



Monthly Producer Q&A Session

Presented to members

February 20, 2025

Q&A session guidelines

- Use the **Q&A section** to ask your questions in writing or raise your hand;
- **Please give your name and the company you represent** when speaking or typing a question;
- Participants **must ask questions**, not make comments; the comment section is disabled;
- Make sure the **question is as short as possible** to allow everyone to ask questions;
- A question period will follow sharing of the information;
- A **summary of the Q&A** and the presentation will be shared following the session;
- **Producer-focused** : we will prioritize the participation of the greatest number of producers;
- Individual **cases of producers will not be covered** – please reach out to Producer Service team to discuss this with you in more detail;
- Individual producer invoices or cost figures **will not be discussed** to protect confidentiality

1. Introductory remarks from the CEO

EPR in force since January 1, 2025

- Direct management by ÉEQ of sorting centers with contracts of 3 to 10 years
 - ✓ Data platforms in operation with sorting centers
- New sorting center in Montréal-East in operation since January 2, 2025
 - ✓ Built in 15 months and within the initial budget
 - ✓ The largest and most automated in Québec providing lowest costs per tonne
- Marketing (selling) and recovery of sorted materials
- Harmonized list of accepted materials in force throughout Québec
- Management of collection and transport operations via municipal organizations

2. Action Plan with producers

Action Plan **2025 Objectives**

- Improve understanding of EPR + its financial impacts + role of ÉEQ as PRO;
- Implement **mitigation measures** to lessen impact of cost increases;
- Improve **financial predictability** for producers;
- Regularly **share progress** in system deployment;
- Communicate with producers **more frequently** with simple and focused material.

1. Communication measures

- **Break down the different components** of the EPR system costs for 2025;
- Further explain the **operational strategies** associated with EPR and the expected results;
- Maintain ongoing meetings with **trade associations** + provide more **ready-to-share tools** for producers
- Monthly **Producer Q&A sessions** allowing greater dialogue;
- **Replace newsletters** with focused emails.

Mitigation measures

2 new measures already implemented by ÉEQ :














1. No **interest charges & administrative fees** applied for late payments until March 1st, 2025;
2. Allow **spreading payments** for PFP 2025, including for flat rates, to support producers who have difficulty paying, particularly those affected by the deferral of deposit expansion.

Mitigation measures with the government under consideration:

- Consider further **spreading out producer payments for the 2025 SoC**;
- **Postpone new EPR regulatory obligations** to 2030 and beyond;
- Work on government **financial assistance for producers** affected by the deferral of the deposit-refund system expansion to March 2027 for glass, gable-top and aseptic beverage containers.

3. Cost details of the system

Compensation Plan vs EPR : new and big responsibilities

Services and territories included	2005 – 2024 Compensation Plan	Since 2025 EPR
Single-family, multi-unit ≤ 9		
All multi-units > 9		
Serving remote territories and the Far North		
Citizen information, awareness and education campaigns		
Purchase and distribution of recycling bins to citizens		
Management of container for multi-units		
Servicing to all residential-like Commerces and Institutions / curbside service	 *	

* Some commercial and institutional locations already included in the Compensation Plan

Compensation Plan vs EPR : new and big responsibilities

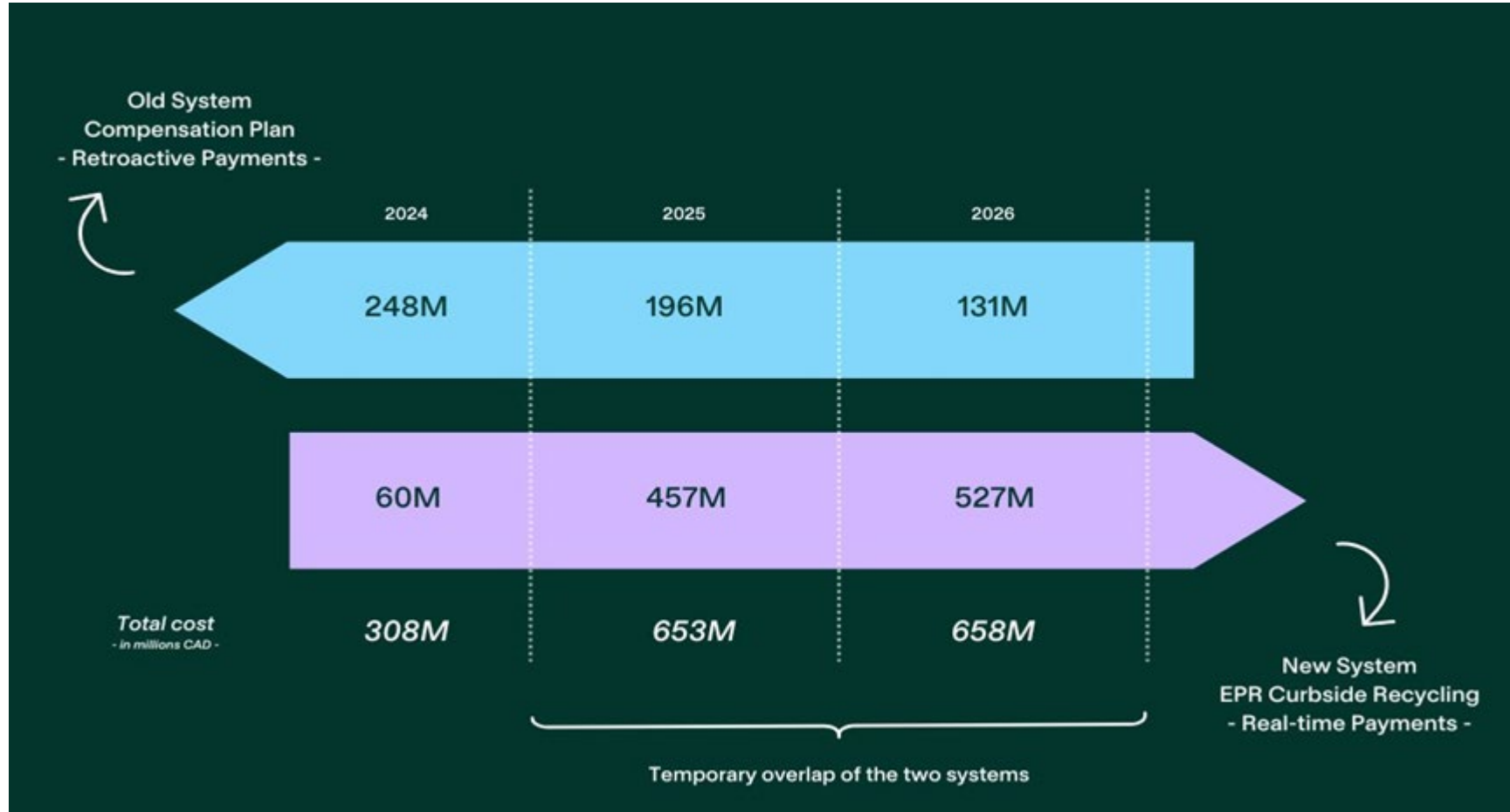
System Costs (Note : <i>retroactive cost scheme vs real-time cost with EPR</i>)	2005 - 2024 Compensation Plan	Since 2025 EPR
Collection and transportation	✓	✓
Sorting	✓	✓
Sorting centers / MRF upgrading (1)	✗	✓
100 % funding of system costs (2)	✗	✓
Marketing and recovery of sorted materials	✗	✓
Traceability obligations	✗	✓
Performance targets with penalties if failed to reach	✗	✓
Reserve Fund (paid by Special PFPs 2023 and 2024)	✗	✓

(1) MRF upgrading: With the Compensation Plan only in part

(2) With EPR, we no longer have deductions via the Performance and efficiency factor and for non-obligated materials

Funding Overlap Between Two Systems

A retroactive scheme (current) and real-time cost structure (EPR)



4 Years of System Costs Paid over 3 Years

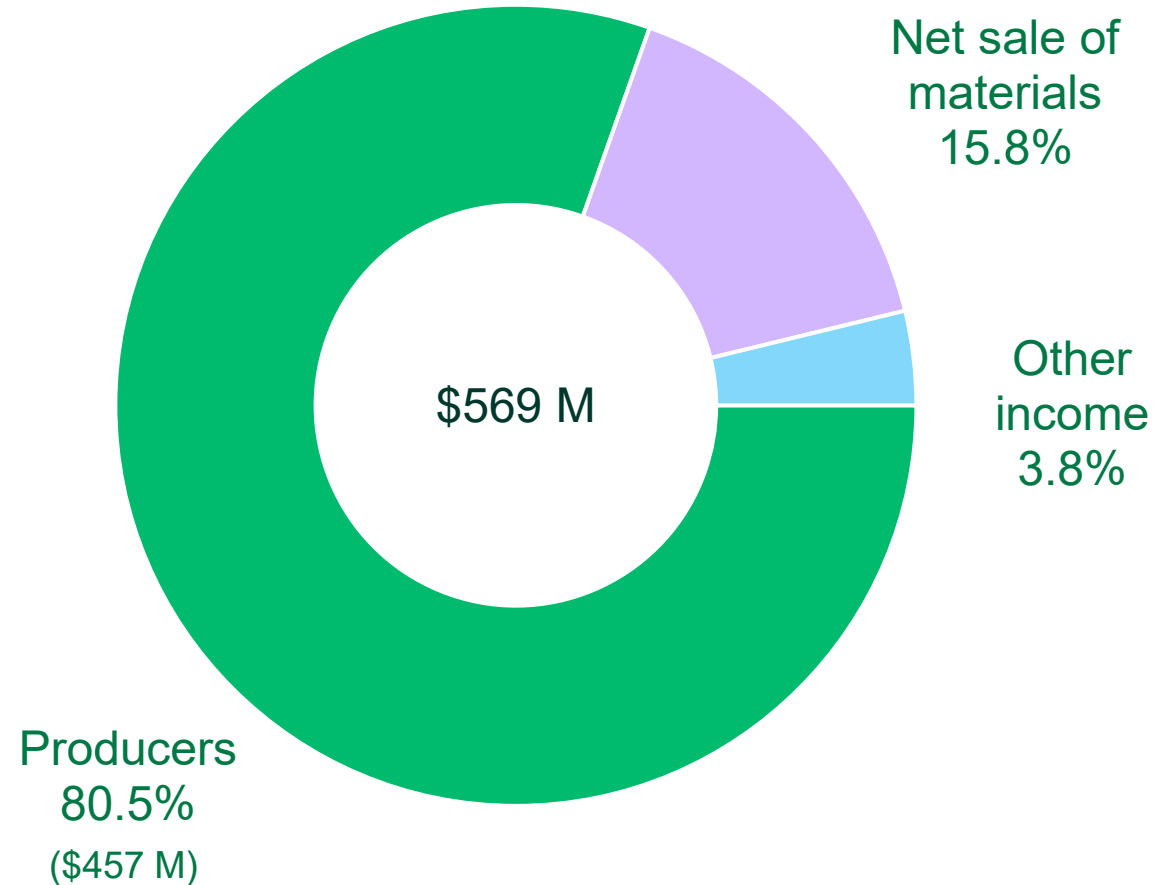
		Estimated Producer Fees 2024-2026			
		2024	2025	2026	Total - System Costs
Curbside Recycling System Costs	2023	2024 Schedule of Contributions (100%) \$248 M			\$299 M**
	2024	2023 special PFP \$45 M 2024 special PFP \$15 M	2025 Schedule of Contributions* (60%) \$196 M*	2025 Schedule of Contributions (40%) \$131 M	\$387 M
	2025		2025 annual PFP \$457 M		\$457 M
	2026			2026 annual PFP \$527 M	\$527 M
	Total - Fees	\$308 M	\$653 M	\$658 M	

* Not yet invoiced – SoC needs first to be published in QC Gazette

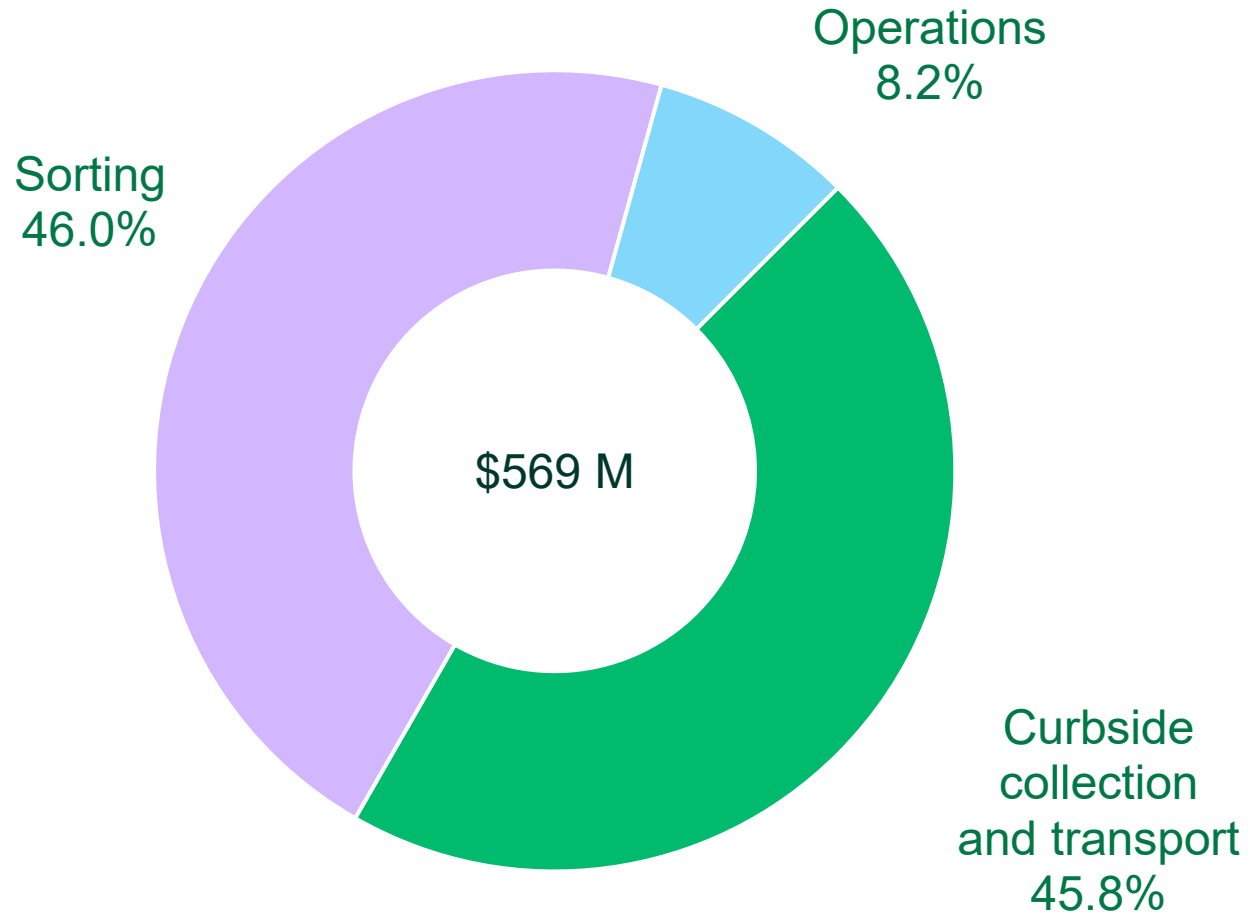
** Actual net costs of municipal curbside recycling services for 2023 provided by RECYC-QUÉBEC late 2024

- Producer funding (\$457 million) accounts for 80% of revenues
- Income from material sales: 16%
- Not all sorted materials generate revenue
- Recovery costs for glass and other problematic materials reduces sales revenues

Revenue under EPR



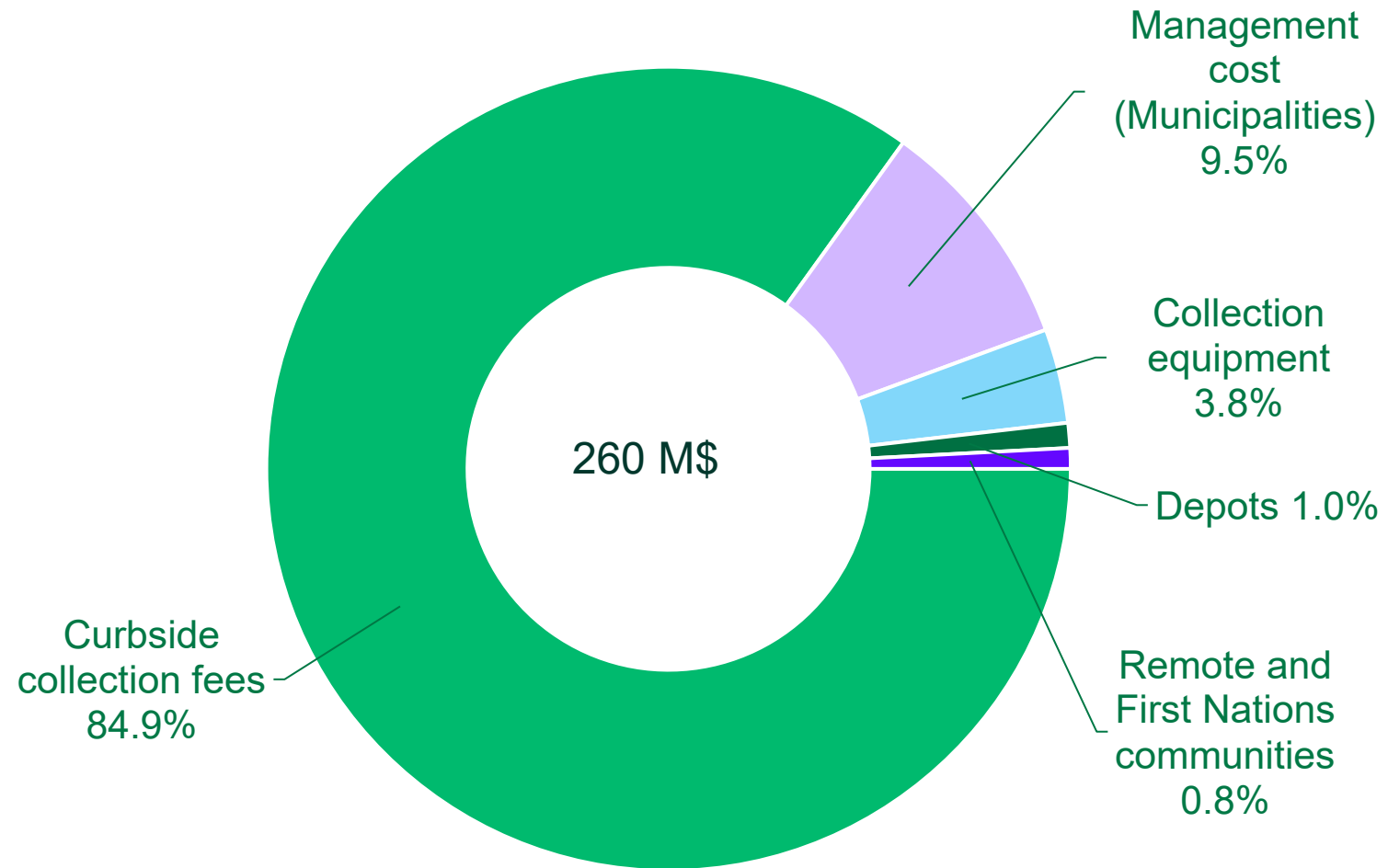
Operating costs in 2025



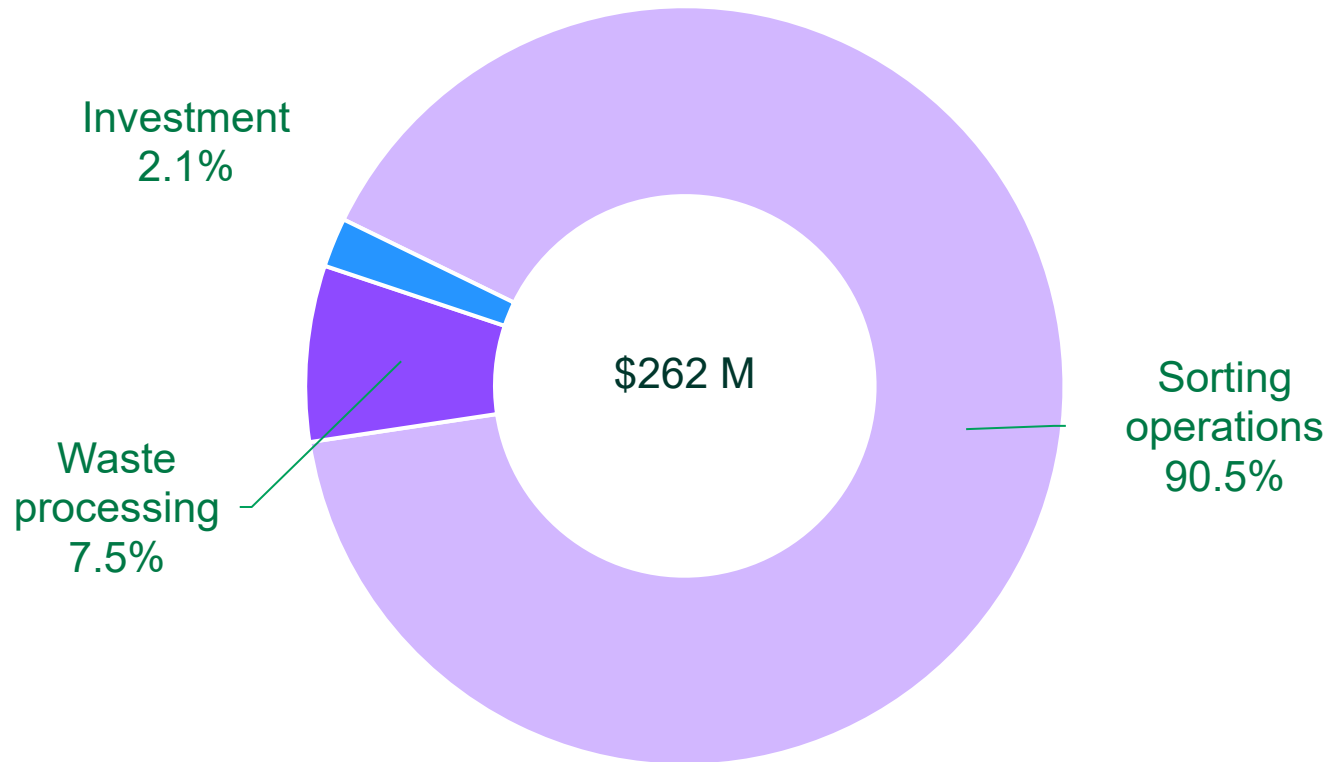
- 2 major cost centers are linked to medium and long-term contracts;
- Combined sorting, collection and transportation costs represent 92% of total system costs;
- Operating expenses amount to 8%.

- Collection fees correspond to amounts paid by municipalities or by ÉEQ to haulers;
- Actual municipal costs for these contracts will be provided to ÉEQ in April;
- The costs of contract management by municipalities, servicing territories, managing and distributing collection bins and containers, and depot activities are new in the EPR.

Curbside collection and transportation costs



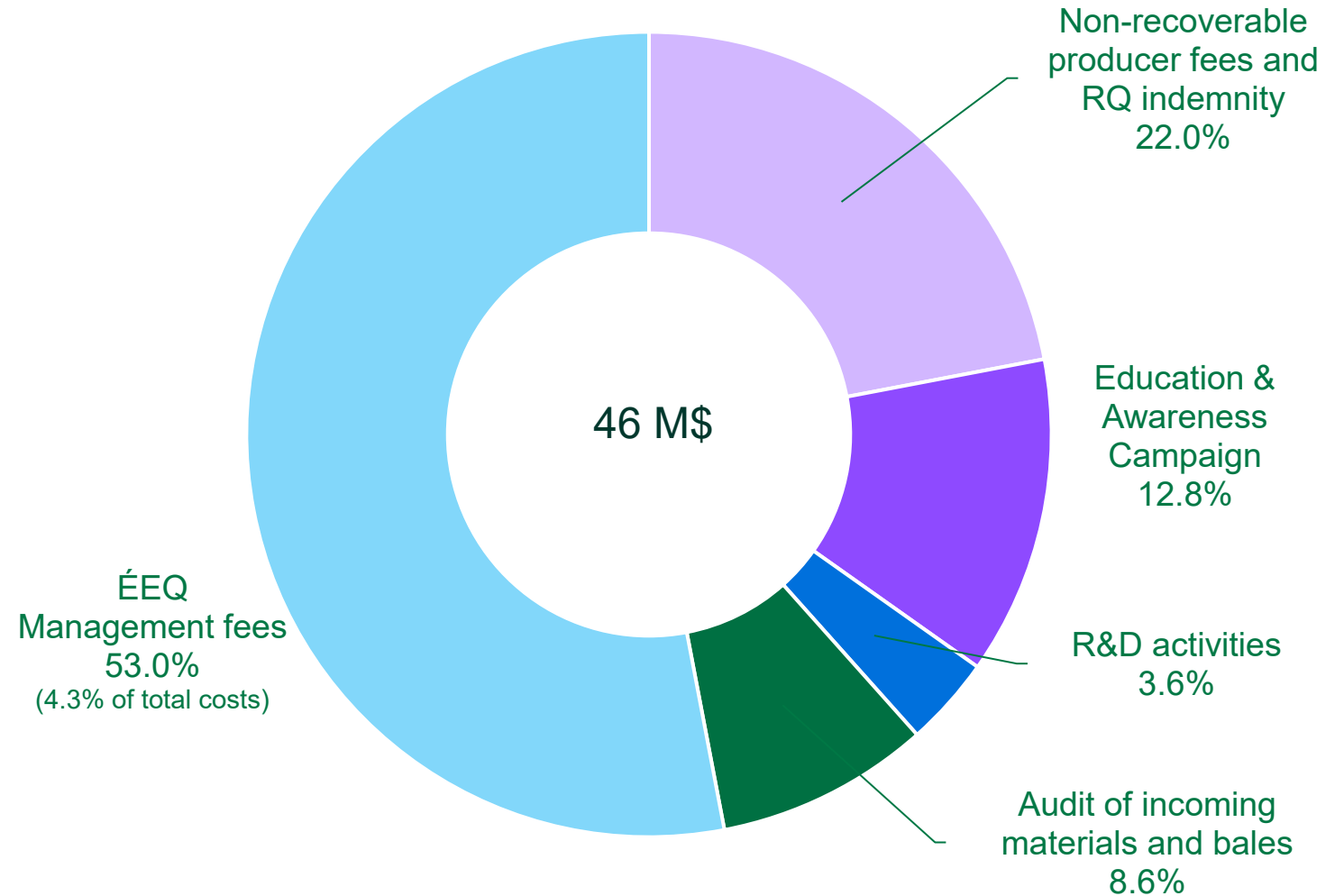
Sorting costs



- Sorting costs are based on contracts ranging from 3 to 10 years;
- The cost of upgrading sorting equipment is included in the contract cost per tonne;
- The only significant variable that can change is the tonnage sorted;
- Waste treatment is estimated at \$20 million per year.

Operational costs

- ÉEQ's management fees represent 4.3% of total system costs;
- A provision for bad debts represents 2% of producer financing (\$457 M);
- The public awareness campaign and the material developed for municipalities for public communications represent 12.8% of operating costs;
- Audits of incoming materials and outbound bales, an essential input to the fee formula;
- R&D represents less than \$2 M.



What ÉEQ is doing to control costs

- **Consolidation of contracts with municipal organizations:** from 565 to 135 responsible organizations to facilitate management (fewer employees to manage, fewer empty trucks, etc.);
- **Best practices for collection bids:** reduced pick-up frequencies; leaving the choice of collection day to the bidder;
- **Investments to upgrade MRFs integrated into sorting contracts:** staggered and moderate to keep pace with producers' financial capacity;
- **New sorting center in Montreal-East (Jan. 2025):** already delivering cost efficiencies;
- **Centralized marketing of sorted materials:** to consolidate volumes.

Questions?

Thank you