total costs.

ÉEQ has a team in charge of identifying and integrating new producers on an ongoing basis. The team ensures that priority is given to contacting those who are likely to pay a contribution and/or PFP. In this respect, ÉEQ has access to public and private registers and other information enabling it to identify them and works actively to communicate with producers liable to pay on an ongoing basis. In addition, we offer a compliance and verification service for reporting producers, including spot audits, to ensure that everyone pays their fair share.

It should be noted, however, that some producers are exempt from payment, as they are either small businesses (less than \$1.3 million in revenue or a single point of sale) or generate little material (less than one metric ton).

ÉEQ also has the leverage to impose contributions on any producer who fails to comply despite its best efforts. Penalties can also be imposed by the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs.

10. Could ÉEQ present its strategy for identifying and approaching producers?

Yes, ÉEQ plans to address this topic at an upcoming session.

Mitigation measures

11. What mitigation measures are in place?

Two measures are already in place:

- No interest charges or administrative fees for late payments until March 1, 2025;
- Apply, upon request, a procedure for deferring payment of the Producer Financial Participation (PFP) 2025, also in the case of lump-sum amounts, in order to support producers who are having difficulty paying, particularly those affected by the postponement of the deposit-refund system.

12. What mitigation measures are under study with the Government of Quebec?

Three measures are currently under study with the government:

- Spreading the upcoming payment for the 2025 Schedule of Contributions over several years;
- Postponing to 2030 and subsequent years of the new EPR regulatory obligations scheduled for 2026 to 2029 and subsequent years;
- Establishing a special assistance fund for producers, particularly those affected by the postponement of the deposit-refund extension to March 2027 for glass and multilayer cardboard beverage containers, and for small producers.

13. When do you plan to provide an update on the measures under study or other measures?

As soon as news becomes available, Éco Entreprises Québec will contact you, in writing, to inform you. Some measures will take longer to implement than others.

ÉEQ will also keep associations informed of the progress of discussions.

Finally, a follow-up will be made at the next question and answer sessions in the spring.