

2022 Schedule of Contributions – Consultations Document

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Development of the Schedule of Contributions and Consultation with Companies: A legally governed process

As per the Environment Quality Act (EQA), the “Schedule of Contributions” governing contributions paid by companies must be submitted to targeted companies and organizations as part of a consultation process. Éco Entreprises Québec’s consultation focuses on the application rules of the Schedule as well as the contribution table developed for each category of designated materials and aims to provide a platform to exchange with as many contributing companies and organizations as possible. The process for the 2022 Schedule of Contributions is the fourteenth implemented by ÉEQ.

Producing the 2022 Schedule of Contributions is somewhat particular, however. A draft regulation modifying the Compensation plan was expected last fall and according to the information ÉEQ had at the time, it was expected to significantly change some of the parameters governing the production of the Schedule. Consequently, in October, the Board of Directors decided to postpone the contribution process until the publication of the draft amendment. The *Draft amendment to the Regulation respecting compensation for municipal services provided to recover and reclaim residual materials* was finally published for consultation last December 8th, which enabled ÉEQ to finish producing its Schedule and start the consultation process.



For each Schedule of Contributions, ÉEQ's Board of Directors adopts a draft Schedule that is presented to companies and organizations through a consultation process. Following consultation activities, ÉEQ analyzes the comments received and writes a report on the conclusions drawn during the process. The Schedule of contributions and the report are then approved by the Board, with or without amendment, before being submitted to RECYC-QUÉBEC (RQ), which assesses compliance with the process in order to recommend the Schedule of contributions to the Québec government. The government of Québec then approves the Schedule and publishes it in the *Gazette officielle du Québec*.

This document presents the main changes made to the contribution table and the application rules – the Schedule of Contributions – for obligation year 2022. The draft Schedule is presented to companies targeted under the compensation plan in order to gather their comments. The consultation period runs from February 15th to March 1st inclusively and includes two virtual consultation meetings on February 22, 2022 (one in French, the other in English).

All targeted companies and organizations must submit to ÉEQ their Company Report on the materials they put on Quebec's market in order to determine the contribution they must pay.

The amount of the contribution is calculated by multiplying the quantity of each material in a given class by the applicable rate indicated in the contribution table for the obligation year concerned, and then adding up those amounts.

The 2022 Schedule of Contributions in times of pandemic and modernization of curbside recycling

As was the case with the previous Schedule of Contributions, the 2022 Schedule is developed against the particular background of the global COVID-19 pandemic, which is having unprecedented impacts on all contributing companies and on the curbside recycling system. Economic activities and business models of companies in all sectors continue to be affected, and the new realities of consumption and work are impacting the marketing of products and the curbside recycling system. In addition, the recovery industry in Quebec is still being affected by the crisis following the closure of Chinese markets to recovered materials, and by the labour shortage both for collecting and sorting.

Eco-modulating ÉEQ's Schedule of Contributions: A Tool to Initiate Change

Since the 2021 Schedule of Contributions, ÉEQ devised a new roadmap for the eco-modulation of its Schedule of Contributions. This vision aims to continue the evolution of the formula towards a fee structure that is increasingly tied to the impact of each material on the entire value chain.

For the 2022 Schedule, ÉEQ's Board of Directors approved the application of eco-modulation measures and the announcement of upcoming measures.

1. Disaggregation of PP

#5 plastic (polypropylene or PP) is currently aggregated with other plastics, polymers and polyurethane. However, the market for recycled PP has grown rapidly in recent years, making PP a material that is more and more in demand and increasing in value. This is why ÉEQ is looking to disaggregate PP from other plastics, polymers and polyurethane.

For the 2022 Schedule, the rate for these two materials will be the same, however, in order to collect information on quantities marketed by contributing companies. This data will be necessary to assign PP its own rate for the 2023 Schedule without affecting the rate of other materials, while reducing the risk of over- or under-funding associated with an erroneous prediction regarding generation.

2. Adding wood and cork packaging

Wood and cork are packaging or packaging components covered under the law, but historically not subject to a fee by ÉEQ. In addition, cork containers and packaging that end up in sorting centers currently have no outlets. Other Extended Producer Responsibility (EPR) organizations, such as CITÉO in France, have already included wood and cork in their list of materials subject to a fee. Consequently, in order to further eco-modulate its Schedule, ÉEQ chooses to integrate wood and cork into its 2022 Schedule, by assigning them their own rate.

3. Extending the eco-design incentive bonus

With the 2021 Schedule of Contributions, ÉEQ launched its ecodesign incentive bonus pilot project, with a one-million-dollar budget financed via the Containers and Packaging Permanent Fund.

The objectives of the bonus were to:

- Recognize a completed eco-designed packaging initiative.

- Identify action levers, document challenges and define solution leads (information collection and experimentation) between eco-design and recyclability.
- Communicate companies' initiatives and measure environmental gains (social and economic, if applicable).

At the term of the pilot project's first year, the board of directors agreed to extend it, while improving its application:

1. Implement a clearly defined and cumulative split bonus approach.
2. Increase the available bonus percentage to 50% for materials designated under the approach.
3. Set a bonus threshold at \$5,000 (or capped at the company's total contribution if under \$5,000).
4. Set a bonus cap of \$25,000 per application.
5. Increase maximum bonus amount to \$60,000 per company.

General eligibility criteria will remain the same:

- Be a compliant contributing company as per ÉEQ.
- Have marketed one or more eco-designed containers and packaging during the reference fee structure calendar year.
- Have submitted the bonus request form in time.
- Collaborate with ÉEQ in order to document the initiative, identify the challenges and issues and give consent for their case to be published.

For more details, please feel free to visit our website.

4. Preparation ahead of upcoming eco-modulation measures

The Board of Directors approved the development and announcement of two additional eco-modulation measures, i.e., a penalty on PVC and a penalty on degradable plastics, both of which will be applied as of the 2024 Schedule of Contributions. Several issues are related to these two materials, namely:

- Disruption of recycling
- Absence of end-of-life management stream
- Market constraints
- Health and safety issues

In the interest of predictability and to give companies a chance to adjust, eco-modulation measures and the breadth of the penalty will be developed and announced by ÉEQ during the next 18 months. ÉEQ will contact contributing companies to inform them in this matter.

In order to assign these two materials their own eco-modulated rate in the 2024 Schedule, ÉEQ is disaggregating these materials as of the 2022 Schedule, in order to collect information on quantities generated for each of them.

Update of parameters to develop the 2022 Schedule of Contributions

The development of a Schedule of Contributions includes several parameters that are obtained either via studies (rate of recovery, net costs per material), or via estimates (municipal net costs, quantities expected to be reported by companies) or known data (ÉEQ fees). Of the parameters that are being updated this year, two have a significant impact on material rates: the removal of the cost allocation by materials class, by regulation, upstream of the Schedule formula, and the update of the Activity-Based Cost Allocation (ABC) study that measures the net cost of each material in the system.

1. A more modest increase of net costs in 2021

The estimated increase in collection and transportation costs considers contract renewals as well as the increase in the consumer price index for transportation. For sorting and packaging costs, the estimate is based on contract renewals between municipalities and sorting centers, as well as on average increases by category of municipalities. Again this year, a series of interviews were conducted with the most populous municipal agencies to learn more about their costs for the year 2021. Because a municipality's compensation is calculated based on its performance compared to that of its group, this approach has been preferred for three years in order to monitor not only cost variances for a municipality, but for other municipalities in its group.

After three years of significant increase, ÉEQ anticipates that 2021 net costs that will be reported by municipalities by the end of the summer will see slower growth. This is because most municipal contracts had already been adjusted upwards in the previous three years as a result of export restrictions and increased sorting costs. However, ÉEQ anticipates that the cost deduction by the performance and efficiency factor will be half that for the year 2020.

Performance and efficiency factor

The calculation of the P&E factor is defined in the regulation and reduces additional costs by comparing municipalities from six groups based on population and distance from the major centers of Montreal and Québec City.

Thus, ÉEQ anticipates 2021 net costs for the 2022 Schedule at \$224.3 million, an increase of 6.5% compared to the 2020 estimated net costs for the 2021 Schedule.

| | 2021 Schedule | 2022 Schedule |
|--|------------------|------------------|
| Estimated total municipal net costs | \$231.7 M | \$233.5 M |
| Deduction for non-designated materials (6.45%) | (\$15.0 M) | (\$15.1 M) |
| Deduction for P&E factor | (\$22.6 M) | (\$11.8 M) |
| Municipal management costs (8.55%) | \$16.6 M | \$17.7 M |
| Efficient and effective total eligible costs | \$210.7 M | \$224.3 M |
| <i>Variation</i> | | +6.5% |

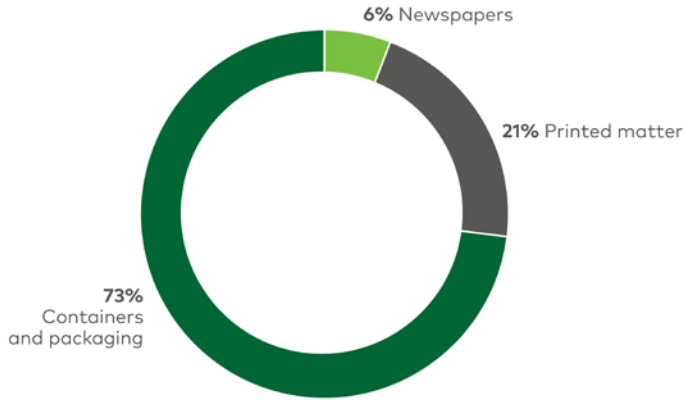
2. Abolition of cost allocation per class of materials, an expected regulatory simplification that is reflected in rates

Since 2010, allocation of municipal net costs to the three classes (newspapers, printed matter, containers and packaging) was enshrined in regulation and was updated three times. Each update caused delays for the entry into force of ÉEQ's Schedule of Contributions. Moreover, the government's regulatory change process results in an inevitable lag between the system's evolution and the cost allocation as published. ÉEQ therefore recommended the abolition of cost allocation per class of materials by the regulation ahead of the formula.

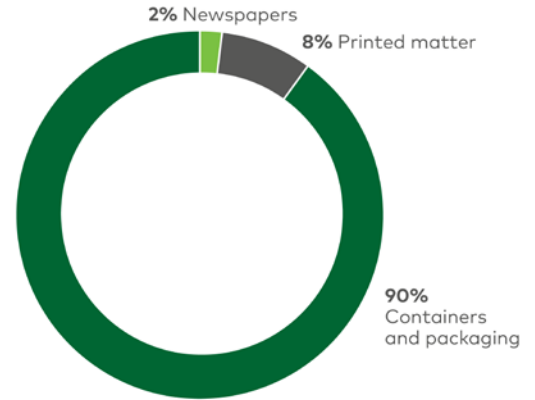
The draft regulation presented by the government on December 8, 2021, confirms that as of the 2022 Schedule, the share of costs assumed by each class of materials will no longer be assigned upstream by the Regulation. Instead, the Schedule formula is applied to allocate costs to each material and, when added together, calculates the share of costs for each material class.

As a result of this abolition, for the 2022 Schedule, the share of costs borne by newspapers and printed matter decreases, whereas the share of costs of containers and packaging increases.

Share of costs per class based on the allocation provided for in the Regulation for 2018-2021 Schedules



Share of costs per class after the abolition of the allocation upstream by the draft Regulation for the 2022 Schedule



The decrease in the relative share of newspapers increases the amount paid by contributing companies to ÉEQ. The increase in net municipal costs and the increase in the share of ÉEQ have a combined impact of 11.5% on company contributions.

| | 2021 Schedule | 2022 Schedule |
|--|---------------|---------------|
| Efficient and effective total eligible costs | \$210.7 M | \$224.3 M |
| Deduction of the newsprint share (6.5% for the 2021 Schedule of Contributions, 2.0% for the 2022 Schedule) | (\$13.7M) | (\$4.5M) |
| ÉEQ's efficient and effective eligible costs | \$197.1M | \$219.8M |
| <i>Variation</i> | | +11.5% |

3. An increase limited to 0.9 percent for ÉEQ management costs and other provisions

ÉEQ's management costs and other provisions represent \$13.3M. ÉEQ's management costs are \$7.0 million, or 2.9% of total expected contributions to the 2022 Schedule of

Contributions. Moreover, ÉEQ will maintain the provision for bad debt at 2% of anticipated contributions, in order to cover possible company bankruptcies as well as possible disputes. Finally, following through on financial commitments provided for in the *Innovative Glass Works* Plan, \$0.6 million is allocated to glass for costs incurred to support the participation of sorting centers, as per the Board's orientations from 2017.

The maximum allowance paid to RECYC-QUÉBEC remains unchanged, but the share incurred by ÉEQ jumps from 94 to 98% with the new cost allocation.

The total increase in ÉEQ's costs and other provisions is 18.8% compared to the 2021 Schedule. As for the overall expected contributions from companies for the 2022 Schedule of Contributions, the increase represents a 0.9 percentage point.

| | 2021 Schedule | 2022 Schedule |
|---|------------------|-------------------------|
| ÉEQ Management Costs | \$6.0M | \$7.0M |
| Provisions for bad debt | \$4.1M | \$4.6M |
| Participation support: Innovative Glass Works Plan | \$0.6M | \$0.7M |
| Provision for recycled content credit | \$0.5M | \$0.5M |
| Anticipated reports from low-volume producers | (\$2.9M) | (\$2.4M) |
| Allowance paid to RECYC-QUÉBEC | \$2.8M | \$2.9 M |
| Total ÉEQ fees and other provisions <i>Variation</i> | \$11.2M | \$13.3M <i>18.8%</i> |

The Board of Directors of ÉEQ has passed a resolution to replenish the Risk Fund to meet the target of 2.5% of net costs, as set out in ÉEQ's Fund Management Policy, for the development of the 2022 Schedule of Contributions. This amount mitigates exposure to risks tied to additional billing to contributing companies, should the net municipal costs of the 2022 Schedule be underestimated. The corresponding amount is \$6.2 million.

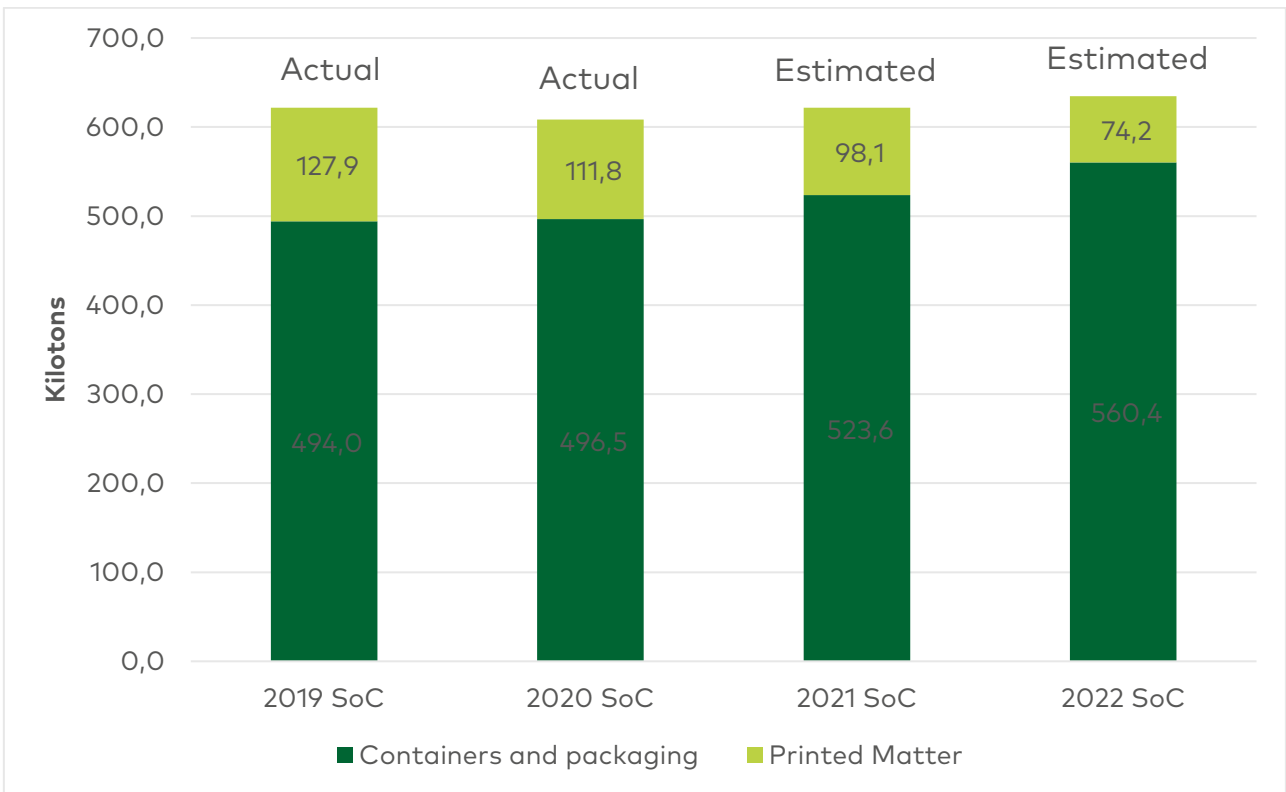
Thus, total costs to be factored into the calculation of the 2022 Schedule are \$239.4 million, an increase of 15.0% over the same costs for the previous Schedule.

| | 2021 Schedule | 2022 Schedule |
|--|------------------|------------------|
| ÉEQ's efficient and effective eligible costs | \$197.1M | \$219.8M |
| ÉEQ fees and other provisions | \$11.2M | \$13.3M |
| Risk Fund replenished according to policy | ----- | \$6.2 M |
| ÉEQ's total costs before assignments | \$208.2M | \$239.4M |
| <i>Variation</i> | | <i>+15.0%</i> |

4. Expected quantities relatively stable at nearly 635,000 tonnes

Once again, this year, in order to estimate the anticipated reported quantities for 2022, we closely monitored the situation of companies (growth and decline in consumed products, reduction of inserts and circulars, growth of e-commerce, business closures, etc.). In addition, we were able to observe the effects of COVID-19 on the commercial activities of contributing companies over a full year and thus, better estimate its impact on expected quantities. Finally, unlike last year, we were able to adjust our estimates based on complete reporting data for the previous Schedule, since the reporting period for the 2021 Schedule ended on August 30.

Taking all these elements into account, we anticipate the quantities of materials reported for the 2022 Schedule will be close to 635,000 tonnes, an increase of 2.1%. However, this overall figure masks two opposing trends. On the one hand, ÉEQ anticipates sustained growth of 7% for containers and packaging, while for printed matter, the decline observed in recent years should continue in 2022 with an anticipated decrease of nearly 25%.



5. Recovery rates adjusted for two problem materials

The 2022 Schedule formula uses data from the Characterization of Residual Materials in the Municipal Sector 2015-2018, as did the 2021 Schedule. However, the recovery rate for two materials has been adjusted to 0% in the Schedule formula, namely ceramics and wood and cork. This decision reflects the fact that these materials have no outlet for sorting facilities and, in some cases, represent significant contaminants for other materials (namely, ceramic for glass). This Schedule modulation measure aims to better consider the impact companies' choice of materials has on the entire value chain.

6. ABC Study Update: Reflecting a Curbside Recycling Industry in Turmoil

The market crisis has created a favourable context for buyers of recyclable materials, putting a lot of pressure on sorting centers. On one hand, average sale prices for the three years used to calculate ABC costs have dropped by half compared to the situation that prevailed before the crisis. On the other hand, recyclable materials buyers have taken advantage of the crisis to raise quality requirements for materials produced by sorting centers. To meet these higher standards, they invested in new equipment and hired more sorters to ensure the production of higher quality bales. Sorting centers have had to offset this increase in production costs and decrease in sales revenue by increasing fees charged to their customers, the municipalities. Finally, more recently, the labour shortage has forced several collection

companies and material recovery facilities to raise wages for their employees, an increase that obviously is reflected in the overall cost of processing. The impact of these increases has been particularly noticeable in costs to be compensated to municipalities for the 2019, 2020 and 2021 Schedules.

We know that these increases in costs to be compensated to municipalities have already been absorbed in previous Schedules. However, it is also known that these new expenses do not apply equally to all materials. That is why ÉEQ has updated its Activity-Based Costing (ABC) study, which provides a reliable and verifiable calculation of net costs of each material in the curbside collection system.

Not surprisingly, these major changes in curbside recycling are reflected in the net cost of each material. A striking example is plastic containers and packaging, particularly PET and HDPE (#1 and #2 plastics), for which sorting centers have dedicated more financial and human resources over the past three years. For these plastics alone, the number of optical sorting equipment has doubled, while sorting centers have hired new sorters for quality control of these materials. These additional expenses have an upward impact on the cost of sorting these materials, which is then reflected in the rate of these materials in the Schedule.

Main systemic impacts on the Schedule of Contributions



Marked investments in sorting centers for state-of-the-art equipment (for example, all 23 curbside recycling sorting centers have purchased and installed 63 optical sorters since 2018)



Increased sorting centers workforce (for example, there are 227 more sorters and quality controllers than four years ago)

Increased wages for collection and sorting employees (for example, sorter and quality controllers have seen their salaries go up 55% over the past four years).



Decline in revenues from the sale of materials by sorting centers (up to 50% less in recent years), despite the upturn in recent months.

Two targeted rate mitigation measures

The update of the Schedule's parameters has varying impacts on the materials rates. In particular, the results of the updated ABC study and the removal of the cost allocation by material classes upstream of the formula have a marked impact on the rates for containers and packaging, particularly HDPE bottles and containers under 5 liters. Therefore, the board decided to implement two rate increase mitigation measures.

A. Rate hike for HDPE capped at 50%

Since the 2015 Schedule of Contributions, the Board of directors has introduced a guiding principle to the effect that no material should have an increase of more than 50% unless it is for overall reasons of net cost increase. In such a situation, the rate is capped and the difference is allocated to all materials in its class.

In the 2022 Schedule, with the cost increase calculated by the ABC study, HDPE would have a rate of \$358.78/t, a 93.1% increase over its 2021 rate. The Board of Directors of ÉEQ has therefore decided to cap the increase for HDPE at 50% and reallocate the shortfall to all other materials in the containers and packaging category.

B. Use of the permanent Containers and Packaging Fund

The update of the ABC and the abolition of the cost allocation by materials class upstream of the formula have a significant impact on the costs borne by containers and packaging. With the new parameters, the calculated amount for this materials class is \$219.0 million, a 34.9% increase in costs over the 2021 Schedule. Due to this significant increase, the Board of Directors of ÉEQ evaluated the status of available funds and decided to allocate \$5.0 million from the permanent Containers and Packaging fund to mitigate the increase in these materials. The amount assumed by containers and packaging will therefore be \$214.0 million, an increase in contribution of 31.8% compared to the Schedule 2021. Note that the amount of the Containers and Packaging Fund also applies to HDPE bottles and containers of less than 5 liters.

Costs attributed to ÉEQ and rate variances

Taking all these elements into account, the total costs for all materials to be considered in the fee structure formula are therefore \$234.4 million, an overall increase of 12.6% compared to 2021.

Considering the anticipated reported quantities, the average rate for all materials is \$369.37/t.

| | 2021 Schedule | 2022 Schedule |
|-------------------------------|---------------|----------------------|
| ÉEQ's total contribution | \$208.2M | \$234.4M + 12.6% |
| Estimated quantities reported | 621.7 kt | 634.5 kt + 2.1% |
| Average rate | \$335/t | \$369.37/t +10.1% |

As noted above, the impact varies widely among materials and materials classes. In general, the removal of the allocation of costs between materials classes under the regulation upstream of the Schedule formula has the effect of reducing rates for printed matter by an average of 41.7% and increasing rates for containers and packaging by an average of 23.2%.

| Printed matter | | |
|---------------------------------------|---------------|--------------------|
| | 2021 Schedule | 2022 Schedule |
| Total costs for Printed Matter share | \$45.2M | \$19.9M |
| Provision for recycled content credit | \$0.2M | \$0.1M |
| Printed matter fund | \$0.0M | \$0.0M |
| Total contribution | \$45.4M | \$20.0M - 55.9% |
| Expected quantities to be reported | 98.1 kt | 74.2 kt -24.4% |
| Average rate | \$463/t | \$270/t -41.7% |

| Containers and packaging | | |
|---|-----------------|-----------------------------|
| | 2021 Schedule | 2022 Schedule |
| Total costs for C&P share | \$162.4M | \$219.0M |
| Provision for recycled content credit | \$0.3M | \$0.4M |
| C&P* fund | \$0.0M | (\$5.0M) |
| Total contribution | \$162.7M | \$214.4M + 31.8% |
| Expected quantities to be reported | 523.6 kt | 560.4 kt + 7.0% |
| Average rate | \$311/t | \$383/t + 23.2% |

Flat Fees

Since 2021, the flat fee rate is set in the upper band of the average rate of materials (\$369.37/t) for their estimated quantities. Amounts are then rounded to the nearest 5 dollars.

| Flat Fees | | |
|---|---------------|---------------|
| Eligibility criteria | 2021 Schedule | 2022 Schedule |
| > 1 t and < 2.5 t | \$830 | \$920 |
| > 2.5 t and < 5 t | \$1,660 | \$1,845 |
| > 5 t and < 10 t | \$3,320 | \$3,685 |
| > 10 t and < 15 t or between \$1 M and \$2 M | \$4,985 | \$5,535 |

2022 Contribution table:

1. Draft Contribution table for the 2022 Schedule

| Material | 2022 SoC \$/t | Variance % |
|---|------------------|---------------|
| Printed matter | 269.85 | -41.7 |
| Newsprint inserts and circulars | 243.99 | -38.8 |
| Catalogues and publications | 314.43 | -46.8 |
| Magazines | 314.43 | -46.8 |
| Telephone books | 314.43 | -46.8 |
| General use paper | 314.43 | -46.8 |
| Other printed matter | 314.43 | -46.8 |
| Containers and packaging | 382.54 | 23.2 |
| Paperboard | | |
| Corrugated cardboard | 279.38 | 13.9 |
| Kraft paper shopping bags | 279.38 | 13.9 |
| Kraft paper packaging | 279.38 | 13.9 |
| Boxboard and other paper packaging | 351.17 | 30.3 |
| Gable-top containers | 364.09 | 43.3 |
| Laminated paper | 490.00 | 26.8 |
| Aseptic containers | 437.39 | 38.9 |
| Cork and wood | 597.85 | N/A |
| Plastics | | |
| PET bottles and containers | 458.39 | 34.6 |
| HDPE bottles and containers < 5 l. | 272.33 | 46.6 |
| Plastic laminates | 765.70 | 20.4 |
| HDPE/LDPE plastic film | 770.38 | 26.5 |
| HDPE/LDPE film shopping bags | 770.38 | 26.5 |
| Expanded polystyrene - food | 1,359.67 | 37.7 |
| Expanded polystyrene - protection | 1,359.67 | 37.7 |
| Non-expanded polystyrene | 1,359.67 | 37.7 |
| Polyvinyl chloride (PVC) | 1,359.67 | 37.7 |
| PLA and other degradable plastics | 1,359.67 | 37.7 |
| Polypropylene (PP) | 519.11 | 28.2 |
| Other plastics, polymers and polyurethane | 519.11 | 28.2 |
| Aluminium | | |
| Aluminium food and beverage containers | 250.70 | 13.1 |
| Other aluminium containers and packaging | 250.70 | 13.1 |

| Material | 2022 SoC \$/t | Variance % |
|--------------------------|------------------|---------------|
| Steel | | |
| Steel aerosol containers | 267.04 | 37.3 |
| Other steel containers | 267.04 | 37.3 |
| Glass | | |
| Clear (flint) glass | 257.27 | 9.7 |
| Coloured glass | 260.50 | 10.5 |
| Ceramic | 533.70 | 38.3 |
| Average rate | 369.37 | 10.4 |

2. Explanation of rate variations

For the 2022 Schedule, rates vary from -46.8% to 46.6%.

| Average rate variation | Number of materials |
|------------------------|---------------------|
| Reduction | 6 |
| 0% to 15% | 7 |
| > 15% | 19 |

Materials can be grouped together based on parameters that explain their rate variances:

Background

Abolition of cost distribution per class of materials (upward impact on containers and packaging)

Modernization of sorting centers equipment, increase in labour costs

Relative low value of materials in recent years

→ **Impact on rates: marked increase (over 30%)**

Materials affected

HDPE Bottles, rigid PS, expanded food-grade PS or protective PS, PVC, PLA and other degradable plastics, steel aerosol containers, other steel containers, PET bottles, PET containers

Background

Abolition of cost distribution per class of materials (upward impact on containers and packaging)

Relative low value of materials in recent years

→ **Impact on rates: marked increase (25% to 45%)**

Materials affected

Gable-top containers, aseptic containers, boxboard and other paper packaging, polypropylene, other plastics, HDPE/LDPE film

Background

Abolition of cost distribution per class of materials (upward impact on containers and packaging)

→ **Impact on rates: significant increase (10% to 30%)**

Materials affected

Laminated paper, plastic laminates, corrugated carton and kraft paper, aluminium food and beverage containers, other aluminium containers and packaging, coloured and clear glass

Background

Abolition of cost allocation per class of materials (downward impact on printed matter)

→ **Impact on rates: marked drop (over 35% drop)**

Materials affected

Inserts and circulars, other printed matter

Background

Classes of materials with no outlets

→ **Impact on rates: upward adjustments of rates for ceramic, wood and cork introduced this year**

Materials affected

Wood and cork, ceramic

Application rules

The application rules were significantly revised this year to take into account the changes made to the EQA and the Draft Regulation amending the Regulation respecting the compensation plan.

In anticipation of these changes, ÉEQ worked closely with the various stakeholders in order to develop its application rules in accordance with the principle of equity and its various orientations. The result of several months of collaboration, these changes not only make it possible to adjust to the regulatory context, but also aim to align with new market realities, respond to demands of companies and business associations, promote compliance, and address the application issues encountered by ÉEQ in managing the compensation plan.

They are presented in 4 different sections, namely:

Legal and regulatory background

The change brought about by the EQA provides for the production of a single Schedule for all designated materials by curbside recycling, i.e., containers, packaging, printed matter and newspapers. ÉEQ collaborated with RecycleMédias to integrate and rework the sections, to align similar concepts and to amalgamate definitions, where applicable.

The regulation introduced the abolition of cost allocation by material class. For the time being, this change only affects material rates.

Requests from companies and business associations

E-commerce has changed the way we consume and, by the same token, modified the type of materials that end up in the bin, a trend that has been amplified by the pandemic. However, many generators of e-commerce materials do not have a place of business in Quebec and were therefore not targeted, until now, for their materials ending up on Quebec market. This concern has been shared by ÉEQ, its contributing companies and their associations for several years. ÉEQ worked with the ministère de l'Environnement et de la Lutte contre les changements climatiques (MELCC) to introduce a section in the draft regulation that allows ÉEQ to regulate all electronic platform operators, whether or not they have a place of business in Quebec. This is an important gain that gives ÉEQ additional leverage to ensure greater fairness.

ÉEQ has added a section for products acquired from outside Quebec, so that the person operating a transactional site through which the product was acquired is now obligated under the Schedule, whether or not they have a place of business in Quebec.

Eco-modulation

Following the renewal of the eco-design incentive bonus project to encourage packaging choices that are compatible with the curbside recycling system and to promote product recyclability, ÉEQ created a new section dealing specifically with eco-modulation measures, in order to highlight their importance and signal that eco-modulation is an integral part of the Schedule of Contributions.

Following the conclusions of the first year of application of the pilot project, details were added to clarify the terms and conditions, and adjustments were made to the measure to improve and simplify it. Details are being specified in this section, and ÉEQ will hold a webinar following the publication of the Schedule to cover all details.

It should be noted that the 20% credit on post-consumer recycled content is maintained and ÉEQ has taken the opportunity to include it in this section of the application rules as well.

ÉEQ initiatives and administrative measures

In anticipation of the publication of the draft regulation amending the Regulation respecting the compensation regime, ÉEQ has made several requests to the MELCC to consider certain changes that would promote compliance and reinforce fairness.

Thus, clarifications were made to the wording of certain articles in order to reduce the risk of circumventing the obligations:

- Expanded notion of business groups to ensure that it is applicable to all types of business groups and all sectors of activity
- Introduction of the notion of transport packaging to adjust to electronic commerce
- Additions and clarifications of definitions
- Removal of eligibility for the income-based lump sum for voluntary contributors.

EEQ is considering implementing a penalty for failure to register and report beginning with Schedule 2023. To do so, it will involve business associations whose members would be affected by this change to study the measure and its impacts.

Finally, in order to reflect all the changes presented, modifications have also been made to the contribution table in Appendix A:

- Expansion of materials subject to a fee to wood and cork containers and packaging
- Disaggregation of polypropylene (PP or #5 plastic) from other plastics, polymers and polyurethane
- Disaggregation of PVC, polylactic acid (PLA) and other degradable plastics

Conclusion: ÉEQ is ready for the modernization of the curbside recycling system

The 2022 Schedule of Contributions Consultation Process occurs in an environment when the government has taken another step towards the modernization of curbside recycling. The new draft regulation regarding the curbside recycling system for certain residual materials, published in the Gazette officielle on January 26, puts companies at the heart of the selective collection system by giving them full responsibility for the containers, packaging and printed matter they put on the market, from design to recycling, in a circular economy perspective. ÉEQ intends to take on the role of representing companies that market containers, packaging and printed matter in their new responsibilities.

In the coming years, companies will be responsible for developing, implementing and financially supporting the curbside recycling system. This increased responsibility will allow ÉEQ to integrate long-awaited quality standards, ensure the traceability of materials and transparent accountability, as well as innovate and position selective collection as a true economic lever.

In this context, fee structure and eco-modulation that is part of it will be increasingly important levers to encourage companies to change to containers, packaging and printed matter with a better environmental record and to support the development of a true circular economy.

Appendix I – Rates of recovery and net costs of materials featured in the 2022 SoC

Recovery rates are from the 2015-2018 Residential Characterization Study co-financed by ÉEQ and RQ. Material net costs are from the update of the Activity-based costing (ABC) model for 2021 carried out by ÉEQ.

| Material | Recovery rate 2015-2018 | Net cost 2021 ABC |
|---|----------------------------|----------------------|
| Newsprint inserts and circulars | 85.1% | \$239 |
| Catalogues and publications | 82.4% | \$241 |
| Magazines | 85.6% | \$231 |
| Telephone books | 81.6% | \$236 |
| Paper for general use | 56.8% | \$250 |
| Other printed matter | 62.4% | \$254 |
| Corrugated cardboard | 77.5% | \$242 |
| Kraft paper bags | 41.3% | \$242 |
| Kraft paper packaging | 23.2% | \$242 |
| Boxboard and other paper packaging | 61.9% | \$300 |
| Gable-top containers | 77.9% | \$400 |
| Laminated paper | 33.4% | \$384 |
| Aseptic containers | 54.9% | \$408 |
| PET bottles | 67.8% | \$459 |
| HDPE bottles | 68.0% | \$332 |
| Plastic laminates | 16.2% | \$809 |
| HDPE/LDPE plastic film | 34.8% | \$868 |
| HDPE/LDPE film shopping bags | 15.8% | \$868 |
| Expanded polystyrene - food | 11.5% | \$3,202 |
| Expanded polystyrene - protection | 37.5% | \$3,202 |
| Non-expanded polystyrene | 24.9% | \$672 |
| PET containers | 57.3% | \$460 |
| Polyvinyl chloride (PVC) | 58.1% | \$468 |
| Polylactic acid (PLA) and other degradable plastics | 43.4% | \$571 |
| Polypropylene (PP) | 41.4% | \$474 |
| Other plastics, polymers and polyurethane | 43.7% | \$474 |
| Aluminium containers for food and beverages | 48.2% | (\$641) |
| Other aluminium containers and packaging | 10.0% | \$292 |
| Steel aerosol containers | 17.5% | \$159 |
| Other steel containers | 64.9% | \$148 |
| Clear glass | 78.8% | \$241 |
| Coloured glass | 78.8% | \$246 |
| Ceramic | 0.0%* | \$240 |
| Cork and wood | 0.0%* | \$379 |

*The recovery rate set for these materials is 0%.