



# 2022 Schedule of Contributions — Report on the Special Consultation with Companies and Organizations

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## 1. Background

The Environment Quality Act (EQA) and the Regulation respecting compensation for municipal services provided to recover and reclaim residual materials (Regulation respecting the compensation plan) stipulate the application rules for the compensation plan. Targeted companies and organizations, therefore, are legally required to financially compensate Quebec municipalities for the net costs of efficient and effective curbside recycling programs.

Although producing the Schedule of Contributions is an annual activity, getting the 2022 Schedule together this year was somewhat particular. First, the change made to the EQA through Bill 65 in March 2021 included an obligation for the two certified organizations under the compensation plan, i.e., ÉEQ, for the “containers and packaging” and “printed matter” classes of materials, and RecycleMédias, for the “Newspapers” class, to produce a single Schedule of Contributions, paving the way for a more comprehensive update of the Schedule Rules in the interest of harmonization.

Then, a draft regulation amending the compensation plan for municipal services provided to ensure recovery and reclamation of residual materials was expected last fall; that draft regulation was going to significantly modify some of the parameters that govern the production of the Schedule of Contributions. Consequently, last October, the board of directors decided to postpone the contribution process until the draft regulation was published. 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 developing its Schedule and launch the consultation process.

The Schedule of Contributions must be submitted to targeted companies and organizations for consultation. ÉEQ’s consultation program focuses, therefore, on Schedule application rules, as well as on the contribution table applicable to designated materials. The official process aims to inform the greatest possible number of targeted companies and organizations and exchange with them at every step of the process leading to the adoption and coming into force of the Schedule of Contributions for a given obligation year. The process for the 2022 Schedule of Contributions is the fourteenth implemented by ÉEQ.



The 2022 Schedule of Contributions compensates the net costs of efficient and effective municipal curbside recycling programs for 2021. Before presenting the Schedule, ÉEQ feels it is important to explain the context in which the Schedule was prepared.

## 1.1 The 2022 Schedule of Contributions during the pandemic

As was the case with the previous Schedule of Contributions, the 2022 Schedule was 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 regarding consumption and work are impacting the marketing of products and the curbside recycling system. The increase in online purchases is one of these new realities, and this evolution is reflected in the costs of collecting and sorting materials.

In addition, Quebec's recovery industry is still feeling the effects of the crisis following the tightening of export markets for recovered materials and dealing with labour shortages, both for collecting and sorting. The crisis has not had only negative effects, as it has brought to light the current curbside recycling system's shortcomings and has certainly contributed to giving impetus to the transition to extended producer responsibility. The situation still has impacts on the current system, and the tightening of export markets has resulted in North American recyclers increasing their quality requirements for materials coming from sorting centers.

## 1.2 Modernization of curbside recycling

The development of the 2022 Schedule of Contributions is also taking place against the background of the modernization of curbside recycling. Indeed, in March 2021, the government of Quebec adopted Bill 65. Then, on January 26, 2022, the government published the draft Regulation respecting a system of selective collection of certain residual materials and the draft Regulation respecting the development, implementation and financial support of a deposit system for certain containers.

### **The request for modernization has been active for 10 years**

After three recycling crises, with effects of the last one still being felt, four Quebec government working groups, one policy and two action plans to manage residual materials announcing an upcoming modernization, significant cost increases for municipal curbside recycling programs in recent years resulting in considerable contribution increases, have acted as a catalyzer to encourage the modernization of the management and financing framework for curbside recycling.

Against the background of the current compensation plan, Quebec municipalities have been providing the curbside recycling service to residents. However, companies are offsetting 100% of the efficient and effective net costs to collect, transport, sort and process the containers, packaging and printed matter (C, P & PM) they market.

This modernization aims to give control of the system to companies that produce and market containers, packaging, printed matter and newspapers (C, P, PM & N), based on the principle of Extended Producer Responsibility (EPR).

With EPR, companies that market C, P, PM & N will be responsible for their products from the beginning to the end of those products' life cycles. In being accountable, companies will have to find

ways to better design their packaging through ecodesign and integrate more recycled content in it. To help companies achieve these goals, ÉEQ devised a new roadmap towards eco-modulation of its Schedule of Contributions since the last Schedule in order to place more emphasis on that tool and to take full advantage of all possible benefits.

## 2. Eco-modulation of ÉEQ's Schedule of Contributions: A tool to initiate change

Although the fee structure has long taken into account the principles of eco-modulation, ÉEQ intends to apply its new roadmap and further the evolution of this formula towards a fee structure that is increasingly in line with the impact of each material on the value chain overall and become the reference in order to promote the collaboration of all actors.

To do this, ÉEQ's board of directors approved the application of eco-modulation measures for the 2022 Schedule of Contributions, which are detailed below.

### 2.1 Disaggregation of PP

#5 plastic (polypropylene or PP) is currently aggregated with other plastics, polymers and polyurethane. However, the market for recycled polypropylene has grown rapidly in recent years, making it more and more in demand and increasing its value for recyclers. In order to recognize the specificities of that material in curbside recycling, ÉEQ will disaggregate polypropylene from other plastics, polymers and polyurethane.

For the 2022 Schedule, the rate for polypropylene (PP) will be the same as for other plastics, polymers and polyurethane, as the objective for now is to collect information on quantities marketed by contributing companies. This data will then make it possible to assign PP its own rate for the 2023 Schedule, without affecting the rate for other materials, while reducing the risk of over- or under-funding that is associated with an erroneous estimation of quantities marketed.

### 2.2 Addition of wood and cork packaging

Wood and cork are packaging or packaging components covered under the EQA, but were not subject to a fee under ÉEQ's fee structure. A proportion of wood and cork ends up in sorting centers, where they currently have no outlet and contaminate other materials, including glass. ÉEQ has therefore decided to extend its fee structure to these materials in order to further eco-modulate its Schedule and better reflect the reality in the field. Other EPR organizations, such as CITÉO in France, have already included wood and cork in their list of materials subject to a fee. Consequently, as of the 2022 Schedule of Contributions, wood and cork will be assigned their own rate.

### 2.3 Extension of the post-consumer recycled content credit

The post-consumer recycled content credit offered to companies for several years will be renewed for the 2022 Schedule of Contributions, still at 20% of the contribution for eligible materials that meet or exceed established post-consumer recycled content thresholds. Those details are available on ÉEQ's website.

### 2.4 Extension of the eco-design incentive bonus

Launched as a pilot project since the 2021 Schedule of Contributions, the eco-design incentive bonus will be renewed this year again to encourage packaging choices that are compatible with the system and improve its performance. The bonus will also be enhanced, and ÉEQ has simplified the application process. This bonus will be financed by the balance of the amount initially granted last year from the "Containers and Packaging" Permanent Fund.

With the first year of application completed, having made observations, and gathered several comments, the board of directors has agreed to continue the pilot project, while improving its application by:

- Increasing the bonus percentage to 50% for the contribution of materials related to the ecodesign initiative.
- Setting a bonus cap of \$25,000 per request, up to \$60,000 by company.
- Setting a minimum bonus amount of \$5,000 (or capped at the company's total contribution if it is lower).

General eligibility criteria remain the same, and all details will be provided to contributing companies over the coming months. In addition, a webinar explaining the measure will be held following the publication of the 2022 Schedule of Contributions to provide guidance to companies who wish to benefit from it.

## 2.5 Preparation ahead of upcoming eco-modulation measures

In keeping with its roadmap, and with the goals of making companies responsible for the end-of-life impact of their containers, packaging and printed matter and discouraging the use of materials that are not compatible with curbside recycling, the board of directors has approved a new type of eco-modulation measure, namely the introduction of penalties or malus. These will take the form of financial penalties that will come into effect as of the 2024 Schedule of Contributions.

Thus, ÉEQ announces two additional eco-modulation measures, i.e., a malus on polyvinyl chloride (PVC) and a malus on degradable plastics, both of which will be applied as of the 2024 Schedule of Contributions. These measures will be put in place to address several issues related to these two materials, including the fact that they interfere with the recyclability of other materials and that there is no end-of-life processing stream.

For the sake of predictability, in order for companies to adjust and for ÉEQ to support companies that wish to make changes, the terms of eco-modulation and the magnitude of the malus will be developed and announced over the next 18 months. ÉEQ therefore plans to communicate with companies that will be most impacted by these measures, in order to gather feedback and guide its decisions for implementation.

It should be noted that in order to assign these two materials their own eco-modulated rate in the 2024 Schedule, ÉEQ will disaggregate these materials as of the 2022 Schedule, to collect information on quantities generated for each of them.

## 3. Update of inputs to develop the 2022 Schedule of Contributions

To develop its Schedule of Contributions, ÉEQ must take into account several inputs 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 expenses). Of the inputs that were updated this year, two have a significant influence on material rates. First, the draft regulation confirmed the abolition of cost allocation by material class upstream of the Schedule's formula. Indeed, the recent evolution of curbside recycling is reflected in the 2021 update of data from the study on activity-based costing allocation (ABC).

### 3.1 A more modest increase of net costs in 2021

After three years of strong growth, ÉEQ anticipates that the 2021 net costs, which will be reported by municipalities during 2022 will experience more moderate growth. This relatively small increase is due to the fact that most municipal contracts have already been adjusted upwards over the past three years as a result of export restrictions and the rising costs of sorting materials.

The estimated increase in collection and transportation costs therefore takes into account 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. For the past three years, ÉEQ has made it a priority to consult the most populous municipal organizations in order to know more precisely what their costs are for the current year. Considering that a municipality's compensation is calculated based on its performance compared to that of its group, this approach makes it possible to monitor, on a regular basis, not only the cost variation for a municipality, but also that for other municipalities in the same group.

However, ÉEQ anticipates that the cost deduction by the performance efficiency factor will be half that for 2020.

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

**Performance Efficiency factor (PE)**

The calculation of the PE 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.

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

**3.2 Abolition of cost allocation per class of materials: An expected regulatory simplification reflected in rates**

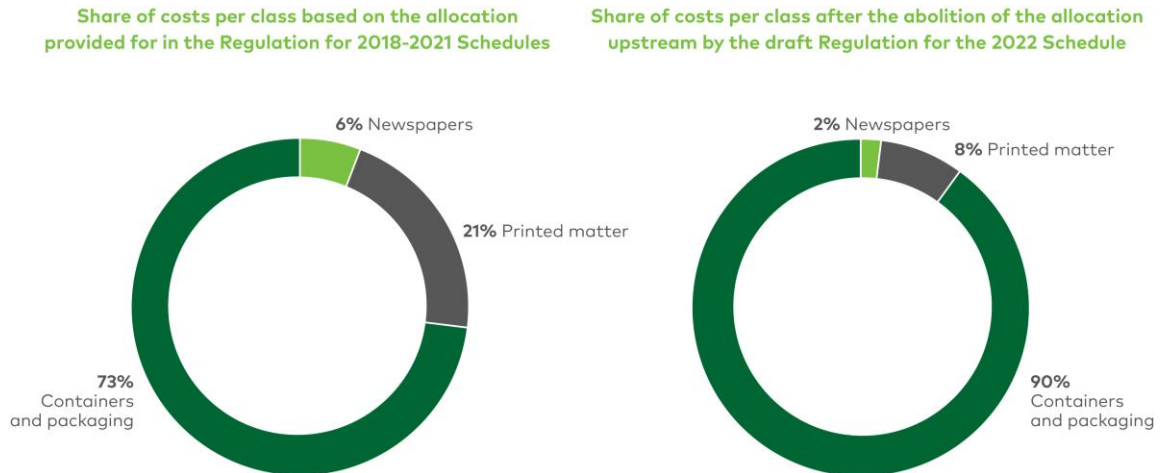
Updated three times since 2010, the allocation of municipal net costs to the three materials classes - "containers and packaging", "printed matter" and "newspapers" - was enshrined in the regulations. Considering that each of these updates caused delays in the coming into force of the Schedule of Contributions, in addition to causing an inevitable lag between the evolution of the system and the allocation of costs published due to the delay in the government's regulatory amendment process, ÉEQ had recommended that the cost allocation by material class be abolished upstream of the formula.

The draft regulation presented by the government last December 8 confirms that as of the 2022 Schedule, the share of costs assumed by each class of materials will no longer be assigned under 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. This change will simplify the approach and make the entire process more agile.



This abolition means that the share of costs borne by newspapers and printed matter decreases, whereas the share of costs for containers and packaging increases.

These charts below illustrate the new cost allocation for the 2022 Schedule of Contributions.



The decrease in the relative share of newspapers increases the amount incurred by companies contributing 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	\$210.7M	\$224.3M
Deduction - Newspapers (6.5% for the 2021 Schedule of Contributions, 2.0% for the 2022 Schedule)	(\$13.7M)	(\$4.5M)
<b>ÉEQ's efficient and effective eligible costs</b>	<b>\$197.1M</b>	<b>\$219.8M</b>
<i>Variation</i>		+11.5%

### 3.3 A 0.9 percentage point increase of ÉEQ management costs and other provisions

Other expenses need to be added to compensation costs to establish the total contribution payable by companies. ÉEQ's management costs are estimated to be \$7.0 million, or 2.9% of total expected contributions for 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 closures or bankruptcies, as well as possible disputes. Also, following through on financial commitments set forth in the Innovative Glass Works Plan, and as per guidelines established by the board of directors in December 2017, \$0.7 million is allocated to glass for costs incurred to support the participation of sorting centers.

The provision for the post-consumer recycled content credit is maintained at the same amount as last year, and the deduction from expected fixed rates is revised downward. Finally, 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 for these expenses is 18.8%, compared to the 2021 Schedule. If we consider the overall expected contributions from companies for the 2022 Schedule of Contributions, the increase represents 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: <i>Innovative Glass Works</i> 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	\$2.9M
Total ÉEQ fees and other provisions	\$11.2M	\$13.3M
<i>Variation</i>		18.8%

It should be noted that the ÉEQ's board of directors has passed a resolution to replenish the Risk Fund to meet the net costs target of 2.5%, as set out in ÉEQ's Fund Management Policy. Thus, \$6.2 million have been allocated to the Risk Fund, which will help mitigate exposure to risks tied to additional billing to contributing companies, should net municipal costs be underestimated.

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

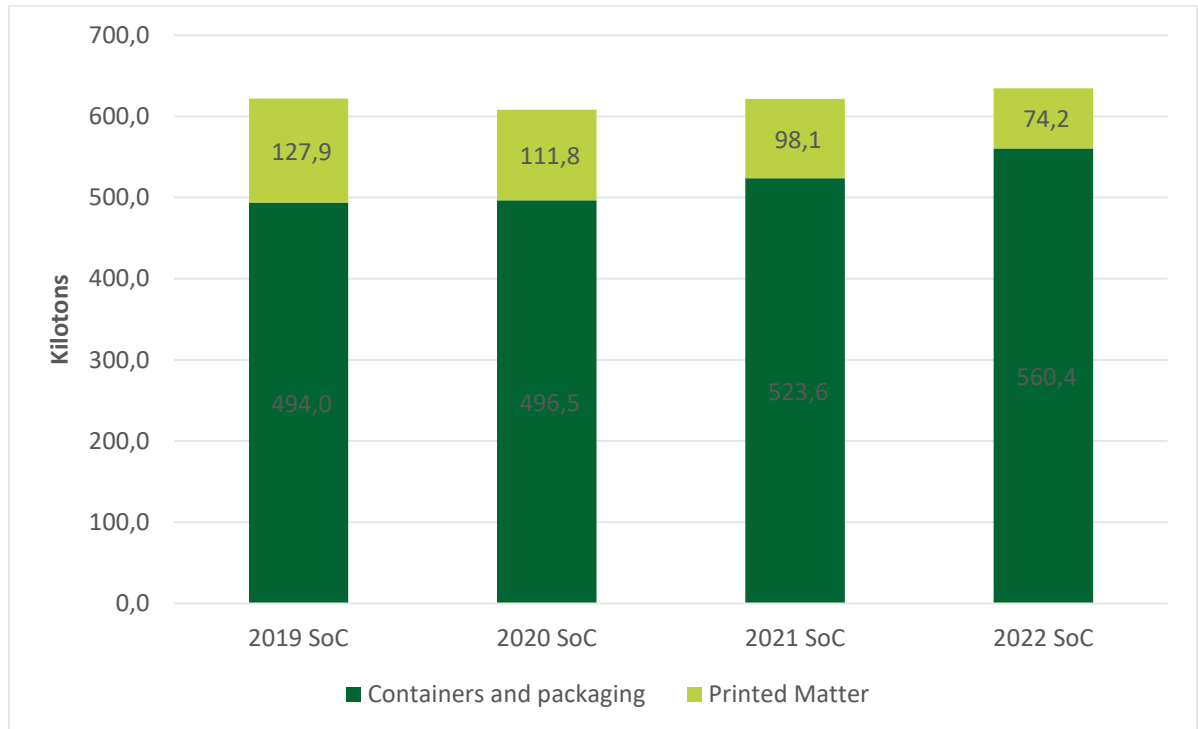
	2021 Schedule	2022 Schedule
<b>ÉEQ's efficient and effective eligible costs</b>	<b>\$197.1M</b>	<b>\$219.8M</b>
ÉEQ fees and other provisions	\$11.2M	\$13.3M
Risk Fund replenished according to policy	-----	\$6.2M
<b>ÉEQ's total costs before assignments</b>	<b>\$208.2M</b>	<b>\$239.4M</b>
<i>Variation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

### 3.4 Expected quantities are relatively stable, at nearly 635,000 tonnes

The estimation of quantities expected for the 2022 Schedule was developed while closely monitoring the situation of companies in order to adjust (growth and decline in consumed products, reduction of inserts and circulars, growth of e-commerce, business closures, etc.). In addition, having been able to observe the effects of COVID-19 on the commercial activities of contributing companies over a full year has enabled us to better estimate its impact on reported quantities.

Finally, as the reporting period for the 2021 Schedule ended on August 30th, we were able to adjust our estimates based on complete reporting data for the previous Schedule, which had not been possible when we developed the last Schedule, due to the delayed publication of the 2020 Schedule.

Taking all these elements into account, we anticipate the quantities of materials reported 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 materials, the decline observed in recent years should continue in 2022 with an anticipated decrease of nearly 25%.



### 3.5 Recovery rates adjusted for two problem materials

Just as for the 2021 Schedule of Contributions, the 2022 Schedule’s formula uses data from the Characterization of Residual Materials in the Municipal Sector 2015-2018. However, we have set the recovery rate for two materials to 0% in the Schedule formula, i.e., rates for ceramics and wood & cork. This decision reflects the fact that these materials have no outlet for sorting facilities or sorting centers and, in some cases, represent significant contaminants for other materials (namely, ceramic for glass). This measure aims to better consider the impact that the choice of materials has on the entire value chain.

### 3.6 ABC study update: Reflecting a curbside recycling industry in turmoil

As previously mentioned, in order to ensure that the 2022 Schedule of Contributions matches the current situation, ÉEQ has updated its Activity-Based Costing (ABC) study, which provides a reliable and verifiable metric of net costs for each material in the curbside recycling system.

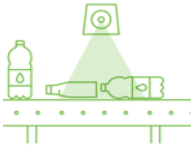
The market crisis has created a favourable context for buyers of recyclable materials. Indeed, average sale prices for the three years (used to calculate ABC costs) have dropped by half compared to the

situation before the crisis, and buyers of recyclable materials took advantage of this crisis to increase quality requirements for materials generated by these sorting centers. These latter had to invest in new equipment and assign more sorters in order to meet the new requirements. Sorting centers have therefore offset this increase in production costs and decrease in revenue by increasing fees charged to municipalities. Finally, the labour shortage has forced several collection companies and sorting centers to raise wages for their employees, an increase that obviously is reflected in the overall cost of processing.

Although the impact of the increases has been observed in costs to be compensated to municipalities since the last 3 Schedules, these new expenses do not apply equally to all materials, so it was important to update the ABC study to calculate net costs reliably and verifiably for each material individually.

Not surprisingly, these major changes are reflected in the net cost of each material. A striking example is plastic containers and packaging, particularly PET and HDPE, for which sorting centers have dedicated more financial and human resources over the past three years. The additional expenses have an upward impact on sorting costs for these materials, which is reflected in their rates 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 (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.

## 4. Two targeted rate hike mitigation measures

The update of the Schedule's inputs has varying impacts on the rate of materials. The results of the updated ABC study and the removal of the cost allocation by material class upstream of the formula have a marked impact on the rates for containers and packaging, particularly HDPE bottles and containers under 5 litres. In order to mitigate these impacts, the board of directors has decided to apply two measures aiming to reduce the increase.

### 4.1 Rate hike for HDPE capped at 50%

Since the 2015 Schedule of Contributions, the board of directors of ÉEQ 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 ended up with a rate of \$358.78/t, an increase of almost 100% 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” class.

#### 4.2 Use of the “Containers and Packaging” Permanent 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 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 evaluated the status of available funds and decided to allocate \$5.0 million from the “Containers and Packaging” Permanent Fund to mitigate the increase for this class of materials. The amount assumed by containers and packaging will therefore be \$214.0 million, an increase 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 litres”.

### 5. Costs attributed to ÉEQ and rate variances

Taking all of 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 materials overall is \$369.37/t, a 10.1% increase of the average rate.

	2021 Schedule	2022 Schedule
<b>ÉEQ’s total contribution</b>	\$208.2M	\$234.4M +12.6%
<b>Estimated quantities reported</b>	621.7 kt	634.5 kt +2.1%
<b>Average rate</b>	\$335/t	\$369/t +10.1%

However, as noted above, the impact varies widely among materials and materials classes. In general, abolishing cost allocation between materials classes has the effect of reducing rates for printed materials 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
<b>Total contribution</b>	<b>\$45.4M</b>	<b>\$20.0M</b> -55.9%
<b>Expected quantities reported</b>	<b>98.1 kt</b>	<b>74.2 kt</b> -24.4%
<b>Average rate</b>	<b>\$463/t</b>	<b>\$270/t</b> -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)
<b>Total contribution</b>	<b>\$162.7M</b>	<b>\$214.4M</b> +31.8%
<b>Expected quantities reported</b>	<b>523.6 kt</b>	<b>560.4 kt</b> +7.0%
<b>Average rate</b>	<b>\$311/t</b>	<b>\$383/t</b> +23.2%

### 5.1 Flat fees

Since 2021, flat fees have been calculated based on the average material rate (\$369.37) applied to the upper limit of each class. The 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 \$1M and \$2M	\$4,985	\$5,535

## 6. 2022 Contribution table:

### 6.1 Draft Contribution table for the 2022 Schedule

Considering the updated data and eco-modulation measures, the 2022 contribution table submitted as part of the consultation process is as follows:

Material	2022 SoC \$/t	Variation %
<b>Printed matter</b>	<b>269.85</b>	<b>-41.7</b>
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
<b>Containers and packaging</b>	<b>382.54</b>	<b>23.2</b>
<b>Paper and cardboard</b>		
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
Wood and cork	597.85	n/a
<b>Plastics</b>		
PET bottles and containers	458.39	34.6
HDPE bottles and containers < 5L	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

Material	2022 SoC \$/t	Variation %
<b>Aluminium</b>		
Containers for food and beverages	250.70	13.1
Other containers and packaging	250.70	13.1
<b>Steel</b>		
Steel aerosol containers	267.04	37.3
Other steel containers	267.04	37.3
<b>Glass</b>		
Clear glass	257.27	9.7
Coloured glass	260.50	10.5
Ceramic	533.70	38.3
<b>Average rate</b>	<b>369.37</b>	<b>10.4</b>

## 6.2 Explaining rate variations

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

Average rate variation	Number of materials
Mild increase	6
0% to 15%	7
> 15%	19

Materials can be grouped together according to parameters that explain their rate variances:

<p><b>Background</b> Abolition of cost distribution per class of materials (upward impact on containers and packaging)</p> <p>Modernization of MRF equipment, increase in labour costs</p> <p>Relative low value of materials in recent years</p> <p>→ <b>Impact on rates: Marked increase (over 30%)</b></p>	<p><b>Materials targeted</b> 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</p>
<p><b>Background</b> Abolition of cost distribution per class of materials (upward impact on containers and packaging)</p> <p>Relative low value of materials in recent years</p> <p>→ <b>Impact on rates: Marked increase (25% to 45%)</b></p>	<p><b>Materials targeted</b> Gable-top containers, aseptic containers, boxboard and other paper packaging, polypropylene, other plastics, HDPE/LDPE film</p>

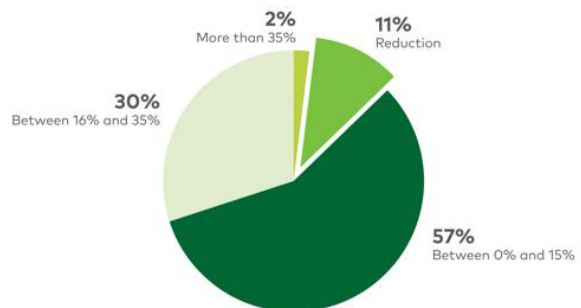


<p><b>Background</b> Abolition of cost distribution per class of materials (upward impact on containers and packaging)</p> <p>→ <b>Impact on rates: Significant increase (10% to 30%)</b></p>	<p><b>Materials targeted</b> Laminated paper, plastic laminates, corrugated carton and kraft paper, aluminium food and beverage containers, other aluminium containers and packaging, coloured glass, clear glass</p>
<p><b>Background</b> Abolition of cost allocation per class of materials (downward impact on printed matter)</p> <p>→ <b>Impact on rates: Marked drop (over 35% drop)</b></p>	<p><b>Materials targeted</b> Inserts and circulars, other printed matter</p>
<p><b>Background</b> Classes of materials with no outlets</p> <p>→ <b>Impact on rates: Upward rate adjustment for ceramic; wood and cork introduced this year</b></p>	<p><b>Materials targeted</b> Wood and cork, ceramic</p>

### 6.3 Impact analysis for contributing companies

Impacts of each new Schedule of Contribution on companies are systematically analyzed as part of the Schedule's internal development process. After an average rate increase of 10.1%, we anticipate the following:

- Two-thirds of companies will see an increase of 15% or less (the average increase for last year's Schedule being was 15,7%)
- One-third of businesses will experience an increase of more than 15%
- One in nine companies will experience a decrease in contributions in 2022



As materials generated vary by sector, companies that generate more printed matter than containers will experience a lower contribution for 2022.

## 7. 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 for municipal services provided in order to ensure recovery and reclamation of residual materials.

In anticipation of these changes and in order to further develop its application rules, in accordance with the principle of equity and its various orientations, ÉEQ worked closely with the various stakeholders involved. 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 industry associations, promote compliance, and address application issues encountered by ÉEQ in managing the compensation plan.

The application rules have therefore been updated to factor in the 4 components below.

### 7.1 Legal and regulatory background

The first component to be considered was the legal and regulatory context. Indeed, the change brought about by the EQA provided to produce a single Schedule for all materials targeted by curbside recycling, i.e., containers, packaging, printed matter and newspapers. ÉEQ worked closely with RecycleMédias to integrate the respective articles, while trying to simplify and optimize everything, wherever applicable. It should, however, be noted that ÉEQ will continue to represent companies that market containers, packaging, and printed matter, and RecycleMédias will continue to represent companies marketing newspapers.

The regulation, for its part, introduced the abolition of cost allocation per class of materials ahead of the Schedule formula. For the time being, this change only affects the material rates, but this change could eventually have an impact on the Schedule rules for calculating adjustments. This aspect is being reviewed for the 2023 Schedule of Contributions.

### 7.2 Requests from companies and associations – Electronic commerce (E-Commerce)

E-commerce has changed the way we consume, thereby altering what type of materials 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 for their materials ending up on the Quebec market.

This concern has been shared by ÉEQ, its contributing companies and their sectorial associations for several years. Consequently, ÉEQ worked with the Ministry of the Environment and Fight Against Climate Change (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.

Therefore, starting with the 2022 Schedule of Contributions, ÉEQ can expand the pool of contributing companies to all those that generate materials from e-commerce in Quebec. A paragraph was added to the “targeted persons” section indicating that when a product is acquired from outside Quebec, payment of contributions for containers and packaging is due by the person operating a transactional site through which the product was acquired, whether or not they have a place of business in Quebec.

### 7.3 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, thus making it more accessible.

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, as is briefly explained in section 2.4.

Considering that the credit on post-consumer recycled content is also maintained, ÉEQ has taken the opportunity to include it in this section of the Schedule rules.

## 7.4 ÉEQ initiatives and administrative measures

In anticipation of the publication of the draft regulation amending the Regulation respecting the compensation regime, ÉEQ has made a number of 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 obligations, namely the following elements:

- Broadening of the notion of business groups in order to ensure that it applies to all types of groups and all activity sectors
- Introduction of the notion of transportation 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. This penalty would be applicable to all contributing companies, including those who are exempt from payment. To do so, ÉEQ will involve sectorial 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 that is presented in Appendix A of the draft Schedule of Contributions, including:

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

## 8. Consulting companies and organizations

In accordance with the company and organization consultation program for the 2022 Schedule of Contributions, ÉEQ held two consultation webinars last February 22, in French and English respectively. A summary was also sent to the registrants ahead of the webinar and made available on ÉEQ's website..

### 8.1 Announcement of consultations

As always, and more specifically taking into account the current context, ÉEQ has implemented various personalized communication mechanisms with obligated companies and organizations as well as with their association representatives and more particularly with the primary and strategic contacts of the contributing companies most affected by the rate variations, as well as with the sectorial associations representing them, in order to make them aware of the impacts and encourage their participation in consultation meetings. These approaches are meant to enhance preparedness overall, so that companies can anticipate upcoming changes, inform us of the impacts that these changes will have on their operations, and we can in turn support them as needed to adjust their internal processes.

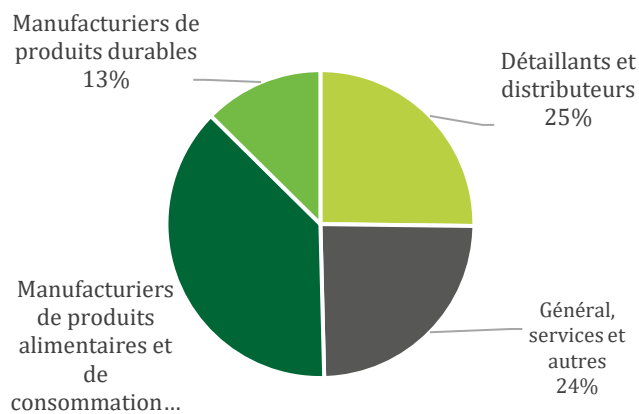
Official invitations were sent electronically to all contacts registered with ÉEQ, including company contacts not subscribed to the newsletter, given the official aspect of the consultation process. The invitations were followed by a few electronic and phone reminders.

## 8.2 Participation in consultations

In total, 184 participants joined in the consultation meetings in French and in English. Attendance, although lower than last year (245), remains at a higher level than face-to-face encounters for previous Schedules. Of the 210 registrations, the participation rate was 88%, which is a little higher than the participation rate of previous years.

Webinar	
Participants (French)	89
Participants (English)	95
<b>TOTAL</b>	<b>184</b>

Number of participating registered companies by business sector



Among participants, 156 were from 127 obligated companies, 13 were consultants representing several companies, and others were sectorial association or government representatives.

When comparing the distribution of participants by activity sector, we see that it is relatively similar to that of contributing companies. The entire food sector was represented in greater proportion (retailers and manufacturers), followed by the health and beauty products sub-sector (retailers and manufacturers combined).

## 8.3 Questions and comments on the Schedule of Contributions

Participants could write questions and comments throughout the webinar, which gave them an opportunity to voice any concerns or questions regarding the discussed topics specifically. An exchange period was set aside at the end to reply to those questions and concerns from companies.

Participating companies also had the opportunity to submit comments by filling out an online form prepared for the event, or by submitting a letter to ÉEQ regarding subjects they wished to address.

## 8.4 Questions submitted by targeted companies during the consultation

Several questions were submitted during the webinars. They can be separated into three categories:

- Development of the Schedule of Contributions 2022
- Application rules
- Other

Almost all the questions concerned elements relating to the 2022 Schedule and its rules of application. One question was related to the future return of investments in sorting centers while another was a general topic. The complete list of questions received as part of this consultation is included in Appendix 3 herein.

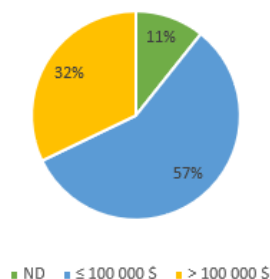
## 8.5 Questionnaire on the 2022 Schedule of Contributions

As required by the consultation program, a questionnaire (see Appendix 4) was sent electronically to participants after the webinars. It was also posted on ÉEQ’s website for contributing companies in order to collect their comments. The questionnaire on the 2022 Schedule included three parts: the first evaluated the level of understanding regarding factors that impacted the application rules and rates presented, the second pertained to changes made to the application rules and the development methodology for the 2022 Schedule, and the third was to categorize respondents (sector, sub-sector, contribution level). The second and last parts included space for participants to indicate their comments and suggestions.

As for questions about the 2022 Schedule specifically, companies had to define their level of agreement regarding the following items, proposed in the draft Schedule submitted for the consultation process:

- Considering the significant increase in rate for certain materials in the “Containers and packaging” class and in order to mitigate the increase:
  - Apply the 50% rate increases cap mechanism
  - Use an amount of \$5M from the “Containers and Packaging” Permanent Fund
- Considering the deployment of the eco-modulation roadmap to continue the evolution of the fee structure so that it is more in line with the impact of the material throughout the value chain:
  - Disaggregate polypropylene (PP) to recognize its different behaviour in curbside recycling in 2022 and the increasing value of this material for recyclers, and in order to assign it its own rate from the 2023 Schedule of Contributions.
  - Extend materials subject to a fee to wood and cork, which are disruptive materials in the value chain
  - Renew the eco-design incentive bonus by using the balance of the initial amount from the “Containers and Packaging” Permanent Fund
  - As of the 2024 Schedule of Contributions, introduce a penalty or malus for PVC and degradable plastics to discourage use of materials that are not compatible with curbside recycling in Quebec.
- To help ÉEQ address issues encountered in the management of the compensation plan, adjust application rules to:
  - Withdraw the eligibility of voluntary contributors for the lump sum on revenues to ensure that they report the quantities marketed in Quebec.

Répartition des entreprises répondantes par niveau de contributions



53 participants filled out and returned the questionnaire, up slightly from last year (44). However, some participants did not answer all questions.

As the answer to the question regarding the level of contribution is optional, we know that nearly one third of respondents have a contribution of more than \$100K, while 57% have a contribution of less than \$100K and 11% preferred not to answer the question.

Following the analysis of survey responses, the vast majority (84%) indicated a favourable

(mostly favourable or fully favourable) or neutral position with regard to changes made to the 2022 Schedule of Contributions and submitted for consultation. Considering that the consultation process has been the same for more than 10 years, that the mechanisms are known and that there has been no mobilization in opposition to the proposed Schedule, we can say that, overall, the orientations presented meet the expectations of companies.

## 8.6 Correspondence and comments received

As part of the consultation period, only one letter was received from Laiterie de Coaticook. It is included in Appendix 5 of this report. We also received the following comments.

### 8.6.1 Regarding the 2022 Schedule of Contributions

#### A rate increase that will have considerable financial impacts for some

The significant rate increase for certain materials in the containers and packaging class will have a financial impact for many companies. This is the case for La Laiterie Coaticook, considering that it mainly generates HDPE and polypropylene. Although the company understands that these increases are in part attributable to the abolition of cost allocation by class of materials and that this is a regulatory simplification, it has difficulty understanding the significant increase for HDPE, considering that historically, that material's recyclability rate was higher than the average for comparable packaging (according to discussions with various stakeholders in the circular economy). The company also deplores what it considers to be a too short consultation period, considering the magnitude of the impact and would have liked more information to understand the origin of the rate hikes.

A consultant representing companies in the food sector also commented along the same lines, i.e., that these are substantial increases, especially considering that producers are also affected by the current economic context (labour shortages, wage increases, etc.).

A few companies also shared their dissatisfaction that these increases would have a significant impact and wanted ÉEQ to propose a gradual approach, spread over a few years, to allow companies to adjust, ruling that they are still impacted. by the context of the pandemic, in particular the resulting inflation which affects their operating costs and the fact that these increases have not been budgeted, because it is announced too late, considering the report of the period of consultations.

Another wondered about the cap on the increase for certain materials and wanted to understand how the shortfall would be allocated to other materials.

During the consultation, ÉEQ explained the parameters that influenced the rates and the fact that the updating of inputs was necessary in order to properly reflect the reality of curbside recycling based on the application of the Schedule formula. Curbside recycling is going through turmoil, and this context has impacts. However, in order to mitigate the impact of the increase on containers and packaging, the Board of Directors granted 2 measures to reduce the increases, i.e., the use of an amount of \$5M from the permanent fund for containers and packaging and the capping of the rate increase at 50% for HDPE. ÉEQ also explained that the shortfall resulting from the cap on the increase in the rate of HDPE was distributed among the other materials in the Containers and packaging category and that the impact on the rate of other materials was less than 1%.

### 8.6.2. Other comments received

#### Future return on the investment of sorting centers

La Laiterie de Coaticook also wondered whether it was necessary to anticipate “an improvement in the recyclability rates” and possibly a return on the investments of the sorting centers which would result in a drop in the rates. Although ÉEQ cannot guarantee it, these investments allow for better quality sorting, which could result in an increase in the resale value of materials, considering that these revenues are partly integrated into the costs assumed by companies, the spinoffs of these investments in sorting centers could be reflected in the net costs over the next few years.

#### Materials processing

A company wondered that the difference between the rate of expanded polystyrene is twice as high compared to other categories of rigid plastics and wanted to understand how their treatment differs in sorting centres.

ÉEQ pointed out that the rate for each material does not only depend on how it is processed in the sorting centre. In the case of the three types of polystyrene, their low recovery rate has a major impact on their rate. ÉEQ nevertheless takes note of this comment for consideration in the ongoing evolution of its fee formula.

#### E-Commerce – Clarification on changes to the application rules

A few companies were trying to fully understand the impact of the changes to the application rules and more specifically on the responsibility for everything related to e-commerce. How do the rules specify the entity responsible for reporting? In what context and for what packaging? And what about companies that use third-party warehouses to ship their products? All these questions were answered during the consultation meetings and bear witness to the extent that e-commerce has taken on and confirm the need to change the application rules of the Schedule in order to better reflect this new reality.

In addition to the overall support, companies raised the appreciation of the upcoming addition to target electronic platform operators outside Quebec in order to reduce the impact on Quebec companies and the fact that we recognize polypropylene as a separate material from other plastics.

## 9. Adjustments to the 2022 Schedule of Contributions

A few changes have been made to the draft 2022 Schedule submitted for consultation. These changes are not the result of comments received from contributing companies but were initiated in accordance with internal procedures (contribution table) and the recommendation of our external legal advisors (application rules).

### 9.1 New Contribution Table

The reporting data has been slightly adjusted between the draft Schedule and the Schedule presented for adoption, which has a minimal impact on the rates for containers, packaging, and printed matter (less than 1%).

The adjusted rates are therefore found in the table below:



<b>Material</b>	<b>2022 SoC \$/t</b>	<b>Variation %</b>
<b>Printed matter</b>	<b>269,19</b>	<b>-41,9</b>
Newsprint inserts and circulars	243,33	-39,0
Catalogues and publications	313,77	-47,0
Magazines	313,77	-47,0
Telephone books	313,77	-47,0
General use paper	313,77	-47,0
Other printed matter	313,77	-47,0
<b>Containers and packaging</b>	<b>382,63</b>	<b>23,3</b>
<b>Paper and cardboard</b>		
Corrugated cardboard	279,06	13,8
Kraft paper shopping bags	279,06	13,8
Kraft paper packaging	279,06	13,8
Boxboard and other paper packaging	350,83	30,2
Gable-top containers	363,73	43,1
Laminated paper	489,69	26,8
Aseptic containers	437,04	38,8
Wood and cork	597,46	s. o.
<b>Plastics</b>		
PET bottles and containers	459,56	34,9
HDPE bottles and containers < 5L	272,33	46,6
Plastic laminates	766,93	20,6
HDPE/LDPE plastic film	771,59	26,7
HDPE/LDPE film shopping bags	771,59	26,7
Expanded polystyrene - food	1 360,86	37,9
Expanded polystyrene - protection	1 360,86	37,9
Non-expanded polystyrene	1 360,86	37,9
Polyvinyl chloride (PVC)	1 360,86	37,9
PLA and other degradable plastics	1 360,86	37,9
Polypropylene (PP)	520,29	28,5
Other plastics, polymers and polyurethane	520,29	28,5
<b>Aluminium</b>		
Containers for food and beverages	249,85	12,7
Other containers and packaging	249,85	12,7
<b>Steel</b>		
Steel aerosol containers	266,16	36,8
Other steel containers	266,16	36,8
<b>Glass</b>		
Clear glass	257,23	9,7
Coloured glass	260,46	10,5
Ceramic	533,63	38,2
<b>Average rate</b>	<b>369,37</b>	<b>10,4</b>



## 9.2 Changes to the Schedule of Contributions rules

Minor changes have been made to the Schedule of Contributions rules.

Indeed, following the consultation meeting, our legal advisers recommended that we modify section 2.1.4 of the draft Schedule relating to the liability of a targeted person holding a right of ownership and who sells, transfers or otherwise assign this right to another person during the reference year. This article was written by combining RecycleMédias' article on the same subject and following a review, our legal advisers recommended making two separate articles in order to separate property rights from those for sales, assignments and transfers of business and to specify solidarity for the payment of the payable contribution. Article 2.1.4 has therefore been split into two to facilitate its application and to avoid confusion which could lead to possible disputes. Consequently, an article has been added which has the effect of shifting the following article (2.1.5 which has become 2.1.6).

## 10. Position of the board of directors on the 2022 Schedule of Contributions

ÉEQ's Bboard of Directors (BOD) wishes to thank companies for participating in the consultation meeting webinars for the 2022 Schedule of Contributions.

Board members reviewed the questions asked as well as the comments and correspondence submitted ahead of the deadline, and they thank the companies and organizations that took the time to present their point of view.

### **Another year marked by the pandemic for a curbside collection system that is still affected by the impacts of the recycling crisis**

The BOD notes that the 2022 Schedule is once again in line with the specific context of COVID-19. In addition, the recovery industry in Quebec is still experiencing the repercussions of the tightening of export markets for recovered materials. However, sorting centers have adapted to these new realities, allocating more human and material resources to sorting materials. The impact on the cost of each material was measured by the 2021 update of the study on activity-based costing allocation (ABC) and is reflected in the rates of the 2022 Schedule.

### **An expected regulatory change that abolishes the distribution of costs by category upstream of the formula**

The Board understands that the abolition of the distribution of costs by category of materials upstream of the formula increases the share assumed by ÉEQ and distributes the costs differently by material. The Board notes that this measure is in line with the agility requested so that the Schedule follows the evolution of the system more closely rather than being linked to a static distribution in a regulation. The application of the fee formula to all materials thus has the effect of reducing the share of Printed matter and increasing that of Containers and packaging, which rises from 73% to 90%.

### **Rate variations that call for measures to mitigate the increases**

The combination of all the parameters of the fee formula has a significant impact on the rates for containers and packaging and especially for that of HDPE. The Board receives the comments made by certain companies and recalls the measures applied to HDPE specifically, i.e., capping the increase in its rate at 50%, as well as to Containers and packaging, i.e., the allocation of an amount of \$5M from the Containers and Packaging Permanent Fund. The purpose of these measures was precisely to mitigate the increases.

### **Equity at the heart of the organization's concerns**

Moreover, the Board is pleased to point out that the representations of ÉEQ and its partners to the government for many years have made it possible to achieve a gain in terms of equity, namely targeting all packaging resulting from e-commerce, even for companies that do not have an address in Quebec. This will eventually allow the bill to be shared between a larger number of contributors.

ÉEQ's Board of Directors notes that these measures have generally been well received by the companies consulted.

Finally, the board would like to thank all company and organization representatives who took the time to participate in the consultation process. Their participation is important and essential to drive the evolution of the Schedule of Contributions and guide decisions made by board members.

## 11. Appendix 1 — Residential characterization 2015-2018 and 2021 activity-based costing

Recovery rates are from the 2015-2018 Residential Characterization Study co-financed by ÉEQ and RECYC-QUÉBEC. 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
General use paper	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%	\$300
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	47.5%	\$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 food and beverage containers	48.2%	(\$641)
Other aluminium containers and packaging	10.0%	\$292
Steel aerosol containers	17.5%	\$159
Other steel containers	64.9%	\$148
Clear (flint) glass	78.8%	\$241
Coloured glass	78.8%	\$246
Ceramic	0.0%*	\$240
Wood and cork	0.0%*	\$379

## 12. Appendix 2 — Letter of validation of the fee structure



Le 9 mars 2022

Raymond Chabot  
Grant Thornton S.E.N.C.R.L.  
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Monsieur Mathieu Guillemette, M. Env., M.A.P.  
Directeur principal – Modernisation de la collecte sélective et tarification  
Éco Entreprises Québec  
1600, boulevard René-Lévesque Ouest, bureau 600  
Montréal (Québec) H3H 1P9

**Objet : Avis sur l'estimation des coûts nets et la production de contribution du tarif 2022**

Monsieur,

Nous avons le plaisir de vous présenter notre avis à l'égard de l'estimation des coûts nets et la production du tarif 2022.

Dans le cadre de la détermination et de la tarification de ces coûts, Éco Entreprises Québec (ci-après « ÉEQ ») nous avait mandatés pour :

- valider l'approche d'estimation des coûts nets municipaux de collecte sélective;
- évaluer le caractère plausible de la grille tarifaire relativement aux hypothèses et aux sources de données qui la soutiennent.

Pour ce faire, nous avons appliqué des procédures en vue d'apprécier la plausibilité des hypothèses utilisées par ÉEQ, en plus de valider le fonctionnement technique des fichiers de calculs utilisés.

Voici le sommaire de nos principaux constats :

**Approche d'estimation des coûts nets municipaux à compenser de la collecte sélective**

- Hypothèses :
  - Les hypothèses retenues aux fins d'estimation des coûts nets municipaux à compenser de la collecte sélective nous apparaissent plausibles;
- Intégrité des fichiers de calculs :
  - Les données sources sont correctement reportées dans les fichiers de calculs;

- À l'exception de points d'amélioration, nos tests d'intégrité appliqués par échantillonnage nous ont permis de constater que les règles d'affaires dictées par le règlement et les décisions du conseil d'administration sont appliquées de façon conforme dans les fichiers de calculs.

#### Grille tarifaire

##### ■ Hypothèses :

- Les hypothèses retenues aux fins d'évaluation de la grille tarifaire nous apparaissent plausibles;

##### ■ Intégrité des fichiers de calculs :

- Les données sources sont correctement reportées dans les fichiers de calculs;
- À l'exception de points d'amélioration quant à l'application des bonnes pratiques de modélisation financière, nos tests d'intégrité appliqués par échantillonnage nous ont permis de constater que les règles d'affaires dictées par le règlement et les décisions du conseil d'administration sont appliquées de façon conforme dans les fichiers de calculs;
- Nous notons des améliorations sur la structure du fichier par rapport aux années précédentes.

Il est important de souligner que les municipalités et les centres de tri n'ont aucune obligation de transmettre à ÉEQ les ententes contractuelles.

Les procédures appliquées ne constituent pas un audit du calcul des coûts liés au projet d'allocation. Par conséquent, nous n'exprimons pas d'opinion sur ce calcul.

De plus, la vérification et la validation du prix des services n'ont pas été conduites en fonction des normes d'audit ou des normes d'examen généralement reconnues décrites dans le *Manuel de CPA Canada – Comptabilité*.

La présente lettre doit être utilisée uniquement dans le contexte de notre rapport à l'égard de l'avis sur l'estimation des coûts nets et la production de contribution du tarif 2022.

Nous vous remercions de la confiance que vous nous témoignez et nous demeurons disponibles pour vous fournir toute assistance supplémentaire nécessaire ou pour vous accompagner dans l'atteinte de vos objectifs.

Pour toute information complémentaire, n'hésitez pas à communiquer avec le soussigné au 581 319-7307.

Veillez agréer, Monsieur, nos salutations distinguées.



Ghyslain Cadieux, CPA, CMA  
Associé – Groupe conseil en Transformation des affaires

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### 13. Appendix 3 — Questions received as part of the 2022 Schedule of Contributions special consultation

Participating company	Questions on the Schedule of Contributions
<i>CAA Québec</i>	Hello, when are you hoping to publish the 2022 Schedule of Contributions? Thank you.
<i>Laiterie Coaticook</i>	With all investments made by sorting centers, which seems to have a significant impact on the rate increase, can we hope to see an improvement of recyclability rates? As a contributing company, will we see a decrease in rates (return on investment)?
<i>Groupe Adonis</i>	Is the rate different if items are smaller or larger?
<i>RW Consumer Products Ltd.</i>	Glad to know that you recognize PP as a new class.  If we are a manufacturer that only ships to distribution centres, our shipping containers never end up in consumers' blue bins. Will there be an exemption for that?
<i>General Mills Canada Corporation</i>	If the fee increase for HDPE was capped at 50%, how was the residual cost owed by HDPE covered? Was it carried over to another year or allocated to other materials?
<i>Yellow Pages Digital &amp; Media Solutions Limited</i>	Are these rates confirmed so we can update our projections?
<i>The Hartz Mountain Corporation</i>	Please explain "the relatively low value of the material".  Can you please explain again why cost allocation per materials class has been abolished?  How is it that the Schedule rules decide what entity has to pay when people order products on online shopping platforms? Does the operator pay for the shipping packaging? Does the manufacturer of the finished product pay for the product's packaging?
<i>Pan American Nursery Products Inc.</i>	Is there a difference between coloured HDPE containers and black-only HDPE containers? For the sorting, so for the cost tied to recycling?
<i>3M Canada</i>	Can you explain why the fees for non-expanded polystyrene are more than twice those for "other classes of rigid plastics"? What is the difference in collection and

	recycling between the “other rigid plastics” class and the non-expanded polystyrene class?
<i>Kodak Document/Personalized Imaging</i>	Will the exemption threshold on minimum quantities before paying a contribution remain the same?
<i>Distribution Épicerie C.T.S. Inc.</i>	Will you continue allowing the use of UBC calculators for food companies, or a similar guide?
<i>Ubisoft Divertissements Inc.</i>	You mention the shipping packaging added to a product by an electronic platform operator, which is the responsibility of the operator. What about companies using third party warehouses to ship their e-commerce products to the consumer. Who is responsible for shipping packaging in those cases?

## 14. Appendix 4 — Questionnaire on the 2022 Schedule of Contributions

### Questionnaire

1. The 2022 Schedule of Contributions (SoC) was developed in a context of curbside recycling in full upheaval. Several factors influenced the rules of application and the rates presented in consultation.

	Totally disagree	Mostly disagree	Neutral	Mostly agree	Fully agree
1. Did the information presented in consultation allow you to fully understand the context in which the Schedule was developed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. Do you agree with the changes made to the 2022 Schedule approved on a preliminary basis by ÉEQ's Board of Directors?

Application rules and methodology to develop the Schedule of Contributions	Totally disagree	Mostly disagree	Neutral	Mostly agree	Fully agree
1. Considering the significant increase in rates for certain materials in the “Containers and packaging” category and in order to mitigate the increase: <b>a. Apply the 50% rate increases cap mechanism</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>b. Use an amount of \$5M from the “Containers and packaging” permanent fund</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Considering the deployment of the eco-modulation roadmap to continue the evolution of the fee structure so that it is more in line with the impact of the material throughout the value chain: <b>a. Disaggregate polypropylene (PP) to recognize its different behaviour in curbside recycling in 2022 and the increasing value of this material for recyclers and in order to assign it its own rate from the 2023 SoC</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>b. Extend materials subject to a fee to cork and wood containers, disruptive materials in the value chain</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>c. Renew the incentive bonus for eco-design by using the balance of the initial amount drawn from the permanent “Containers and packaging” fund</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



<p>d. From the 2024 SoC, introduce a penalty for PVC and degradable plastics in order to discourage the choice of materials that are not compatible with curbside recycling in Quebec</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>3. To help ÉEQ address the issues encountered in the management of the compensation plan, adjust the application rules in order to:</p> <p>a. Withdraw the eligibility of voluntary contributors for the lump sum on revenues to ensure that they report up to the quantities marketed in Quebec</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please send us your comments or suggestions:

## Respondent

1. Did you take part in one of the consultation meetings on the 2022 SoC?  yes  no

2. Check the sector and subsector that best represent you:

Retailer/Distributor  Manufacturer  Service Company  Other: \_\_\_\_\_

<input type="checkbox"/> Insurance, finance, real estate <input type="checkbox"/> Publishing <input type="checkbox"/> Electronics <input type="checkbox"/> Public institution <input type="checkbox"/> General goods	<input type="checkbox"/> Construction and gardening material <input type="checkbox"/> Food and food products <input type="checkbox"/> Automotive parts <input type="checkbox"/> Chemical products (cleaning products) <input type="checkbox"/> Health, beauty and pharmaceutical products	<input type="checkbox"/> Hardware <input type="checkbox"/> Food, beverage and accommodation services <input type="checkbox"/> Public services <input type="checkbox"/> Clothing and accessories <input type="checkbox"/> Other : _____
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3. What is your company or organization level of contribution for the last report submitted?  ND  ≤ 100 000 \$  > 100 000 \$

Name (optional): \_\_\_\_\_ Tel.: \_\_\_\_\_

Company: \_\_\_\_\_ E-mail: \_\_\_\_\_

## 15. Appendix 5 — Correspondence received as part of the 2022 Schedule of Contributions special consultation



L'application du tarif 2022 entraîne un important changement dans l'allocation des coûts par activité et par conséquent, plusieurs entreprises subiront des hausses significatives de 20 % à 30 % de leur contribution. Dans ce contexte, nous tenons à mentionner que le délai du 1<sup>er</sup> mars était beaucoup trop court considérant l'ampleur de l'impact et le manque d'informations pour comprendre l'origine de la hausse des tarifs.

Pour 2022, les coûts totaux pour les CE sont passés de 162,4 M\$ à 219,0 M\$. Une hausse de 57 M\$, soit 35 %. Je crois comprendre qu'une partie de cette hausse vient de l'abolition de la répartition des coûts par catégorie de matières. À la lecture du document explicatif cette abolition est liée à une simplification réglementaire. L'impact monétaire pour les entreprises contributrices affectées par ce changement est par contre bien réel.

Dans notre cas bien précis, on utilise du HDPE et PP. Historiquement le HDPE offrait déjà un taux de recyclabilité supérieur à la moyenne des emballages comparables. Suite à des discussions que nous avons eues avec différents intervenants de l'économie circulaire, dont des gens d'ÉÉQ, on a souvent vanté la valorisation de ce HDPE. Aujourd'hui on nous propose une hausse (avant atténuation) de 97 %. Nous comprenons difficilement la cohérence dans cette proposition et plusieurs questions peuvent être soulevées ;

- Si les centres de tri on investissent dans de la machinerie, quels en seront les bénéfices ?
- Y aura-t-il vraiment un gain à aller chercher sur le taux de recyclabilité ?
- Ont-ils investi pour profiter de la valeur des ballots de HDPE ?

Un autre point à considérer dans les coûts de la collecte sélective, est l'impact des changements proposés sur l'élargissement de la consigne? Si ce n'est pas déjà fait il serait important de quantifier ces impacts et faire absorber cet écart par le système de consigne, autrement ce sera encore les entreprises contributrices qui vont absorber la perte d'efficacité suite au retrait d'une partie du volume.