
Recovery: An opportunity to boost the circularity of Quebec's economy

June 23, 2020

Background

Éco Entreprises Québec (ÉEQ) is a **private** non-profit organization that represents thousands of companies who market containers, packagings and printed materials in Québec as part of their responsibility to finance the costs of effective and efficient municipal curbside recycling services.

- Over the last 15 years, companies have remitted **\$1.5 billion** to ÉEQ to finance municipal curbside recycling, with **\$180 million** last year only.

As an expert, Éco Entreprises Québec (ÉEQ) optimizes the **curbside recycling value chain** and implements innovative approaches to sustainable development and a **circular economy**.

- Since the start of the pandemic, ÉEQ has carried out crisis impact analyses on curbside recycling and the recycling industry, packaging ecodesign and changes in consumer behaviour.



Background

Following the announcement made by Minister Charette regarding the **modernization of curbside recycling**, and through extended producer responsibility in partnership with municipalities, the following proposals are meant to help public decision-makers coming up with fresh ideas regarding economic recovery.

- The proposed measures also complement discussions regarding the unveiling of the Québec government's **Plan pour une économie verte** and consultations on the **Government strategy on sustainable development**, scheduled for Fall 2020.



Issues heightened by the pandemic

The COVID-19 crisis has shown the strategic importance of recyclable materials in maintaining certain essential manufacturing activities.

Whereas recycled materials represent 40% of the total demand for raw materials needed to manufacture consumer goods¹, the pandemic has highlighted the importance of having shorter supply loops in order to help bolster economic resilience.

The rise of e-commerce exposes the inequalities of fiscal and regulatory obligations between players who have a place of business in Québec and those who do not.

With the confinement imposed by the COVID-19 pandemic, the number of transactions carried out via e-commerce has skyrocketed, representing an increase of 118% compared to the same period in 2019², and the Panier bleu initiative must still comply with fiscal and regulatory obligations to which companies with no place of business in Québec are not subjected.

Consumers' concerns regarding health further complicate environmental responsibility efforts by companies.

While health concerns linked to the pandemic have generated an increase in demand for packaged, portioned and/or single-use products, manufacturers and retailers will need to be more innovative in order to achieve their environmental responsibility objectives.

Sources:

1. Bureau of International Recycling, The Industry – Recycled materials supply 40% of the global raw material needs, June 2020
2. Mayoral Villa M. and Kamena, R., COVID-19 boosts e-commerce by 118% in Québec, Adviso, March 2020

Recovery is an opportunity for Québec to make circularity of resources a true economic lever

Environmental performance

A circular economy, through ecodesign and responsible consumption, makes it possible to reduce the consumption of resources and preserve ecosystems, thereby reducing greenhouse gas emissions (GHGs). Therefore, adopting measures that promote the circular economy of resources will contribute to reaching the Québec government's goals regarding the environment.

Economic development

Through optimization, loss reduction and efficient use of resources, the transition towards a circular economy boosts the creation of wealth for businesses and, in so doing, promotes economic growth¹. This transition would target the development of local and regional markets while supporting job creation.

Social acceptability

While 50% of Quebecers feel that the government should use the recovery process to do more regarding environmental protection and the fight against climate change², adopting measures that promote a circular economy would support a green economic recovery.

Sources:

1. J. Whithmore, D. Normadin et al. Relancer l'économie, c'est aussi la repenser (*"Relaunching the economy also means rethinking it"*), Journal de Montréal, April 23, 2020
2. La Presse Canadienne, Les Québécois veulent une relance économique verte (*"Quebecers want the economic recovery to be green"*), Les Affaires, June 10, 2020

Six government actions for a green economic recovery

Build on achievements

1. Continue to focus on investments in the recycling industry and the modernization of curbside recycling.

Taking action for a green recovery

2. Support the use of ecodesigned packaging and the development of new recycling technologies.
3. Apply to companies who are not established in Québec the same obligations as those currently applied to companies who are present in Québec.
4. Prioritize the development of local and bordering markets for recycled materials.
5. Demand that government purchasers provide responsible procurement criteria.

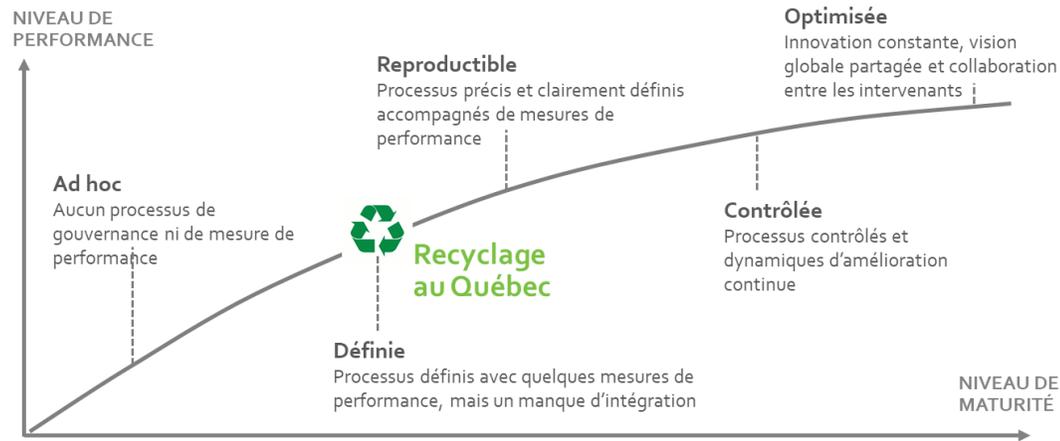
Plan out the future

6. Continue investments in recycling infrastructure while taking into consideration the diagnosis carried out as part of work on the modernization of curbside recycling.

Build on achievements

1 Continue to focus on investments in the recycling industry and the modernization of curbside recycling.

As an industry, recycling must be optimized so it can deploy its full commercial potential. It must be considered a true industry that generates economic benefits, involves many stakeholders, who are both customers and suppliers, and is part of Quebecers' daily lives.



Important commitments have been made in favour of recycling in the last two budgets of the Québec government, as well as in the 2019-2024 action plan of the Residual materials management policy, specifically regarding the **modernization of curbside recycling**, the **modernization of materials recovery facilities** and the **development of markets for recycled materials**. We need to continue to promote these measures.

Taking action for a green recovery

2 Support the use of eco-designed packaging and the development of new recycling technologies.

Several actions can be implemented in order to provide adequate support for companies who choose innovative solutions:

- Define guidelines for effective recyclability, which takes into account recycling infrastructures.
- Ensure traceability of recycled materials.
- Back up [companies that invest in the transition towards eco-designed packaging made from recycled and/or recyclable materials](#) in order to support eco-modulation efforts and financing charges for curbside recycling.
- Assist innovating companies that facilitate the recyclability of such materials, like Loop Industries, Pyrowave, Polystyvert, etc.



In 2016, a study carried out for the European Commission indicated that a **1% reduction** in the consumption of resources due to more efficient use of materials could generate **anywhere from 12 to 23 billion euros** in economic activity and lead to the creation of **100,000 to 200,000 jobs** in Europe.

Taking action for a green recovery

3 Apply to companies who do not have an establishment in Québec the same obligations as those who are present in Québec.

Companies who do not have a place of business in Québec, particularly e-commerce companies, do not generally charge customs nor taxes to their Québec clients and are not legally required to finance curbside recycling of recyclable materials.

It is therefore urgent to apply to companies who do not have an establishment in Québec the same obligations as those of companies who are present in Québec, in order to:

- Ensure the sustainability of the curbside recycling system.
- Restore equality among companies who market containers, packagings and printed materials in Québec.
- Ensure that Québec companies can be competitive on the Québec market.



Even before the start of the pandemic, the weight of packaging placed on the Québec market by companies who have no place of business in Québec, but are active on the territory via e-commerce, was estimated at **50,000 tons**. The regulatory loophole means that Québec is currently being deprived of **\$6 to \$10 millions** in contributions from companies who are not targeted by the current compensation plan.

Taking action for a green recovery

4 Prioritize the development of local and neighbouring markets for recycled materials.

As worldwide competition for raw materials increases, garbage prevention, recycling promotion and increased use of secondary raw materials contribute to reduce dependency¹.

In order to favor shorter supply loops and thus foster greater resilience of the economy, the government can set up incentives such as:

- Prioritizing the circular economy as a selection criterion for projects to be financed.
- Maintaining and improving amounts intended to support the development of technological innovations and the creation of outlets.
- Implementing a support measure for the price of recycled plastic resin in view of the collapse of virgin resin, a measure with an estimated cost of **\$5 million** for two years, making it possible to **support the sale of 50,000 tons of plastics per year**.



In addition to recent investments made by Fibers Sustana, in Lévis, and by Recyclage de TC Emballages Transcontinental, **at least 6 other projects to develop** recycled materials markets, **worth approximately \$28 million**, are known to ÉEQ.

Taking action for a green recovery

5 Demand that government prime contractors include responsible procurement criteria

With the upcoming launch of the **Centre d'acquisitions gouvernementales**, as well as discussions surrounding **Québec's 2021-2026 Government Strategy for Sustainable Development** and the **World Circular Economy Forum** to be held in Toronto in 2021, the time is right for developing concerted initiatives promoting the circular economy, both in terms of responsible procurement and regulatory changes.

Specifically, these initiatives could include:

- Requiring responsible procurement criteria that integrates eco-materials and eco-design criteria for government prime contractors. Requiring that eco-materials meet not only technical criteria, but also environmental criteria, such as the inclusion of recycled content.
- Changing legislation, including the definition of “residual materials”, in the Environment Quality Act, in order to promote the emergence of eco-materials and facilitate their use.



Public purchases by municipal organizations and government departments and agencies alone total close to **\$20 billion** per year. From crushed glass used as granular material to recycled plastic pipes used for rainwater management, the possibilities are endless!

Plan out the future

6 Continue investments in recycling infrastructure while taking into consideration the diagnosis being made.

Under the responsibility of RECYC-QUÉBEC, players in the recovery and recycling industry are currently launching a diagnostics phase in order to prioritize actions aimed at achieving the goals for the modernization of curbside recycling.

For the modernization of materials recovery facilities:

- Amounts provided for in the 2019-2020 and 2020-2021 budgets, which total \$40 million, must be invested strategically, taking into account the diagnostics phase that is currently underway. Additional investment needs are to be expected.

For the optimization/electrification of collection services:

- Heavy trucks used for curbside recycling offer an excellent potential for reducing GHGs and should be included in discussions on the electrification of transportation, whether through hybrid or fully electric and, moreover, Québec technologies.



The InvestEU program, a new initiative of the European Commission in favour of natural capital and the circular economy, **will mobilize at least 10 billion euros over the next ten years.**