

Highlights from the consultations on the 2021 Schedule of Contributions

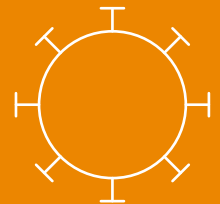
Consultations on Éco Entreprises Québec's (ÉEQ) 2021 Schedule of Contributions will be held on November 24, 2020. These meetings are part of a process leading to the approval of the Schedule of Contributions, with or without amendment, by ÉEQ's Board of Directors, and to its submission to the Government of Québec for publication. This document is intended to present the main factors and parameters influencing the next Schedule of Contributions.



COVID-19: Its impacts on curbside recycling and contributing companies

The 2021 Schedule of Contributions is developed against the background of the global COVID-19 pandemic, which has unprecedented impacts for all contributing companies and the curbside recycling system. On one hand, the recovery industry in Quebec, which was still struggling to restart following the closure of Chinese markets to recyclables, has not been spared. On the other hand, for all companies across all business sectors, economic activities and business models have been affected, and they have had to cope with new realities regarding consumption and work.

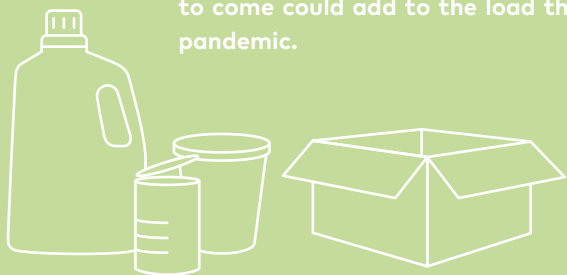
The 2021 Schedule was therefore developed while closely monitoring the situation and taking into account a series of factors based, among other things, on the findings of four ÉEQ reports produced with the aim of fully understanding the repercussions of recent upheavals on the curbside recycling and deposit systems, as well as on consumer habits in Quebec. The last [report](#) has just been published and deal specifically with the impacts of COVID on business contributions. **Three main observations included in the last report influenced the development of the 2021 Schedule of Contributions:**

1.

The impacts of COVID on system costs indicate an upward trend, but there is no confirmation that these costs will be transferred to municipalities, given the nature of the contracts between them and service providers. In an effort to mitigate those impacts, RECYC-QUÉBEC has improved its MRF assistance program to counter the ensuing falling prices in order to "cover a portion of the costs for equipment and protective measures taken to limit the risk of spreading the COVID-19 virus".

- 2.** With the health crisis, contributing companies who traditionally represent the largest proportion of contributions to the financing of curbside recycling (manufacturers and retailers of food products and consumer goods, including big box stores and manufacturers of chemical products (cleaners)), should see an increase in their estimated quantities to report and, consequently, in their contributions.

Certain sectors are more negatively impacted by COVID-19, specifically publishing, restaurants and clothing retailers. The level of their contribution to ÉEQ is less, but the higher costs to come could add to the load they already bear due to the pandemic.

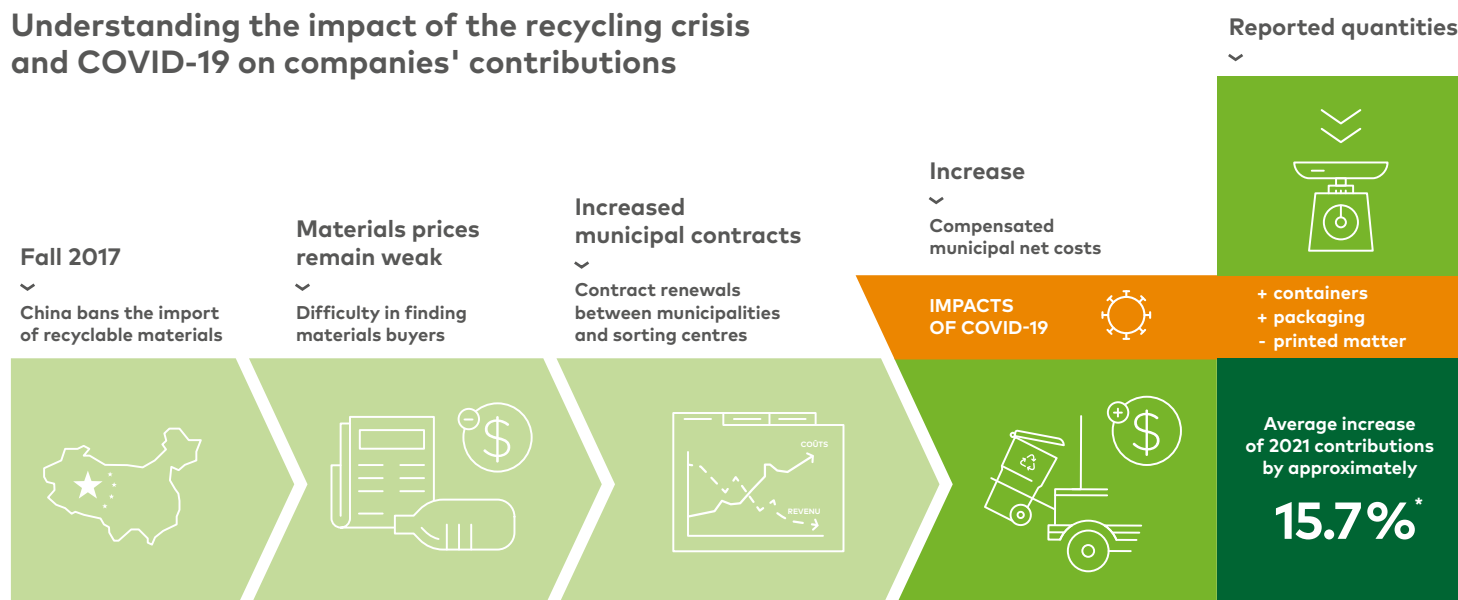


3.



The number of businesses seeking protection under the CCAA (Companies' Creditors Arrangement Act) or under the BFI (Bankruptcy and Insolvency Act) is higher than it was in recent years. ÉEQ has ensured that allowances for bad debts are sufficient to mitigate risks to the organization and to other companies.

Understanding the impact of the recycling crisis and COVID-19 on companies' contributions



*Without the allocation of funds to mitigate the increase of the 2020 Schedule of Contributions, the 2021 average increase would have been 9.8%.

Curbside recycling in Quebec is changing

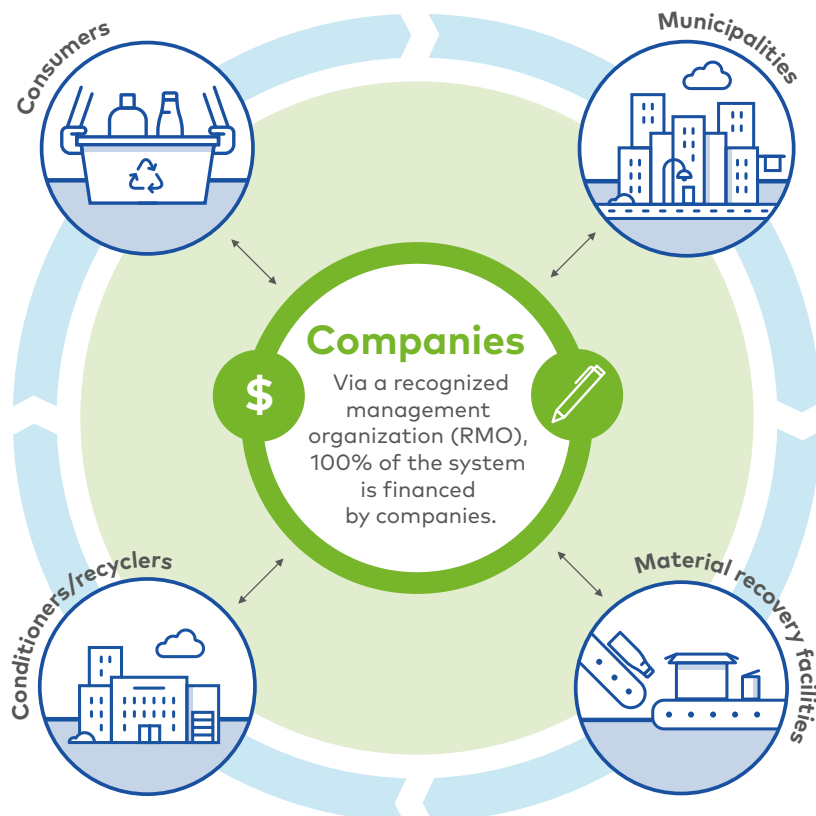
The development of the 2021 Schedule of Contributions is also happening along with the transformation of the curbside recycling system. Indeed, on September 24, the Quebec government tabled a bill that confirmed its intention to modernize curbside recycling and materialized the announcement made to that effect by the Minister of the Environment and the Fight against Climate Change last February. ÉEQ saluted the government's decision to place companies at the heart of the curbside recycling system and enable them to take responsibility for their containers, packaging, printed matter and newsprint (C, P, PM & N) from design to recycling, with a view to developing the circular economy. We reiterate that, in the context of the current compensation plan, Quebec municipalities are providing the curbside recycling service to their citizens. 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.

With extended producer responsibility in partnership with municipalities (EPR-Partnership), companies will have to find ways to better design their packaging through eco-design and integrate more recycled content in their C, P, PM & N.

In order to send a signal to government authorities and businesses in a perspective of transitioning towards EPR-Partnership that focuses on the circularity of C, P, PM & N, ÉEQ has adopted the first vision statement for an eco-modulated Schedule and asked that various measures be assessed. Thus, three eco-modulation measures are being submitted for consultation to companies in the 2021 Schedule, including a one-million-dollar incentive bonus for eco-design financed by the Containers and packaging fund.

To develop the recycling industry and make it a true driver of circular economy, we believe that the key to transforming the system lies in the implementation of an integrated vision for the recycling value chain in order to ensure new life for recyclable materials, as locally as possible. **To set up this circular economy, companies such as yours will (finally!) have full control over the curbside recycling system.**

Modernized Curbside Recycling system



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.



All documentation pertaining to the 2021 Schedule of Contributions is on our website

eeq.ca