

The logo for Éco Entreprises Québec is located in the top left corner. It features the organization's name in a white sans-serif font inside a green speech bubble shape. The background of the entire page is a repeating pattern of circular icons in white on a grey background. These icons represent various aspects of recycling and industry, including factories, recycling bins, trucks, and circular arrows.

Éco  
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Québec

Recycling is  
our business

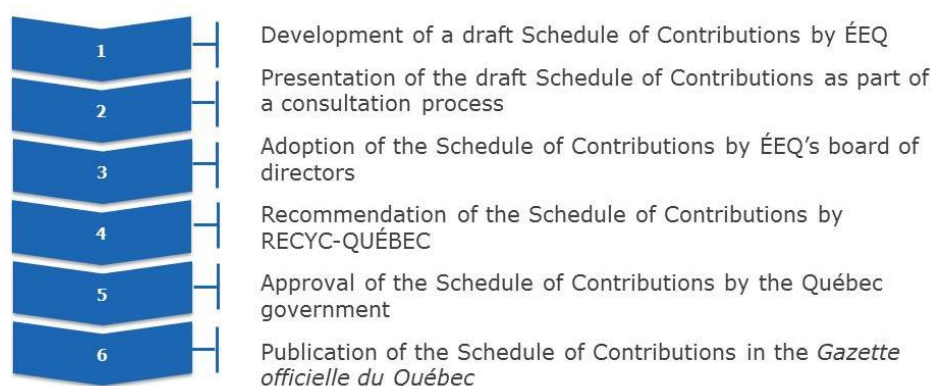
# Consultation on the 2020 Schedule of Contributions – Summary

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## The development of the Schedule of Contributions and consultations with companies: A legally defined process

As per the Environment Quality Act (EQA or LQA), the Schedule of Contributions (SoC) governing contributions paid by companies must be submitted to targeted companies and organizations as part of a consultation process. Éco Entreprises Québec's consultation program focuses on Schedule application rules and the contribution table applicable to each category of designated materials; its aim is to provide a platform to exchange with the greatest possible number of contributing companies and organizations.



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

All targeted companies and organizations must submit to ÉEQ their Company Report on the materials they place on Quebec's market, which becomes the basis for determining the contribution that is due. The amount of the contribution is calculated by multiplying the quantity, in kilograms, of each material in a given class by the applicable rate indicated in the contribution table for the obligation year concerned, and then adding up those amounts.

This summary presents the main changes made to the contribution table and application rules – the SoC – for obligation year 2020 as well as the rate table. The draft SoC will be submitted to companies targeted by the Compensation Plan as part of consultation meetings held on October 23, 2020. Before introducing the SoC, the next section will focus on the impact of the global recycling crisis on Québec's selective collection system and, consequently, on the costs of municipal curbside recycling programs.

## Recycling Crisis: The impacts on municipal net costs are reflected in companies' contributions

The collapse of recyclable materials markets worldwide drives up the costs of the municipal curbside recycling system in Quebec. These costs are largely offset by companies targeted by ÉEQ's 2020 SoC. To understand this increase, it is important to understand the global context in which the recovery and recycling industry operates.

### The effects of the recycling crisis continue

Last year, in the Summary on the 2019 Schedule of contributions<sup>1</sup>, ÉEQ discussed China's tightening of quality criteria relating to imports of 24 recyclable materials and to the global shock wave that ensued. The ongoing recycling crisis has been highly publicized. Global markets for recyclable materials are in turmoil, and Canada is no exception.

The widespread decline in revenues from recyclable materials, which has been felt throughout 2019, is putting pressure on sorting costs paid by municipalities and offset by targeted companies. Indeed, market prices for fiber bales and several plastics have continued to decline since the beginning of the year, to the point that sorting centers are struggling to find buyers for their materials and can no longer cover their operating costs with income from the resale of sorted materials. For example, between 2017 and 2019, prices for fibers, which account for more than 60% of sorted materials, dropped by 60% for cardboard and newsprint and 110% for mixed paper<sup>2</sup>. In the case of plastics, the situation varies according to the type of material. Demand for recycled PET has increased pressure (+15%) on the price of recycled resin until August, while the lack of markets for plastic films creates an accumulation of materials and a 170% drop in the price of the material for the same period<sup>3</sup>.

Last year we also indicated that this crisis represented a collective challenge for the recycling industry, meanwhile a sorting center had had to close down and many had approached their municipalities to get financial support in order to pay their operational expenses. This process, however, had been made halfway into or at the end of the year. Renegotiated contracts took full effect this year, and other sorting centers, who had resisted last year, asked their municipal customers for financial support to maintain recovery and recycling operations.

In addition to these impacts, we wish to underline the population's declining trust regarding curbside recycling caused by numerous alarming media reports.

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<sup>1</sup> Consultation on the 2019 Schedule of Contributions-Summary ,p.4

<sup>2</sup> Recyc-Québec, CIF and RISI, calculation of ÉEQ

<sup>3</sup> Recyc-Québec and CIF, calculation of ÉEQ

## A government program helps alleviating the pressure

Fortunately, as of November 2017, ÉEQ and RQ undertook actions to support participants in the curbside value chain regarding the quality of sorted materials and the needs of local recyclers. In addition, as mentioned in October 2018 during the consultation, starting Winter 2018, RECYC-QUÉBEC announced various programs (totaling over \$14 million), including the emergency fund at the sorting centers requested by ÉEQ to support the centers and initiatives that will improve the quality and quantity of materials recovered, while promoting a link with recyclers. The Government of Quebec's emergency fund, unique in Canada, makes it possible to compensate a certain shortfall with respect to the tonnages of fibers and mixed plastics sold. It was augmented last July to counter the drop in prices observed on fibers, in particular. Most Quebec sorting centers have used the program, and a total of \$4.1 million has been redistributed to date.

To develop the recycling industry and make it a real engine of circular economy, all links in the chain have a responsibility and a role to play. ÉEQ is of the opinion that we must focus on the development and implementation of an integrated vision of the recycling value chain that allows for the development of measures to give a second life to recyclable materials locally.

## Contribution increase announced since last year

In a critical context such as this, developing the SoC is a complex process, as the net municipal costs to be offset fluctuate and are difficult to predict. In order to monitor the situation closely and consider all the changes that occur regarding amounts paid by the municipalities, ÉEQ's Services to municipalities and Compensation Plan teams work together.

Moreover, knowing that this crisis would not be resolved in a year, during the consultation on the 2019 SoC, in October 2018, ÉEQ informed contributing companies that the increase in municipal costs for the 2020 Schedule of contributions could be between 10% and 30%, and urged them to be proactive in this regard as they prepared their next budget. Indeed, the estimated increase in municipal net costs compensated for 2019 is in this range, at averaged 23.2%.

## Curbside Recycling in Quebec, in Figures

In 2018, more than 788,270 t of materials were recovered by municipal curbside recycling programs in Quebec, a slight increase of nearly 10,000 t (1.3%) from 2017. This increase in quantity results particularly from the expansion of service to multi-dwelling buildings and to institutions, businesses and industries (ICI) whose type of materials generated is similar to that of residences, and this, despite a lighter volume noted for containers and packaging as well as the reduction in the quantities of certain printed matter and newspapers that are migrating to online publications.

The municipal net costs for 2018 increased by 15.4% (\$170.5 M vs. \$147.7 M) compared to the previous year.

Quebec	2017	2018	Variation
Tonnes recovered	778 402	788 270	1.3%
Net costs	\$147.7M	\$170.5M	15.4%
Population with access to curbside recycling	8 341 105	8 345 193	0.0%
Kg/inhab.	93.3 kg	94.5 kg	1.3%
Net cost per inhabitant	17.71 \$	20.43 \$	14.5%
\$ per ton recovered	190 \$/t	216 \$/t	13.4%

## Study Updates

Recovery rates are, as for the previous SoC, those of the 2015-2017 residential characterization study, jointly financed by ÉEQ and RECYC-QUÉBEC. No change has been made in this respect.

The rule defines the distribution of costs eligible for compensation among the three classes of materials subject to fees. The distribution is determined using the activity-based costing (ABC) study co-financed by ÉEQ and RECYC-QUÉBEC. The study was updated in 2019, based on 2018 data and revenues covering the years 2016, 2017 and 2018. The cost distribution should be introduced in a draft Regulation on the Compensation Plan to be published before the end of the year. The total share of ÉEQ increases from 91.7% to 93.5%. As the results are known, the most recent data were used in the 2020 SoC.

Classes of materials	2019 Schedule	2020 Schedule
Newspapers	8.3%	6.5%
Printed matter	20.9%	20.7%
Containers and packaging	70.8%	72.8%
ÉEQ's total share	91.7%	93.5%

## Main Changes to the Schedule of Contributions

### Municipal net costs

Remember that to develop its SoC, ÉEQ must first assess the municipal net costs that will be compensated for the year 2019. As the year is not over, and with the ongoing effects of the crisis, internal resources have been mobilized to approach municipalities and sorting centers so that cost estimates can be based on the most accurate data possible.

The estimated increase in collection and transportation costs is based on the increase in the Consumer Price Index for transportation. For the estimation of sorting and packaging costs, we used a detailed methodology – used to calculate the performance and efficiency factor (P & E) in accordance with EQA requirements – that takes into account all contract renewals and reopenings between municipalities and sorting centers known to date, and the average increases over time, by class of municipalities. Since a municipality's compensation is calculated based on its performance compared to that of its group, this approach was favored in order to monitor not only the variation in costs for a municipality, but also that of the other municipalities in its group.

Municipal costs with taxes are therefore estimated to be \$198.1 million. Considering the increase in the share of costs for containers, packaging and printed matter, which now stands at 93.5% rather than 91.7% of costs, ÉEQ's share of costs eligible for compensation is therefore estimated at \$177.9 million, thus showing a significant increase of 23.2% for the 2020 SoC compared to 2019.

	2019 Schedule	2020 Schedule
Estimated municipal net costs before taxes <sup>4</sup>	\$165.0 M	\$188.7 M
QST (4.99%) <sup>5</sup>	\$8.2 M	\$9.4 M
<b>Estimated municipal net costs</b>	<b>\$173.2 M</b>	<b>\$198.1 M</b>
Deduction - Non-designated materials	\$(11.4) M	\$(12.8) M
Deduction for P&E factor	\$(16.6) M	\$(11.0) M
Municipal management costs (8.55%)	\$12.4 M	\$16.0 M
Deduction – Newspapers	\$(13.1) M	\$(12.4) M
<b>ÉEQ compensation to municipalities</b>	<b>\$165.0 M</b>	<b>\$177.9 M</b>
Variation	\$8.2 M	23.3 %

<sup>4</sup> Note: 50% of GST has been reimbursed to municipalities for some time now (no change)

<sup>5</sup> By virtue of the fiscal pact, the QST has been reimbursed at a rate of 50% from 2015 to 2019 inclusively.

## Non-designated materials

The deduction percentage for non-designated materials is set out in the Regulation respecting the Compensation Plan and is equal to 50% of the proportion of non-designated materials identified in the sorting center characterization study conducted by ÉEQ and RECYC-QUÉBEC. As this study was communicated in 2018, the government has announced its intention to update this information in a draft regulation to amend the previously calculated percentage. As a result, the deduction percentage decreased slightly for the 2020 SoC, from 6.6% to 6.45%. However, because the estimated net costs are higher, the amount deducted is increasing:

Non-designated materials	2019 Schedule	2020 Schedule
Deduction %	-6.6%	-6.45%
Deduction \$	\$(11.4) M	\$(12.8) M

## Performance and efficiency factor

The calculation of the P&E factor is defined in the by-law and reduces additional costs by comparing municipalities from six groups based on population and distance from the major centers of Montreal and Québec City. A deduction of 5.6% was obtained by the detailed net cost estimation method for the 2020 Schedule of contributions, amounting to \$11 million, compared to the estimate of 9.6% during the development of the 2019 Schedule of contributions. Note that most major cities have reopened their contracts with sorting centers in order to support them during this market crisis period and falling prices.

P&E factor	2019 Schedule (estimated)	2020 Schedule (estimated)
Deduction %	9.6%	5.6%
Deduction \$	\$(16.6) M	\$(11.0) M

## ÉEQ expenses and other provisions

Other costs need to be added to produce the total contribution payable by companies. Thus, if we consider the RECYC-QUÉBEC allowance provided for in the Regulation, costs related to bad debts, the expected fixed rate deduction, the overall amount of \$ 11.6 million, which is included in the calculation of the 2020 SoC, is stable compared to the 2019.

### *Allowance paid to RECYC-QUÉBEC*

For the 2020 Schedule, the allowance paid to RECYC-QUÉBEC is estimated to be \$2.8 million. This amount equals 2% of eligible municipal net costs distributed between ÉEQ and RecycleMédias (representing newspapers) prorated on the basis of distribution of costs per class of materials, i.e. 93.5% for ÉEQ up to a maximum of \$3 million. It should be noted that, for the first year since the introduction of this allowance in the 2010 Schedule of contributions by legislative change, the total estimated amount was capped as the indemnity had reached \$3.65 million.

### *ÉEQ Costs*

For the purposes of developing the SoC, we increased ÉEQ's costs to \$6 million, \$0.5 million more than last year. However, the 2020 budget process is not yet completed. It will have to be updated



when the budget forecasts are adopted next December. This amount represents approximately 3.3% of total contributions.

In addition, pursuant to the financial commitments provided for in the Innovative Glass Works Plan, \$0.6 million is allocated to glass for the costs incurred to support the participation of sorting centers. This distribution is in line with the orientations agreed upon by the Board in December, 2017. These amounts will also be confirmed in the fall during the adoption of the budget forecasts.

## *Allowance for bad debts*

ÉEQ maintains the allowance for bad debts at 2% of the anticipated contributions in order to cover the numerous company closures and bankruptcies as well as possible disputes.

## *Risk and Rate Stabilization Fund*

The fund policy of ÉEQ's Board of directors provides that the risk and rate stabilization fund should be between 2.5% and 12.0% of the amount of municipal compensation due by ÉEQ. The fund currently stands at \$1.5 million, which is 0.8% of the costs eligible for compensation estimated in the 2020 Schedule of contributions. The risk fund must be raised to \$2.8 million to reach 2.5% of the estimated municipal net costs for the 2020 Schedule of contributions.

2019 Schedule	2020 Schedule
0 \$ million	+\$2.8 million

## *Deduction of contributions for flat fees*

The amount expected from low-volume producers who pay flat fees has been adjusted taking into account the rise in the average rate, and by applying the new calculation method recommended by the work group on low-volume producers (see section low-volume producers). Thus, the total amount of \$1.8 million will be deducted from the total amount of contributions.

Other costs	2019 Schedule	2020 Schedule
Allowance paid to RECYC-QUÉBEC	\$2.8 M	\$2.8 M
ÉEQ costs	\$5.5 M	\$6.0 M
Allowance for bad debts	\$3.1 M	\$3.7 M
Risk fund	\$0.0 M	\$0.0 M
Deduction for flat fees	\$(1.6) M	\$(1.8) M
Reserve for recycled content credits	\$0.5 M	\$0.3 M
Innovative Glass Works Plan	\$1.2 M	\$0.6 M
<b>Other costs</b>	<b>\$11.5 M</b>	<b>\$11.6 M</b>
<b>Variation</b>	<b>13.2%</b>	<b>+0.9%</b>

## Total costs rising

Once all elements are taken into account, the total contribution used in the fee formula is \$192.3 million, an overall increase of 23.3 % over 2019.

	2019 Schedule	2020 Schedule
ÉEQ compensation to municipalities	\$144,4 M	\$177,9 M
Other costs	\$11,5 M	\$11,6 M
Risk funds	0 M	\$2.8 M
ÉEQ's total contribution	<b>\$155,9 M</b>	<b>\$192,3 M</b>
<i>Variation</i>	+6,9%	+23,3%

## Use of provisions and funds to lessen the impact of the increase on companies

Due to a significant rate increase, ÉEQ's Board of Directors (BOD) assessed the current state of available amounts and funds and decided to allocate a sum of:

- 2,8 million in the risk fund,
- 1,7 million to the total net costs to be considered in the calculation of the fees,

Overall, 4,5 M allows to mitigate total costs and the rate increase in all categories of materials.

Furthermore, the BOD has decided to allocate:

- 7,8 million coming from the « containers & packaging » permanent fund to lessen the costs engendered by the increase in the sums allowed to this category of material.

Globally, it is 12,3 million that have been injected in the SoC to alleviate the impact of the increase on companies as a result of good management of the amounts received and funds.

The BOD also considered the possibility of using the « printed matters » permanent fund to lessen by the increase in this class of material. However, no amount is available in this category, considering:

- A constant decrease in reported quantities;
- A drop in contributions over the last three years, including 3 million for the 2019 SoC;
- The BOD'S decision to not invoice companies retroactively and use available funds to compensate for the loss;
- The use of funds in order to limit previous increases.

Thereby, 180 million will be aggregated in the calculation of the 2020 contribution.

Costs	2019 SoC	2020 SoC
<b>ÉEQ's total costs</b>	\$157.0 M	\$192.3 M
Risk funds	\$0 M	\$(2.8) M
« Printed matters » fund	\$(2.0) M	\$0 M
« Containers & packaging » fund	\$(2.0) M	\$(7.8) M
Other amount to stabilize the rates	\$0 M	\$(1.7) M
<b>Total costs used in the SoC</b>	<b>\$151.8 M</b>	<b>\$180.0 M</b>
<i>Variation</i>	+4.2%	+18.6%

By allocating amounts and funds, the 2020 SoC's medium rate equals to 289.54 \$ per metric ton, which represents a 22.5 % increase compared to the 2019 SoC. Overall, this increase will be similar to the 2019 increase in anticipated municipal net costs.

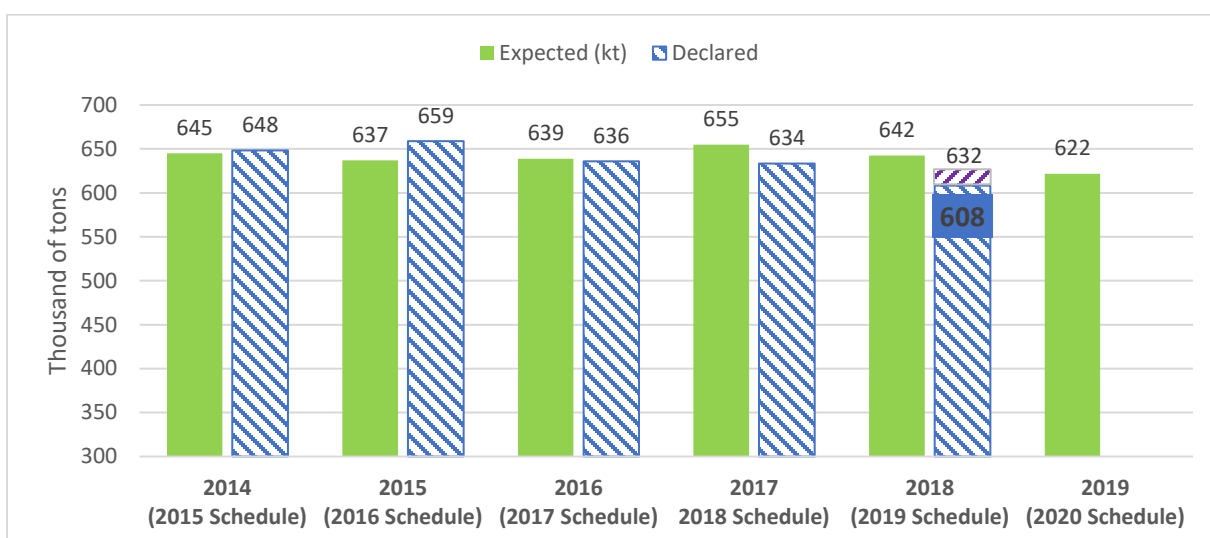
## Other elements considered in the fee formula

The financing formula is used mainly to distribute amounts allocated to each class of materials among the 30 materials of the contribution grid. Recovery rates, processing costs per material in the curbside recycling system (collection, transportation, sorting and processing) and quantities expected to be reported are all used to determine the rates for each material. Details for the first two points are in Appendix I, and quantities, which have a significant impact on rate calculations, are explained below.

### Expected reported quantities

This year, the estimation of expected quantities was facilitated by the high rate of reports submitted when this Schedule of contributions was being prepared, as the 2019 SoC was published earlier by the Government of Quebec and the reporting period was shortened by thirty (30) days from the 2019 Schedule of contributions.

The significant decrease in expected quantities is mainly due to the overall and accelerated reduction in printed matter and circulars generated. We anticipate a further 13% decline for this material in the 2020 SoC. Containers and packaging are also experiencing a slight decline despite growth in consumption and demographics. Combination of both trends leads us to an estimated quantity of 622 tonnes for the 2020 Schedule.



## Increase in the Average Rate

### Rate calculations

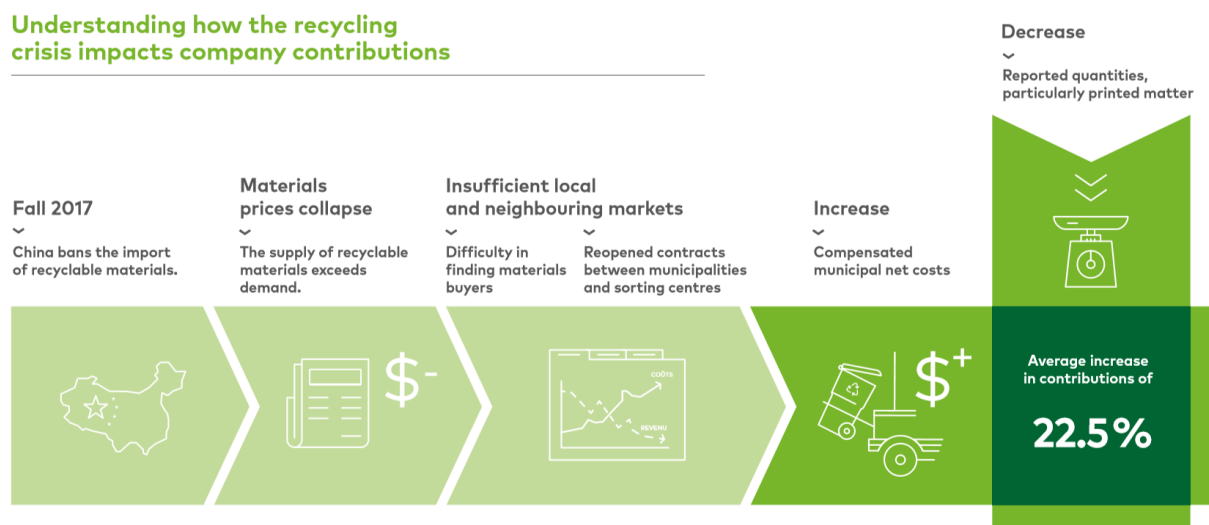
Taking into account the amounts allocated, the 2020 average rate is set at \$290 per ton, which is 22.5 % higher than the 2019 rate.

	2019 Schedule	2020 Schedule
<b>ÉEQ's total contribution</b>	\$151.8 M	<b>\$180.0 M</b>
<b>Variation</b>	+3.4%	<b>+18.6%</b>
<b>Quantities expected</b>	642,270	621,546
<b>Average rate</b>	\$236 \$/t	<b>\$290 \$/t</b>
<b>Variation</b>	+5.4%	<b>+22.5%</b>

We should keep in mind that the increase in contributions is mostly tributary of the recycling crisis that originated by China's imports shut down on recyclable materials in 2017. Thus, the 2019 global decrease in revenues from recyclable markets clearly had a significant impact on sorting centers revenues, which in turn put pressures on municipalities to reopen their contracts with sorting centers, leading to an increase in the costs paid by municipalities ultimately compensated by companies.

Since rates are calculated based on costs to be compensated and on expected quantities, which are decreasing, the result is a 22.5 % average increase in contributions. Without proper funds, this increase would have represented more than 31 %.

## Understanding how the recycling crisis impacts company contributions



As costs are distributed by class of materials, based on the ABC, we note an average rate increase of 43.2% for printed matter and 16.3% for containers and packaging. In addition to the increase in net costs that applies to all, the rate increase for printed matter is attributable to lower expected quantities.

	Printed matter		Containers and packaging	
	2019	2020	2019	2020
ÉEQ Contribution	\$32,9 M	\$40.9 M	\$119.0 M	\$139.0 M
Variation	+3,2%	+23.9%	+3.5 %	+15.8 %
Quantities expected	140 337 t	122 123 t	501 933 t	499 423 t
Variation	-6,7%	-13.0 %	-0.5 %	-0.6 %
Average rate	234 \$/t	335 \$/t	237 \$/t	278 \$/t
Variation	+10,4%	+43.2%	+4.0 %	+17.3%

## Flat Fees

### Low-volume producers

At the request of its Board of directors and in its endeavour to be receptive regarding the concerns of contributing companies, while respecting its mandate to further the evolution of fees, ÉEQ created a Working Group on low-volume producers this year; the group is made up of associations from the various industries. Two meetings of the Working Group were held at ÉEQ's offices.

Companies considered to be low-volume producers can benefit from a lump sum that allows them to submit a report in a simplified way, provided that they meet one of the five thresholds established, i.e. to generate between 1 and 15 metric tons or have \$1 million to \$2 million in business income. These thresholds evolved over the years and were indexed at each SoC, according to the average rate

increase. They were also revised during the development of the 2014 SoC following the recommendations of the Schedule of contributions Committee at the time.

With the goal of examining issues specific to low-volume producers in order to respond, among others, to companies whose quantities or revenues slightly exceed the fixed price thresholds and whose contribution is significantly higher than the lump sums, the Group searched for solution leads and made recommendations to ÉEQ's Board, which retained two of them:

- Change of the calculation method for lump sums;
- Request for qualitative data on materials produced by these companies in order to possibly introduce eco-modulation criteria.

It should be noted that the approximately 1,200 low-volume producers contribute nearly 1% of the contributions (\$1.8 million out of \$180 million).

### Change of the calculation method for lump sums

The first recommendation regards changing the calculations to establish the amount of fixed rates by multiplying the upper threshold by the average rate for the material (instead of the midpoint, a calculation that had been historically established). This ensures that contributors who slightly exceed the thresholds enjoy an equivalent pricing, thus responding to the issue raised, while ensuring greater equity by introducing greater linearity between the levels.

Since the cumulative increase generated by net costs estimates and the change in the calculation method is more than 50% for three of the five levels, the Board recommended that the impact of the change be smoothed out over 2 years instead of 1.

Flat fees	2019 amount	Change applied over 1 year	Increase	Change smoothed out over 2 years	Increase
> 1 MT and < 2.5 MT	450 \$	\$ 725	61 %	\$ 640	42 %
> 2.5 MT and < 5 MT	945 \$	\$ 1 450	53 %	\$ 1 310	39 %
> 5 MT and < 10 MT	1 885 \$	\$ 2 895	54 %	\$ 2 610	38 %
> 10 MT and < 15 MT	3 150 \$	\$ 4 345	38 %	\$ 4 170	32 %
> \$1 M and < \$2 M	3 150 \$	\$ 4 345	38 %	\$ 4 170	32 %

### Empowering low-volume producers by providing for the possible integration of eco-modulation based on the materials generated

The second recommendation is essentially inspired by the EQA to make companies responsible for the materials they market, by integrating environmental criteria in order to consider, at least in part, the type of materials generated by these low-volume producers. Because companies who were eligible for lump sums do not have to specify the type of materials generated, they are therefore less responsible for the types of materials used.

This new feature will enable ÉEQ to collect qualitative data that will help it align its pricing orientations and expand its data on market trends. The Board has chosen to proceed gradually by including a menu asking low-volume producers to specify the 2 most generated materials

during the year in the 2020 Schedule of contributions. The Board has also adopted to possibly integrate eco-modulation criteria into the pricing of low-volume producers, just as the rates per material would be.

## Contribution table

### Contribution table draft in the 2020 Schedule of Contributions

Material	2020 Schedule \$/t	Variation
Printed matter	335.24	43.2 %
Newsprint inserts and circulars	292.25	43.4 %
Printed matter	425.74	45.0 %
Containers and packaging	278.36	17.5%
Paper / Cardboard	239.12	18.9 %
Corrugated carton and Kraft paper	217.80	19.2 %
Boxboard and other paper packaging	238.67	19.2 %
Gable-top containers	225.34	18.3 %
Aseptic containers	278.48	19.2 %
Laminated paper	340.81	18.9 %
Plastic	409.36	14.6 %
PET bottles and containers	300.08	5.9 %
HDPE bottles and containers < 5 l.	162.66	50.0 %
Plastic film, bags and plastic laminates	542.67	15.1 %
PVC, PLA and polystyrenes	941.97	19.3 %
Other plastics	359.08	25.5 %
Aluminium	204.95	13.9 %
Steel	175.80	2.4 %
Glass	208.66	21.1%
Clear glass	210.06	22.0%
Coloured glass	207.67	20.6%
Average rate	289.54	22.5%

### Rate capping

Since the 2015 SoC, the BOD introduced a guiding principle according to which no increase in material should exceed 50%, unless it serves the purpose of net cost increase. In that case, rates are capped and the exceeding portion is distributed within all materials of its class. Consequently, for the 2020 SoC, HDPE bottles rate was capped to a 50% increase reaching 162.66 \$/t. Otherwise, the increase would have been 54.1% attaining 167.09 \$/t.

## Explanation of rate variations

For the 2020 Schedule, rate variations are from 2.4% to 50%.

Average rate variation	Number of materials
< 22,5 %	22
> 22,5 %	8

The main cause of the rate increase comes from the increase in municipal net costs. In fact, it should be noted that the ÉEQ'S net cost increase of 23.2% affects all materials equally, whereas the variation in the quantities of estimated materials specifically affects the material and, indirectly, other materials of its class.

Material	Explanation of main variations
<b>Catalogues and publications</b> <b>Magazines</b> <b>Telephone books</b> <b>Paper for general use</b> <b>Other printed matter</b>	+ 45%  13% decrease in quantities expected to be reported
<b>PET bottles</b>	+5.9 %  Increase in income from the material, thus reducing processing costs
<b>HDPE bottles</b>	+50%  Variation in revenues affecting the material's processing cost (\$20/t to \$80/t) in a proportion higher than that of its class (585%)
<b>Expanded polystyrene - food</b> <b>Expanded polystyrene - protection</b> <b>Non-expanded polystyrene</b> <b>PVC, polylactic acid (PLA) and other degradable plastics</b>	+19.3%  Decrease in quantities expected to be reported (850 tons shorter)
<b>Aluminium containers for food and beverages</b> <b>Other aluminium containers and packaging</b>	+13.9%  Best performance in relation to material processing cost compared to other CP.
<b>Steel</b>	+2,4%  Significant drop in material cost means better performance in relation to material cost compared to other CP.



## Scenario to determine the recyclability of HDPE containers

The integration of optical equipment to sort plastic matters by a large number of sorting centers allows for high density polyethylene (HDPE) small containers to be sorted more and more with HDPE bottles. In addition, in order to reflect these technological progress, a scenario has been developed to withdraw HDPE containers from the « other plastics » category in the intent to regroup them with the HDPE bottles, as it is the case for PET containers and bottles.

The amalgam of HDPE containers and bottles does not have any impact on HDPE's rate which is set at 162.66 \$/t.

Materials	2020 SoC \$/t	Scenario \$/t	Variation
HDPE bottles	162.66	162.66	-0.0%
HDPE < 5 liters containers	359.08	162.66	-54.7%
Other plastics	359.08	359.48	0.1%

The SoC, which basically applies a principle of communicating vessels, results in a reallocation of \$ 154,000 to all other containers and packaging with, as a result, a rate variation of a maximum increase of 0.15 % for other materials. The rates reflecting this change are found in Appendix II.

## Application Rules

With regard to the Schedule of Contributions application rules, only minimal changes are suggested. Thus, amounts and rates will be adjusted, as will the data referring to the reporting years.

Furthermore, considering the variations in sales income for materials and the difficulty in accurately estimating municipal net costs eligible for compensation, the Board recommends to modify Article 7.1 in regards to adjustments in case of over assessment of net costs or over-reporting of materials, in order to allow a reimbursement, either in full or part, of this credit to the contribution due for this class of materials for the SoC in preparation, by the expiration of the 24 months delay following the date where the contribution amount is due.

## Appendix I – Recovery rates and net costs of materials used in the 2020 Schedule of Contributions

Recovery rates are, as for the previous Schedule of Contributions, those of the 2015-2017 residential characterization study, jointly financed by ÉEQ and RECYC-QUÉBEC.

Processing net costs per material (collection, transportation, sorting and processing of each of the 30 materials in the Schedule of Contributions) use costs from the 2018 activity-based cost allocation study, also jointly financed by ÉEQ and RECYC-QUÉBEC. This update, which incorporates a three-year average of material revenues (2016-2018), partly reflects the impact of the drop in sales prices for recyclable materials.

Materials	Recovery rate 2015-2017	ABC net cost 2016	ABC net cost 2018 (used)	Net cost variation
Newsprint inserts and circulars	85.1%	\$137	\$143	4.5%
Catalogues and publications	82.4%	\$149	\$145	5.4%
Magazines	85.6%	\$137	\$140	4.1%
Telephone books	81.6%	\$137	\$145	5.7%
Paper for general use	56.8%	\$134	\$148	5.3%
Other printed matter	62.4%	\$141	\$143	-3.9%
Corrugated cardboard	77.5%	\$190	\$192	1.3%
Kraft paper bags	41.3%	\$190	\$192	1.3%
Kraft paper packaging	23.2%	\$190	\$192	1.3%
Boxboard and other paper packaging	61.9%	\$183	\$187	2.1%
Gable-top containers	77.9%	\$215	\$217	1.0%
Laminated paper	33.4%	\$264	\$264	-0.1%
Aseptic containers	54.9%	\$225	\$228	1.4%
PET bottles	68.1%	\$292	\$242	-16.9%
HDPE bottles	68.4%	\$12	\$80	587.8%
Laminated plastics	15.1%	\$663	\$622	-6.2%
HDPE/LDPE plastic film	34.8%	\$617	\$594	-3.8%
HDPE/LDPE film shopping bags	15.8%	\$617	\$594	-3.8%
Expanded polystyrene - food	11.5%	\$2,352	\$2,135	-9.2%
Expanded polystyrene - protection	40.9%	\$2,352	\$2,135	-9.2%
Non-expanded polystyrene	24.9%	\$438	\$418	-4.5%
PET containers	57.3%	\$391	\$370	-5.4%
PVC, polylactic acid (PLA) and other degradable plastics	54.6%	\$270	\$279	3.4%
Other plastics, polymers and polyurethane	44.0%	\$265	\$307	15.7%
Aluminium containers for food and beverages	48.2%	(\$183)	(\$133)	-27.6%
Other aluminium containers and packaging	10.0%	(\$13)	\$22	274.4%
Steel aerosol containers	17.5%	\$53	\$27	-48.4%
Other steel containers	64.4%	\$104	\$73	-29.4%
Clear glass	77.5%	\$201	\$203	0.9%
Coloured glass	77.5%	\$201	\$205	1.6%

## Appendix II – The amalgam of HDPE containers and bottles

Material	2020 Schedule \$/t	Variation	2020 Schedule HDPE \$/t	Variation
Printed matter	335.24	43.2 %	335,24	43,2 %
Newsprint inserts and circulars	292.25	43.4 %	292,25	43,4 %
Printed matter	425.74	45.0 %	425,74	45,0 %
Containers and packaging	278.36	17.5%	278,36	17,5%
Paper / Cardboard	239.12	18.9 %	239,38	19,1%
Corrugated carton and Kraft paper	217.80	19.2 %	218,03	19,3%
Boxboard and other paper packaging	238.67	19.2 %	238,92	19,3%
Gable-top containers	225.34	18.3 %	225,57	18,4%
Aseptic containers	278.48	19.2 %	278,80	19,3%
Laminated paper	340.81	18.9 %	341,22	19,0%
Plastic	409.36	14.6 %	408,81	14,5%
PET bottles and containers	300.08	5.9 %	300,40	6,0%
HDPE bottles and containers < 5 l.	162.66	50.0 %	162,66	50,0%
Plastic film, bags and plastic laminates	542.67	15.1 %	543,38	15,3%
PVC, PLA and polystyrenes	941.97	19.3 %	943,35	19,5%
Other plastics	359.08	25.5 %	359,48	25,6%
Aluminium	204.95	13.9 %	205,15	14,1%
Steel	175.80	2.4 %	175,97	2,5%
Glass	208.66	21.1%	208,88	21,3%
Clear glass	210.06	22.0%	210,28	22,1%
Coloured glass	207.67	20.6%	207,89	20,7%
<b>Average rate</b>	289.54	22.5%	289,54	22,5%