






Financial Impacts of the Transition to Extended Producer Responsibility (EPR) for Curbside Recycling

Evolution of Regulatory Obligations

		2025	2027	2028-2029	2030 and beyond
Included service and territory		<ul style="list-style-type: none"> Residential Schools and Cegeps Outdoor public places and IC&I* already being served Residential-like IC&Is* 1 Inuit village 	<ul style="list-style-type: none"> Universities All institutional and commercial units All Inuit villages 2/3 of outdoor public places identified by ÉEQ 	<ul style="list-style-type: none"> All outdoor public places identified in ÉEQ's plan (2028) 	<ul style="list-style-type: none"> All industries (2030)
Acceptable recyclable materials		<ul style="list-style-type: none"> All containers, packaging, printed paper and newspapers with a lifetime < 5 years (except →) 	<ul style="list-style-type: none"> Polystyrene Hangers, hooks, etc. 	<ul style="list-style-type: none"> Straws, utensils, etc. (2029) 	<ul style="list-style-type: none"> Compostable and degradable plastics (2031)
Performance targets		<ul style="list-style-type: none"> Traceability measures in contracts with sorting centres and recyclers 	<ul style="list-style-type: none"> Recovery targets Reclamation targets (exit from sorting centres) 	<ul style="list-style-type: none"> Recovery targets: ↑ 5% every 5 years 	<ul style="list-style-type: none"> Reclamation targets (exit from conditioning) Local reclamation targets (2030)
Impact of the deposit-refund system		<p>November 1st, 2023: Implementation of the EPR deposit-refund system for beer and soft drink containers already covered by the deposit-refund system, and for aluminum beverage containers</p> <p>March 1st, 2025: Expansion of the EPR deposit-refund system to all beverage containers from 100 mL to 2 L.</p>			
Subject producers		<ul style="list-style-type: none"> Producers trading to consumers (B2C) 	<ul style="list-style-type: none"> Business-to-business producers (B2B) – Institutional & Commercial Sectors 		<ul style="list-style-type: none"> Business-to-business producers (B2B) – Industrial Sector

*IC&I : Institutional, commercial and industrial sectors

ÉEQ's Responsibilities as a PRO

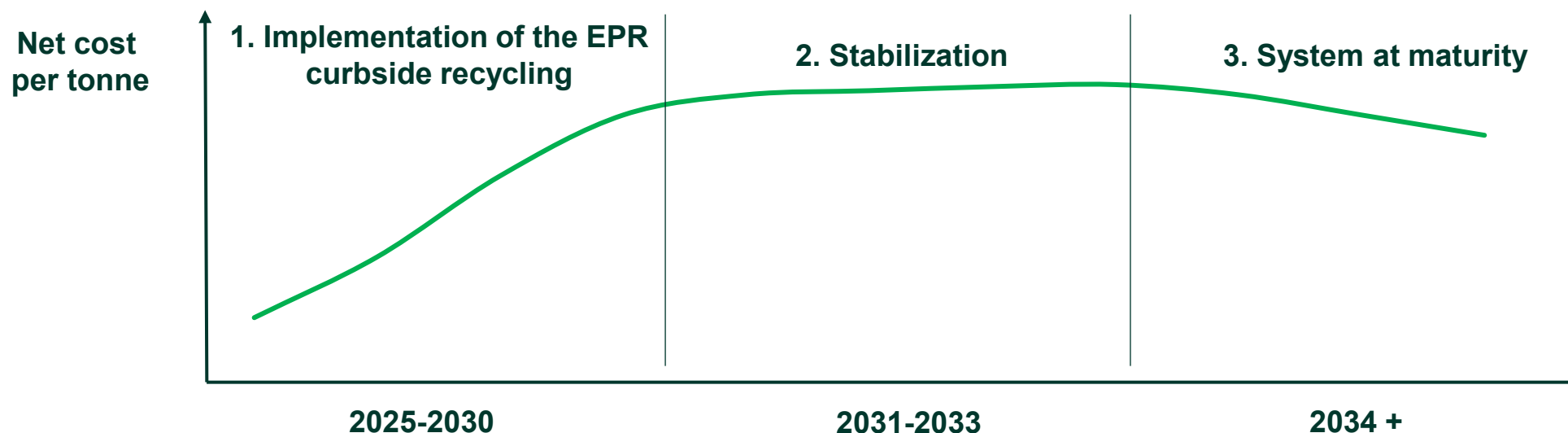
Activities	Responsibilities of the PRO
<p>Collection & transportation</p>	<ul style="list-style-type: none"> • Sign and manage framework partnering agreements with municipalities, including interim agreements. • Plan, implement and manage the deployment of new curbside recycling services for IC&I, outdoor public places, and remote and isolated regions. • Plan, implement and manage the deployment of curbside recycling for territories where municipalities do not yet offer service at the time the Regulation comes into effect. • Manage education and awareness (EA) activities with delegation of the information component to municipalities.
<p>Sorting, conditioning and reclamation</p>	<ul style="list-style-type: none"> • Plan and deploy new sorting infrastructure. • Awarding contracts for material sorting, conditioning and recycling operations with the various service providers. • Commercialize the material sorted by the sorting centers and manage the residues.
<p>Traceability and reporting</p>	<ul style="list-style-type: none"> • Ensure the traceability of the materials collected. • Achieve the performance targets set by the regulation. • Conduct an annual reporting to RECYC-QUÉBEC on the achievement of performance targets.
<p>Financial</p>	<ul style="list-style-type: none"> • Manage the financing of all curbside recycling activities. • Manage the financial risk related to the sale of materials.

Despite Short-Term Cost Increases, Expected Gains Once the System Reaches Maturity

At maturity, gains will come from various optimization avenues:

- Improvement in citizen sorting behavior
- Enhanced system performance
- Optimization of commodity/material marketing

Evolution of net cost per tonne (for illustrative purposes)



Financial Impact Aspects of New Responsibilities of the EPR Curbside Recycling

1. **Marketing of sorted materials by the PRO from 2025**
2. **Expansion of deposit-refund system from 2025.**
3. **100% funding by producers starting from 2025**
4. **New performance targets to be met starting in 2027**
5. **Modernisation of sorting centres and new sorting infrastructure to be deployed**
6. **Gradual deployment of new curbside recycling services by 2030**

Upcoming Information to Clarify the Financial Impacts

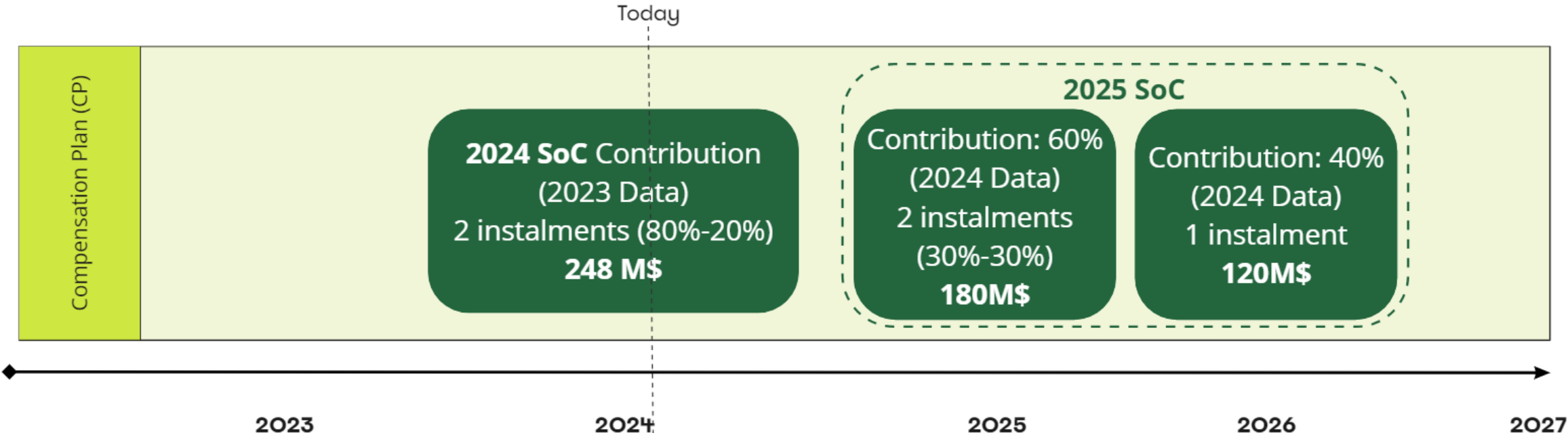
Upcoming input to clarify financial impacts:

- Sales price of sorted materials
- Actual collection contract costs
- Actual sorting contract costs
- Investments in sorting centers and new sorting infrastructures

Compensation Plan until December 31, 2024

Highlights

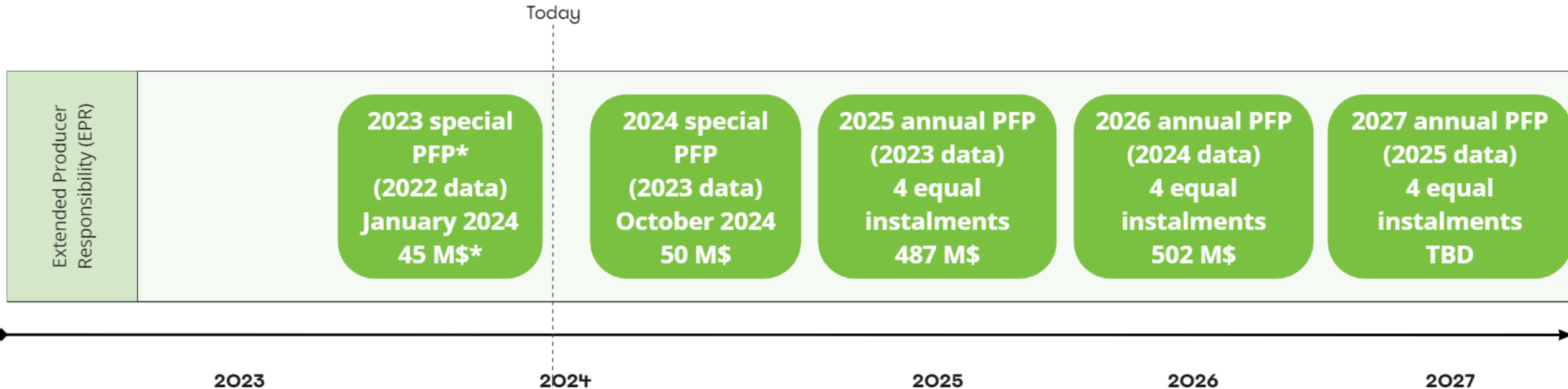
- Annual SoC pays for previous year's municipal costs (2023 paid by SoC 2024/ 2024 paid by SoC 2025)
- SoC 2025 : Regulation allows to spread 40% of payment in 2026.
- Compensation Plan's cost increases for SoC 2024 and 2025 mainly explained by :
 - Loss of the deduction for non-obligated materials starting in 2023
 - Cost increases for collection and sorting (workforce, equipment, etc.)



EPR for Curbside Recycling

Highlights

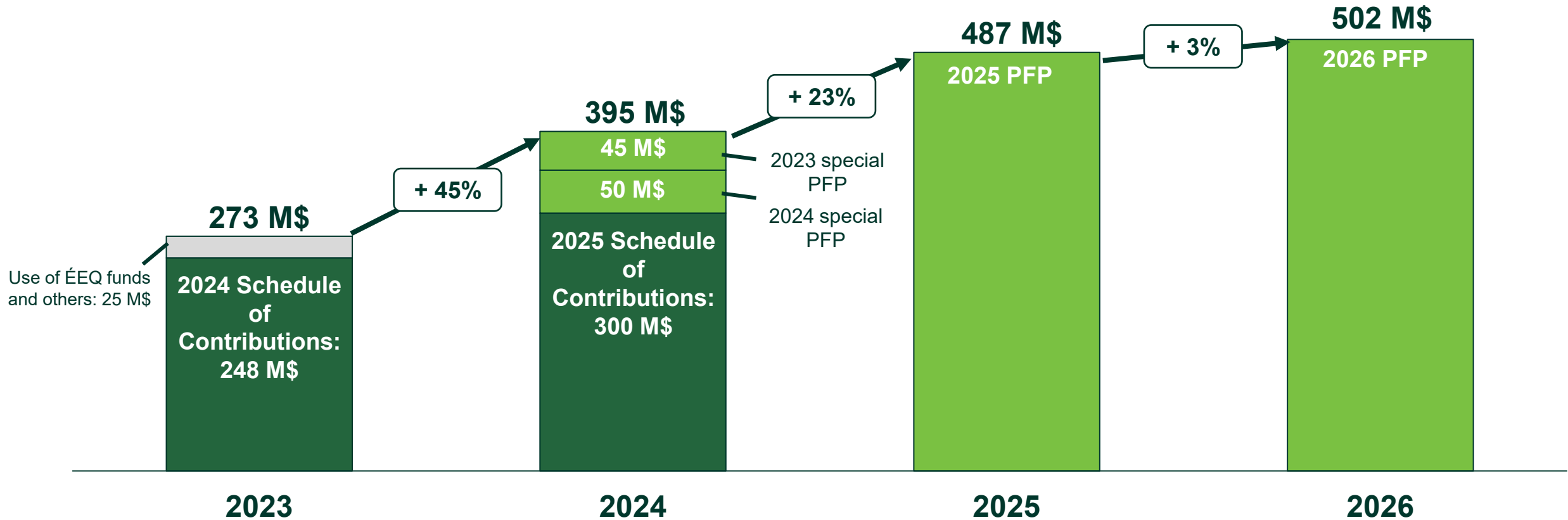
1. Starting in 2025, EEQ must manage **real-time system costs**
2. **Special 2023 and 2024 PFPs** cover **2024 costs** for managing the new system under EPR
3. EPR costs include upgrades for MRFs and new sorting infrastructure
4. **IC&I service** to be managed starting in 2027 **is excluded** from current cost estimates.



* Already paid in January 2024

Evolution of System Costs

Estimated System Costs for Each Calendar Year (Illustrative)



4 Years of System Costs Paid over 3 Years

		Estimated Disbursements for Producers 2024-2026			
		2024	2025	2026	Total - System Costs
System Costs	<u>2023</u>	2024 Schedule of Contributions (100%) 248 M\$			<u>248 M\$</u>
	<u>2024</u>	2023 special PFP* 45 M\$* 2024 special PFP 50 M\$	2025 Schedule of Contributions (60%) 180 M\$	2025 Schedule of Contributions (40%) 120 M\$	<u>395 M\$</u>
	<u>2025</u>		2025 annual PFP 487 M\$		<u>487 M\$</u>
	<u>2026</u>			2026 annual PFP 502 M\$	<u>502 M\$</u>
	Total - Disbursements	343 M\$	667 M\$	622 M\$	

*already paid in January 2024

Next Steps on Financial Impacts

1. Regular system cost updates to the Association Committee
2. Data update in preparation for the 2025 Producers' Financial Participation (PFP) in the fall of 2024.
3. Update of financial impacts in preparation for the 2025 AGM:
 - Inclusion of preliminary data on the service to Institutional, Commercial, and Industrial sectors (IC&I) starting in 2027.

Thank you