

Since the 2010 Schedule of Contributions, the Regulation on the compensation plan has defined eligible compensatable net costs and the terms framing reports submitted by municipalities. Indeed, municipalities are specifically compensated for costs incurred for collecting, transporting, sorting and conditioning materials, from which are deducted any revenue they may collect from the resale of materials and other related income, as well as their share of the costs for orphan materials, also known as “other materials.”

To be compensated, municipalities must fill out their report on net costs using RECYC-QUÉBEC’s portal and also submit a report signed by the municipality’s independent auditor. RECYC-QUÉBEC analyzes and compiles those costs, to which it applies the efficiency and effectiveness factor. Click to see the [reporting guide for municipalities \(in French\)](#).

The timelines set in the Regulation for municipalities to provide real data to RECYC-QUÉBEC require ÉEQ to estimate municipal net costs in order to develop its Schedules of Contributions.

Actual compensation paid to municipalities is, however, based on real net costs. To mitigate the risk of over or under-financing, a Risk Fund was created in the 2010, 2011 and 2012 Schedules of Contributions and an adjustment was applied each year according to the amount of real net costs reported.

Since the 2010 Schedule of Contributions, municipalities receive a flat amount equal to 8.55% of costs to cover management costs relating to curbside recycling activities. That percentage actually constitutes a gain for companies as compared to the costs negotiated and paid under the 2005 to 2009 Schedules of Contributions.

INCREASE IN THE SHARE OF NET COSTS TO BE COMPENSATED

The June 2011 changes to the Regulation stipulated that industry’s share of net costs to be compensated was to gradually increase starting with the 2010 Schedule of Contributions, to reach 100% in 2013. Quebec therefore became the first province in Canada to have targeted companies assume 100% of the net costs of municipal curbside recycling programs for “containers and packaging” and “printed matter”.

| 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------|-------------|-------------|-------------|-------------|
| 50% | 70% | 80% | 90% | 100% |

The framing of reported costs, benchmarking of municipalities and the application of an efficiency and effectiveness factor all contribute to limiting total municipal cost compensation. Setting a flat amount for municipal management costs,

excluding expenses related to recovery bins and deducting a portion for “other materials” combine to limit curbside recycling system overcharges.

BROADENING OUR INFLUENCE: BOTH A NECESSITY AND A PRIORITY

ÉEQ has deployed much effort since 2010 to enhance the performance of the curbside recycling system and optimize costs to be compensated.

The integration of the “efficiency and effectiveness” factor in the Regulation on the compensation plan eliminates curbside recycling overcharges by establishing a comparison between municipalities in six categories according to size and distance from large urban centres. A proportion of costs can therefore be deducted from the amount paid to municipalities. ÉEQ also plans to:

- Enhance curbside recycling by encouraging stakeholders at each step of the system to adopt best practices, including materials collection, transportation, sorting and conditioning, and develop market outlets for materials.
- Encourage the optimization of containers, packaging and printed matter generated by companies, with particular focus on reductions at the source, ecodesign and the integration of recycled content.

REFERENCE YEAR FOR CALCULATING NET COSTS

The Environment Quality Act established that the expenses to be considered for determining the net costs of curbside recycling are those incurred by municipalities in the year preceding the year compensation is due. For example, the net costs of curbside recycling incurred in 2012 are those used to establish compensation paid in 2013. The only exception to this rule was when 2010 net costs were used to establish the compensation for both 2010 and 2011. The history of compensated net costs is as follows:

| Year of the Schedule of Contributions | Reference year for net costs | Net costs | % of net costs financed | Net costs compensated by ÉEQ (89.6%) |
|--|-------------------------------------|-------------------------|--------------------------------|---|
| 2009 | 2008 | \$136,43 M (negotiated) | 50% | \$54,72 M |
| 2010 | 2010 | \$137,62 M (real) | 70% | \$86,71 M |
| 2011 | 2010 | \$137,62 M (real) | 80% | \$99,10 M |
| 2012 | 2011 | \$140,61 M (real) | 90% | \$114,91 M |
| 2013 | 2012 | \$145,2 M (estimated) | 100% | \$119,9 M estimated |
| 2014 | 2013 | \$154,90 M (estimated) | 100% | \$130,13 M estimated |