

Agenda

10:30 Welcome and a few words from the CEO

Special consultation on the 2019 Schedule of Contributions

10:45 Objectives of the consultation meeting

10:50 Curbside recycling in the context of crisis

10:55 2019 SoC: updated parameters

11:05 2019 SoC: contribution table and rules

11:20 Question period

Break

11:45 Towards a fee evolution

12:00 Projects to benefit companies in the local and global contexts

12:15 Question period

12:25 Conclusion



Consultation on the 2019 Schedule of Contributions

October 25, 2018

Objectives of the consultation meeting on the 2019 Schedule of Contributions

- Present the context that influences the net costs and Schedule of Contributions
- Submit the draft 2019 Schedule of Contributions for consultation
- Collect feedback from companies and organizations



Year in review

Crisis in the recycling industry

Compensation plan

Updating knowledge

Curbside recycling in crisis:

Impacts of the closure of Chinese markets felt across the curbside recycling value chain

- Collapse in material sales prices (mixed fibres and plastics)
- Accumulation of materials due to the lack of markets
- Temporary and permanent sorting centre closures
- Québec sorting centres' operational and financial challenges exposed in the media
- Loss of citizens' confidence in the capacity to recycle the materials that are collected
- Requests by sorting centres to reopen contracts with municipal organizations

Curbside recycling in crisis:

ÉEQ's involvement and actions to limit the impacts and document the situation

- Development and dissemination of positions on potential solutions to mitigate the crisis
 - Contributing companies will not pay to landfill materials
 - A government emergency fund is required to support sorting centres
- In partnership with RECYC-QUÉBEC, launch of a characterization study of sorting centre output material to determine the number of bales sold

Curbside recycling in crisis:

ÉEQ's involvement and actions to limit the impacts and document the situation

- Contributions to several meetings
 - Sorting centres and conditioners
 - Broad consultation on curbside recycling led by the environment minister
- ÉEQ appointed to the *Comité en appui à la mise en œuvre du plan de travail sur l'évolution de la collecte sélective* assembled by the former environment minister
- Resources for municipalities seeking support in their search for solutions

Curbside recycling in crisis:

\$14M in government funding to support the industry and municipalities

- Funding of 7 projects to optimize materials sorting and conditioning activities (\$3.5M) and enhance the quality and outlets for recyclable materials collected through curbside services (March 2018)

Recommendations by the minister's Comité de l'industrie:

- Fund 5 projects (\$2.5M) to optimize sorting activities (follow up to the program launched in March) (July 2018)
- Start of a funding program for curbside recycling sorting centres (\$4.6M) (July 2018 to January 2020)
- Development of a call for proposals to determine outlets for fibres from curbside collection (\$3.5M) (upcoming)

Compensation plan

Reminder: important dates

	2018 SoC
Submission of reports	October 9, 2018
1st instalment	November 9, 2018 80%
2nd instalment	January 26, 2019 20%
Supporting documents for the credit request for recycled content	November 9, 2018
Deadline to request changes	October 9, 2019

Data updates

Characterization study

Four-part 2015-2017 municipal waste characterization study (ÉEQ and RECYC-QUÉBEC)

Focus	Period	Expected results
Residential	2015-2017	<ul style="list-style-type: none"> • Recovery rates per material • Composition of materials generated by households (curbside recycling and waste)
Industrial, commercial and institutional organizations	2016	<ul style="list-style-type: none"> • Service profile (2016) • Completed with a survey filled out by 2 000 Québec ICIs (ÉEQ study) - fall 2017
Away from home	2016	<ul style="list-style-type: none"> • Recovery rate per material and location (major arteries, parks, etc.) • Composition of materials (curbside recycling and waste)
Sorting centres	2017-2018	<ul style="list-style-type: none"> • Composition of materials collected through municipal curbside recycling programs entering sorting centres

Data updates

Activity-based costing (ABC) model: no change from the 2018 SoC

- Allocation of municipal net costs between three material classes published by the Québec government in May 2018

Class	2018 SoC	2019 SoC
Newspaper	8.3%	8.3%
Printed matter	20.9%	20.9%
Containers and packaging	70.8%	70.8%
ÉEQ total share	91.7%	91.7%






2019 Schedule of Contributions Parameters

Updates to inputs more complex in the context of the recycling crisis and late submissions by companies

- Basic formula:
$$\frac{\text{Estimated municipal costs}}{\text{Expected quantity}} = \text{Average rate}$$

- Two inputs with significant impacts

Municipal net costs	Expected quantities	Rate
		

- An increase in net costs impacts the rates of all materials in the same way
- A reduction in quantities impacts the rate of the material itself and the rates of the other materials in its class (direct link)

Establishing the 2019 Schedule of Contributions

Updated inputs	
Parameters	
1. Estimated 2018 municipal net costs	X
2. Indemnity to RECYC-QUÉBEC	X
3. ÉEQ fees and other provisions	X
4. Cost allocation between the three classes of materials	
5. Expected quantities reported by companies	X
6. Recovery rates (characterization study)	X
7. Net cost of materials (ABC study)	

1. Municipal net costs

Concerted approach to reduce risks

- The 2019 SoC aims to compensate the net performance and efficiency costs of **municipal** curbside collection programs in the 2018 calendar year
- The approach was finetuned in the context of the crisis

Estimating the costs eligible for compensation by ÉEQ in a period of volatility:

- Involvement of ÉEQ's municipal services team to gain from their follow ups and approaches with municipalities
- Close collaboration with RQ to obtain the most recent data on the reopening of municipal contracts
- Approach and analysis of the contracts of the top 20 municipal organizations
- Emergence of a trend in 2019 to support the estimated costs for 2018

1. Municipal net costs

Detailed methodology to account for specific variations in large municipalities

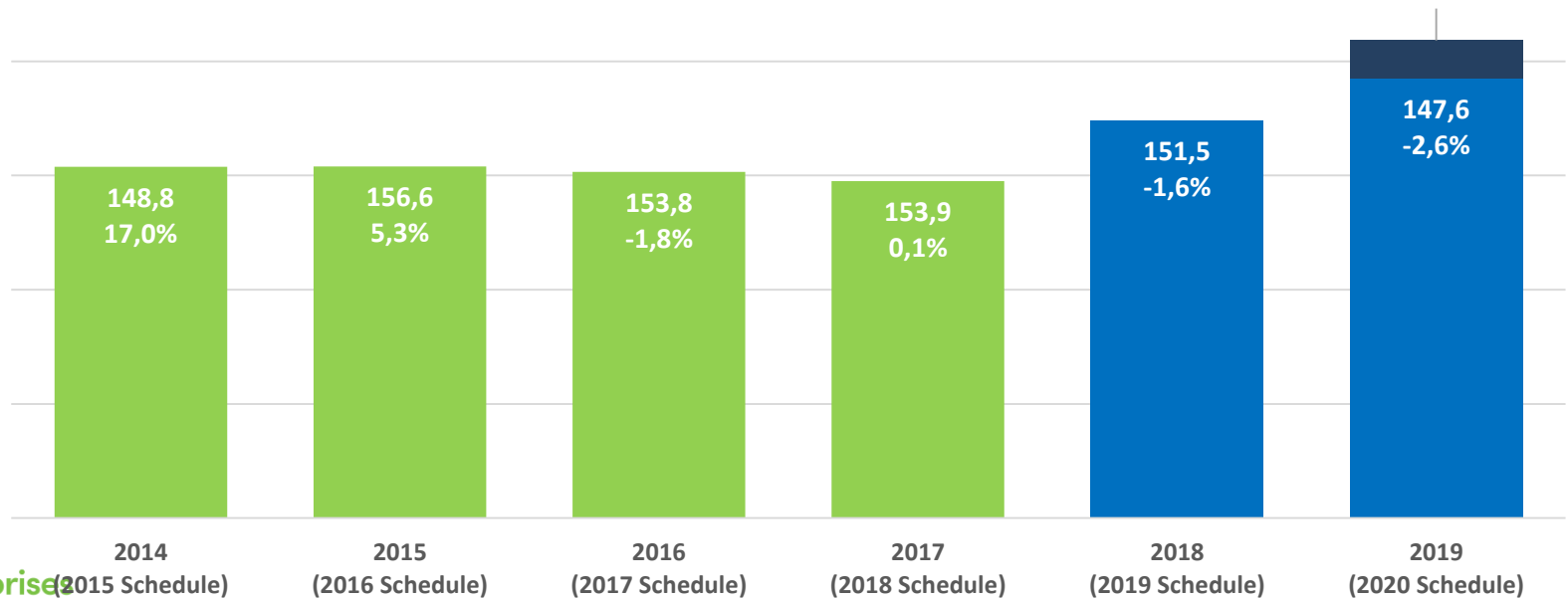
Because a municipality's compensation is calculated based on its performance as compared to that of its group, the detailed methodology enables us to account for the anticipated costs for each municipality in order to determine the total net costs to be compensated

- Sorting and conditioning costs assessed separately from collection and transport costs
- Each contract reopening and renewal is considered
- Efficiency and performance factors automatically calculated based on the municipal group

Estimated 2018 system costs

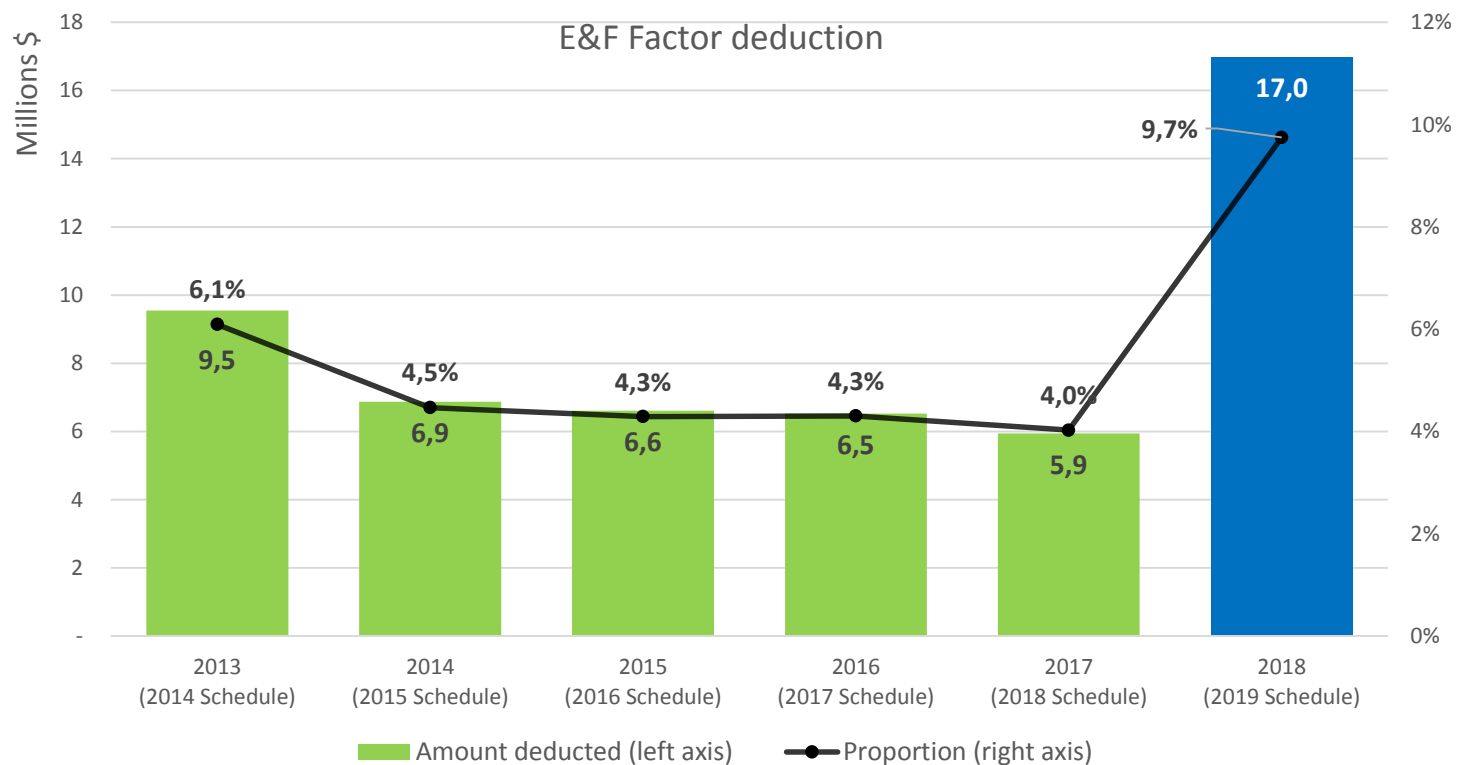
- Estimated system costs for the 2018 calendar year: **\$174.1M**
- Impacts of the crisis fully felt in 2019
 - Effects of reopened contracts on an entire year
 - New contracts based on current prices

Curbside recycling system cost (M\$)



Performance and efficiency (P&E) factor

- The P&E factor makes it possible to deduct a significant share of the net costs compensated for municipalities that deviate from the group average
- Estimated deduction of 9.7% in 2018: \$17M



Municipal costs eligible for compensation (collection, transport, sorting and conditioning)

The costs used to compare the 2018 and 2019 SoCs are rate based and therefore estimated

	2018 SoC	2019 SoC
Estimated Municipal net costs excluding taxes	\$146.5M	\$165.8M
Québec sales tax (QST)	\$7.0M	\$8.3M
Estimated municipal net costs	\$153.4M	\$174.1M
Deduction for non-designated materials (-6.6%)	\$(10.1)M	\$(11.5)M
Deduction for P&E factor	\$(6.4)M	\$(17.0)M
Municipal management fees (8.55%)	\$11.7M	\$12.5M
Total municipal net costs eligible for compensation	\$148.6M	\$158.1M
Variation	- 3.9%	+ 6.4%

2. Other costs (ÉEQ expenses and other provisions)

Supporting ÉEQ's projects and activities in connection with the value chain

	2018 SoC	2019 SoC
ÉEQ fees	\$5.5M	\$5.5M
Bad debt provision	\$2.9M	\$3.0M
Innovative Glass Works plan	\$1.8M	\$1.8M
Printed matter fund	\$(1.5)M	0.0M
Provision for recycled content credit	\$0.6M	\$0.5M
Anticipated reports - low-volume producers	\$(1.4)M	\$(1.6)M
RECYC-QUÉBEC indemnity	\$2.7M	\$2.8M
Total - other costs	\$10.6M	\$12.0M
Variation	+ 0%	+ 13.2%

2. Other costs (ÉEQ fees and other provisions)

Use of printed matter and containers and packaging funds to limit the impacts of the increase on companies

	2018 SoC	2019 SoC
Total - other costs	\$12.1M	\$12.0M
Printed matter fund	\$(1.5)M	\$(2.0)M
Containers and packaging fund	\$0M	\$(2.0)M
Total - other costs and funding	\$10.6M	\$8.0M
Variation	+0%	- 24.5%

3. Cost overview

Cost increase mitigated by injecting funding		
	2018 SoC	2019 SoC
Municipal net costs eligible for compensation	\$148.6M	\$158.1M
ÉEQ share (set by order)	91.7%	91.7%
Municipal net costs - ÉEQ share	\$136.3M	\$145.0M
Other costs with funding	\$10.6M	\$8.0M
Total costs considered to calculate company contributions	\$146.9M	\$153.0M
Variation	-1.7%	+ 4.2%

4. Expected reported quantities

The expected reported quantities for the 2019 Schedule of Contributions are those placed on the market in Québec in 2018.

Overall decrease as compared to 2018 (-2.0%)

The digitization of print matter continues: 140 kt vs. 150 kt (-6.7%)



5. Residential recovery rate 2015-2017 results

- Overall average rate of 63.6% remains unchanged
- Recovery rates relatively stable for all materials
- Slight impact on the SoC
- Detailed results available on our website



A person wearing a dark suit and a striped tie is holding a large blue recycling bin. The bin is filled with various plastic bottles, including clear and white ones. A white circular graphic is overlaid on the bin, and the word "Rates" is written in blue text inside it. The background is a plain, light-colored wall.

Rates

Overall average rate including funding

6.3% increase in the average rate as compared to the 2018 SoC

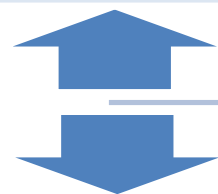
	2018 SoC	2019 Soc No funding	2019 SoC
ÉEQ total contribution	\$146.9M - 1.7%	\$157.0M + 6.9%	\$153.0M + 4.1%
Estimated reported quantities	655 kt + 2.5%	642 kt + 2.0%	642 kt + 2.0%
Overall average rate	\$224/t - 5.5%	\$244/t + 9.0%	\$238/t + 6.3%



Increase for printed matter (PM)

\$2.0M from the printed matter fund to mitigate the increase

	2018 SoC	2019 SoC No funding	2019 SoC
Total costs - PM share	\$32.9M	\$34.6M	\$34.6M
Provision credit for recycled content	\$0.5M	\$0.4M	\$0.4M
PM fund	\$(1.5)M		\$(2.0)M
Total contribution	\$31.9M	\$35.0M	\$33.0M
	- 3.6%	+ 10.0%	+ 5.0%
Expected reported quantities	150 kt	140 kt	140 kt
	- 1.9%	- 6.7%	- 6.7%
Average rate	\$212/t + 5.6%	\$249/t + 18.0%	\$235/t + 10,9%



Costs

Quantities

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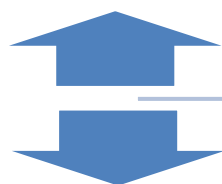


Rates

Increase for containers and packaging (CP)

\$2.0M from the containers and packaging fund to mitigate the increase

	2018 SoC	2019 SoC No funding	2019 SoC
Total costs - CP share	\$115.7M	\$121.8M	\$119.8M
Provision credit for recycled content	\$0.1M	\$0.2M	\$0.2M
CP fund			\$(2.0)M
Total contribution	\$115.8M	\$122.0M	\$120.0M
	- 5.3%	+ 5.4%	+ 3.6%
Expected reported quantities	505 kt	502 kt	502 kt
	+3.9%	- 0.6%	- 0.6%
Average rate	\$228/t - 6.7%	\$243/t + 5.7%	\$239/t + 4.9%



Costs

=



Rates

Quantities

Rates - printed matter

Higher rates due to the increased net costs
and the lower expected quantities

	2018 SoC	2019 SoC	Δ 2019
Printed matter - Average rate	212 \$	235 \$	10.9%
Newsprint inserts and circulars	\$184	\$205	11.1%
Catalogues et publications			
Magazines			
Telephone books	\$269	\$295	9.7%
Paper for general use			
Other printed matter			

Rates - paper/cardboard

Increase in rate lower than the average for all fibres owing to their good recovery rates and the increase in estimated reported quantities

	2018 SoC	2019 SoC	Δ 2019
Paper/cardboard - Average rate	\$194	\$202	4.3%
Corrugated cardboard	\$176	\$184	4.2%
Kraft paper shopping bags and packaging	\$176	\$184	4.2%
Boxboard and other paper packaging	\$194	\$201	3.9%
Gable-top containers	\$187	\$192	2.3%
Laminated paper	\$274	\$288	5.1%
Aseptic containers	\$224	\$235	5.1%

Rates - plastics

Increase in rates lower than the average for most plastics

HDPE bottles: decrease due to their good recovery rate

Polystyrene: Increase due to lower quantities and stable recovery rate

	2018 SoC	2019 SoC	Δ 2019
Plastics - Average rate	\$342	\$360	5.0%
PET bottles and containers	\$274	\$285	4.0%
HDPE bottles	\$107	\$110	2.5%
Laminated plastics	\$447	\$474	6.2%
HDPE and LDPE shopping bags	\$447	\$474	6.2%
Expanded polystyrene for food products, expanded and non-expanded protective polystyrene	\$735	\$793	7.9%
PVC, polylactic acid (PLA) and other degradable plastics	\$735	\$793	7.9%
Other plastics, polymers and polyurethane	\$278	\$288	3.9%

Rate - aluminium

Higher rates for aluminium

Increase due to a lower recovery rate

	2018 SoC	2019 SoC	Δ 2019
Aluminium - Average rate	\$169	\$181	7.6%

Aluminium food and beverage containers

\$169

\$181

7.6%

Other aluminium containers and packaging

\$169

\$181

7.6%

Rate - steel

Increase lower than average due to their good recovery rate

	2018 SoC	2019 SoC	Δ 2019
Steel - Average rate	\$169	\$173	2.6%
Steel aerosol containers	\$169	\$173	2.6%
Other steel containers	\$169	\$173	2.6%

Rate - glass

Increase lower than average due to their good recovery rate

	2018 SoC	2019 SoC	Δ 2019
Glass - Average rate	\$168	\$175	4.1%
Clear glass	\$168	\$175	4.1%
Coloured glass	\$168	\$175	4.1%

Low-volume producers

No change to low-volume producers' flat fee eligibility

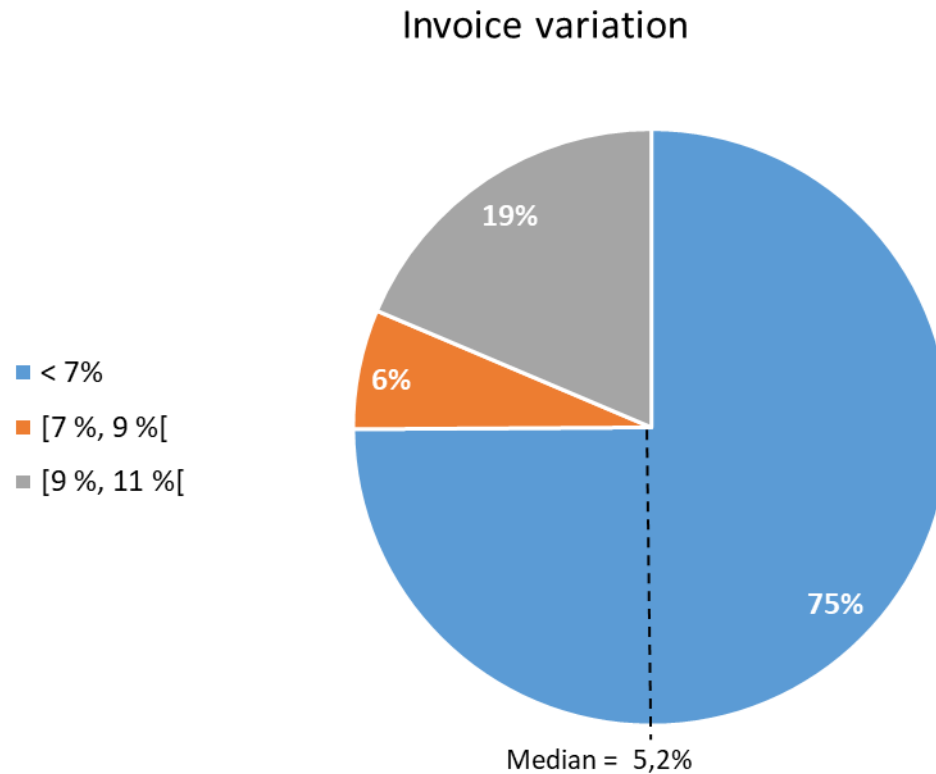
Increase in flat fees proportional to the rate average

Tonnage generated criterion	Turnover criterion	2018 SoC	2019 SoC
1 to 2.5 tonnes		\$420	\$450
2.5 to 5 tonnes		\$890	\$945
5 to 10 tonnes		\$1 775	\$1 885
10 to 15 tonnes	\$1M to \$2M	\$2 965	\$3 150

Impact on companies

75% will experience an average or below-average increase

25% will experience an above-average increase

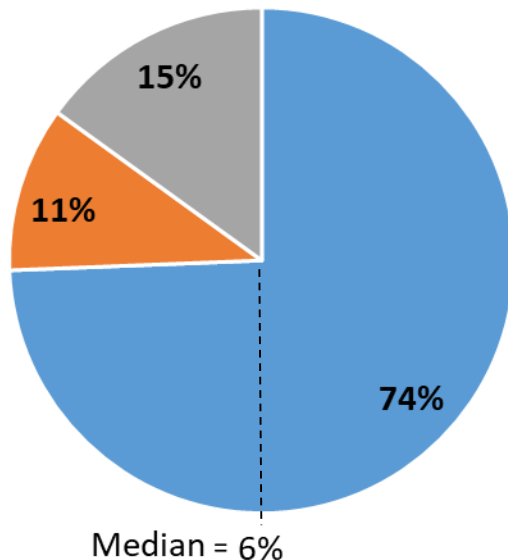


Impact on activity sectors

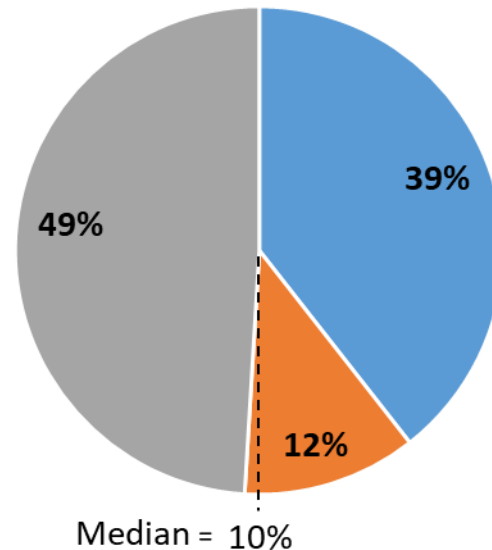
Services companies will be hit harder

Retailers will experience an overall average increases

Retailers and distributors



General, services and others

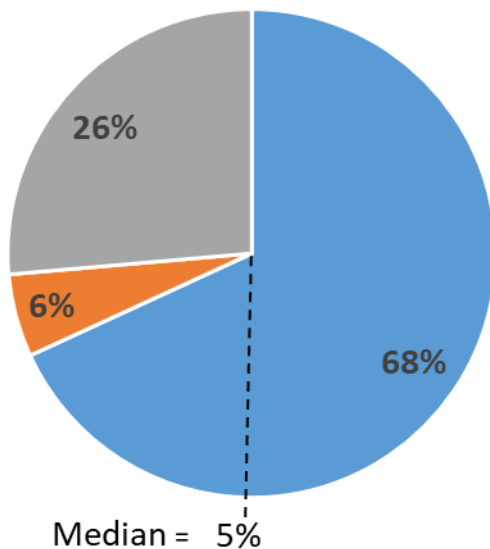


■ < 7% ■ [7 %, 9 %] ■ [9 %, 11 %]

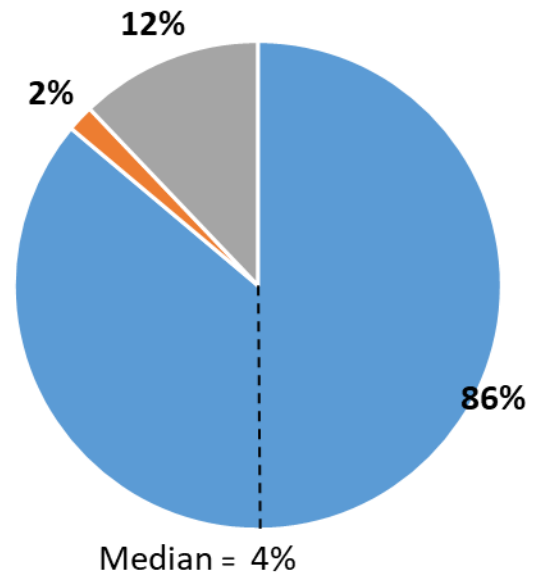
Impact on activity sectors

Manufacturing companies will generally have increases below the average

Durable goods manufacturers



Consumers goods manufacturers



■ < 7% ■ [7 %, 9 %[■ [9 %, 11 %[



SoC rules

Updates to the rules of application and minor changes

- Updated reference years
- Earlier deadlines to file a report and pay a contribution following the coming into effect of the Schedule of Contributions
 - 60 days to file a report (instead of 90 days)
 - 90 days to pay the first instalment of 80% of the contribution for detailed reports and 100% for flat fees (instead of 120 days)
 - 150 days to pay the second instalment of 20% of the contribution for detailed reports
- Simpler eligibility requirements for voluntary contributors based on reported quantities (without authorization for payment exemption)

Payment deadlines

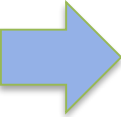
- The deadline to submit a report for the **2018 Schedule of Contributions** was **October 9**. The deadline to pay the first instalment of 80% is **November 9, 2018**.
- If the **2019 Schedule of Contributions** is published before May 31, 2019, the first instalment will be due in summer. The second will be due in fall 2019.
 - Preliminary report available on March 1, 2019
 - Instalment payments on a set date still under study

	2018	2019			
	T4	T1	T2	T3	T4
2018 SoC	80% Nov. 9	20% Jan. 9			
2019 SoC				80% August	20% October

A photograph of a residential street with a row of blue recycling bins lined up along the curb. In the background, there are several houses with varying rooflines and a clear sky. A large, semi-transparent white circle is centered over the middle of the image, containing the text "Next steps".

Next steps

A clear process



Step	Date
Adoption of the draft SoC and consultation program	October 15, 2018
Consultation meetings	October 23 and 25, 2018
Consultation period	October 23 to November 15, 2018
Adoption of the proposed 2019 SoC and consultation report presented to RQ	December 7, 2018
Submission of the proposed SoC and consultation report	Before December 31, 2019
Recommendation of the proposed SoC by RQ to the Québec government	January 2019?
Adoption of the 2019 SoC and publication in the <i>Gazette officielle du Québec</i>	?

A photograph of a residential street with a row of blue recycling bins lined up along the curb. In the background, there are several houses with varying rooflines and colors. A white circle is superimposed over the center of the image, containing the text "Question period".

Question period

More information

Go to EEQ.ca as of October 30, 2018

Full presentations of the meetings

Webcasts of the meetings

Draft 2019 Schedule of Contributions and tables

Overview of the development of the Schedule of Contributions

