

Highlights from the consultations on Éco Entreprises Québec's 2020 Schedule of Contributions

Following the announcement of a significant increase, approximately 350 participants took part in the October 23 meetings on the Éco Entreprises Québec (ÉEQ) 2020 Schedule of Contributions. Now that the consultation process is finished, comes the approval of the Schedule of Contributions, with or without amendment, by ÉEQ's Board of Directors, after which it will be sent to the Government of Québec for publication. The aim of this information sheet is to highlight the main factors and parameters influencing the next Schedule: the global recycling crisis, the drop in reported quantities and the application of funds to handle the increase.

An ongoing crisis

Last year, ÉEQ pointed out the major impact of the Chinese markets halting recyclable materials imports. Whereas 50% of world volumes crossed Japanese borders, Canada did not avoid the ensuing upheaval in the international recycling markets.

The widespread revenue decline in recyclable materials, which has been felt throughout 2019, is putting pressure on sorting costs that are paid by municipalities, then offset by companies targeted by the Schedule of Contributions. Indeed, resale prices for fiber bales and several plastics have reached bottom limits since the beginning of the year. Consequently, sorting centres have difficulty finding buyers for their materials and can no longer cover their operating costs with resale revenue from sorted materials. For example, prices for fibers, which account for more than 60% of sorted materials, dropped by 60% between 2017 and 2019 for cardboard and newsprint and by 110% for mixed paper.

An announced increase

Knowing that this crisis would not be resolved in a year, during the consultation on the 2019 Schedule of Contributions held 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 23.2% on average for portions allocated towards containers, packaging and printed matter.

Considering the recycling and market crises affecting municipal curbside recycling program costs and reported quantities, and in spite of a \$12.3 million infusion from ÉEQ funds and provisions (see the next page), the average increase expected for the 2020 Schedule of Contributions is 22.5%.

Understanding how the recycling crisis impacts company contributions

Fall 2017

China bans the import of recyclable materials.

Materials prices collapse

The supply of recyclable materials exceeds demand.

Insufficient local and neighbouring markets

Difficulty in finding materials buyers
Reopened contracts between municipalities and sorting centres

Increase

Compensated municipal net costs

Decrease

Reported quantities, particularly printed matter



Average increase in contributions of
22.5%

Use of provisions and funds to mitigate the increase for companies

With all elements taken into account in the preparation of the 2020 Schedule, the total contribution taken factored into the pricing formula is \$192.3 million.

In light of the considerable cost increase, ÉEQ’s Board of Directors, most of whose members are also contributing companies, has assessed the status of available funds and chosen to allocate \$12.3 million to the 2020 Schedule in order to mitigate the increase. Of that amount, 4.5 million will be used for all materials and 7.8 will go specifically towards containers and packaging, as they are from the permanent fund reserved for that particular class of materials.

The Board also considered the possibility of using amounts from the Permanent Printed matter fund to mitigate the increase in printed matter. However, no amounts are available for this class of materials this year, considering:

- The constant drop in reported quantities of printed matter and the resulting under-contribution for the last three years
- The Board's decision not to retroactively re-invoice companies, and fill gaps with available funds
- The use of the fund to limit previous increases.

Another factor that affects the 2020 Schedule is the significant decrease in reported quantities. This is mainly due to the accelerated reduction in printed matter and circulars being generated. We anticipate a further decline of 13.0% for this material in the 2020 Schedule of contributions. Containers and packaging are also experiencing a slight decline despite growth in consumption and demographics. These two trends combined lead us to estimate quantities at 622 tonnes for the 2020 Schedule of contributions.

Total costs rising and reported quantities dropping

	2019 SoC	2020 SoC
Total net costs eligible for compensation	\$157.5 M	\$190.3 M
ÉEQ’s share (set by decree)	91.7%	93.5%
Municipal net costs - ÉEQ’s share	\$144.4 M	\$177.9 M
Other cost	\$11.5 M	\$11.6 M
Risk fund	\$0 M	\$2.8 M
Amount allocated to mitigate increases	\$(4.0) M	\$(12.3) M
Total costs considered for calculating companies contributions	\$151.9 M	\$180.0 M
Variation	+ 3.4%	+18.6%

As costs are [distributed by class of materials](#), 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 considerable rate increase for printed matter is attributable to lower expected quantities. Had it not been for the injection of funds, the average increase of contributions would have been more than 31%.

In order to understand all parameters taken into consideration in the preparation of the Schedule of Contributions, as well as rates per material, or to see the consultations webinar, we invite you to read the [Documentation](#) section of ÉEQ’s website.

Important changes are on the horizon for the Québec curbside recycling system and its funding method. To develop the recycling industry and make it a real engine of circular economy, we believe that all links in the chain have a responsibility and a role to play. In our view, the key to transforming the system lies is in the implementation of an integrated vision for the recycling value chain in order to ensure new life for recyclable materials, and this should be carried out as locally as possible. In the development of this circular economy, contributing companies such as yours must go from being [the system’s financiers to its administrators](#).

We therefore invite to keep following the information we will be sending you throughout the year and to take part in our meetings and consultations.