

## Summary

# 2025 Schedule of Contributions Consultations Document

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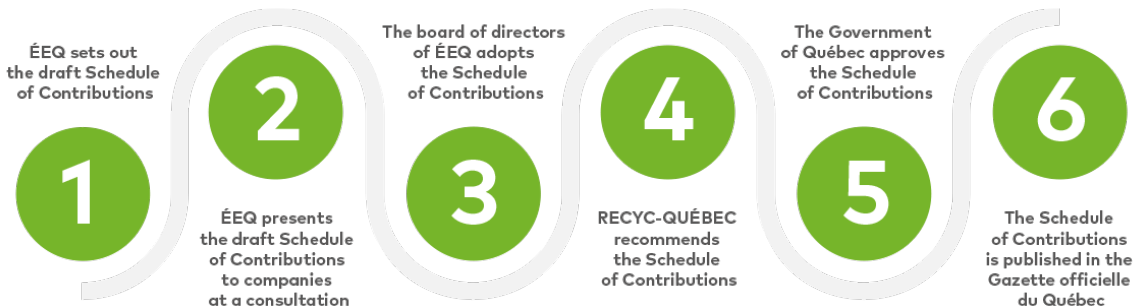
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# Development of the Schedule of Contributions and Consultation Process: A legally Governed Process

The fee development process follows a well-established sequence under the Environment Quality Act and its Regulation on the compensation plan. For this purpose, ÉEQ is required to submit a draft Schedule of Contributions by December 31<sup>st</sup> of each year, applying all preliminary steps ahead of the final approval by its Board of Directors.

For each Schedule of Contributions, ÉEQ's Board of Directors adopts a draft Schedule that is presented to companies and organizations as part of a consultation process. The process covers various mechanisms and covers application rules as well as the methodology for developing the contribution table for each material category. It also aims to engage with as many targeted companies and organizations as possible. The process for the 2025 Schedule of Contributions is the 17<sup>th</sup> implemented by ÉEQ.

The 2025 Schedule of Contributions will also be the last to be carried out according to this process, as the compensation plan will be replaced by an Extended Producer Responsibility (EPR) system on January 1<sup>st</sup>, 2025.



Following consultations, ÉEQ analyzes the comments received and writes a report based on conclusions drawn during the process. 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 regulatory compliance to recommend the Schedule of contributions to the Québec government. The government of Québec then approves the Schedule and publishes it in the *Gazette officielle du Québec*. The 2025 Schedule of Contributions will be the last Schedule to be published by the Québec government.

This document presents the main changes made to the contribution table and application rules for the obligation year 2025. The consultation period runs from November 4<sup>th</sup> to November 15<sup>th</sup>, 2024, and includes two virtual consultation meetings on November 7<sup>th</sup>, 2024 (one in French, the other in English).



# The 2025 Schedule of Contributions: The End of The Compensation Plan

The development of the 2025 Schedule of Contributions (SoC) is taking place concurrently with the transition to a modernized curbside recycling system and Extended Producer Responsibility (EPR). Furthermore, the Quebec curbside recycling system is also subject to the socio-economic context that impacts costs for municipal organizations. Inflation, as well as labour and equipment shortages are the main factors driving up both collection and sorting costs to be compensated, as well as the fluctuating market value of the curbside recycling materials.

Although the current compensation plan expires in 2025, improvements are proposed to update inputs that feed the fee-setting formula and to ensure the evolution of eco-modulation measures.

The contribution table was developed following data sharing with municipalities to estimate the costs to be compensated while considering the quantities of materials declared by targeted companies in their 2024 report and monitoring market trends. Although we did not initially anticipate major fluctuations in reported quantities, lower numbers are to be expected for containers and packaging, which can be explained by the waning of consumer habits started during the pandemic, the expanded deposit-refund for aluminum beverage containers and the federal ban of some single-use plastic products.

## Application Rules

Given that this will be the last Schedule of Contributions and that targeted companies must handle changes pertaining to the modernization of curbside recycling, ÉEQ has not made significant changes to the application rules, but has instead made minor updates, notably regarding dates, the lump sums for small generators and the malus percentage applied to two problematic materials. Such updates are detailed in the following section on eco-modulation.

However, legal notices are pending to clarify the scope of certain articles, given application issues that have been encountered, especially regarding the article governing e-commerce for companies outside Quebec.

All targeted companies and organizations must produce and submit their Company Report to ÉEQ concerning the materials they put on Quebec's market to determine their payable contribution. The amount of the contribution is obtained by multiplying the quantity of each material by the applicable rate indicated in the contribution table for the obligation year, and then adding up the amounts for each material.

# Eco-modulation of ÉEQ's Schedule of Contributions

Following its eco-modulation roadmap, ÉEQ is further developing the fee-setting formula to increase the representativeness of each material's impact on the system. Although the fee structure has long considered eco-modulation principles, namely by encouraging reduction at source and acknowledging good practices, the performance of the curbside recycling system rests in part on better decisions regarding packaging design and clear guidelines on practices to be avoided.

For the 2025 Schedule of Contributions, ÉEQ's Board has approved the addition of two new materials subject to a fee, an increase in the percentage of the malus for two problematic materials and the extension of previously introduced measures, including the eco-design incentive bonus.

## 1. – NEW – Addition of Two New Targeted Materials

Several single-use plastic products have been banned in Canada since December 2023, including plastic shopping bags designed to carry merchandise purchased from a store and generally given to customers at retail outlets. Recommended alternatives include reusable bins, paper bags and reusable bags.

The *Ministry of Environment, Fight Against Climate Change, Wildlife and Parks* provided a regulatory interpretation, indicating that the product lifespan of reusable bags in Quebec is uncertain and varies considerably. This variability means that bags might often end up in the recycling bin rather than being reused over a long period.

This clarification confirms that these bags are indeed covered by the regulations in force and removes any interpretation regarding their lifespan.

Consequently, we are adding these two materials to the material categories to avoid any confusion:

- Reusable bags made of synthetic fibres (fee aggregated with Polystyrene/PVC/PLA plastics)
- Reusable bags made of natural fibres (fee aggregated with wood/cork)

## 2. Malus Increase for PVC, PLA and Other Degradable Plastics

First announced during the 2022 Schedule of Contributions (SoC) consultation, the malus fee for polyvinyl chloride (PVC) and polylactic acid (PLA) and other degradable plastics, was introduced with the 2024 SoC. These materials have been disaggregated since the 2022 SoC, which has enabled ÉEQ to collect data on generated quantities. Although the rate for these materials is already among the highest, the goal is to discourage their use. Both materials

were targeted as there is no recycling stream for such materials and because their presence in the system contaminates other materials, thus reducing their quality.

The malus applies to any container or packaging made mostly of one of these materials, regardless of whether the item is rigid or flexible. Polyvinylidene chloride (PVDC), which has a similar composition and presents similar issues to PVC, and other degradable plastics, such as oxo degradable plastics and polyhydroxyalkanoate (PHA), are therefore also targeted by the malus.

It is important to note that the malus rate has been planned to be progressive to allow companies to make the necessary changes and ultimately reduce and even eliminate such materials. The malus rate for the 2024 SoC was 20% and is increased to 50% for the 2025 SoC. This penalty will be applied automatically to the material's rate at the time of invoicing for all detailed report.

The amounts collected will be deposited in a fund supporting activities aimed at substituting these materials, as well as other research and development activities, and our teams are working to implement additional resources to support companies in their efforts.

### 3. Extension of the Ecodesign Incentive Bonus for a 5<sup>th</sup> Consecutive Year

The ecodesign incentive bonus introduced as a pilot project during the 2021 SoC will be extended for a fifth consecutive year. The goal of this bonus is to recognize and reward container and packaging ecodesign initiatives. Producers' interest in the bonus has grown steadily every year, following the simplification of the approach and increase in available amounts.

A reminder:

- Up to 50% credit against the payable contribution for targeted containers or packaging
- A maximum amount of \$25,000 per application
- Possibility of submitting several applications and obtaining a maximum bonus of \$60,000 per company
- Credit note applicable to the balance of a later contribution.
- Base amount of \$5,000, capped at the total contribution amount if such contribution is under \$5,000

The general eligibility criteria remain the same and all details pertaining to the bonus are available on our website, where you will also find ecodesign practices rewarded since the launch of the program.

#### 4. Extension of the Post-Consumer Recycled Content Credit and Other Upcoming Initiatives

The post-consumer recycled content credit will be extended for the 2025 SoC, maintaining the requirement to submit an application form before the reporting deadline will be maintained. A study has been launched to update the credit ahead of EPR.

Producers who market materials that reach or surpass post-consumer recycled content targets may still receive a 20% credit calculated on the quantities of materials for which the credit has been accepted.

ÉEQ carried out a midway assessment of its 2021-2025 eco-modulation roadmap to convey an accurate portrait of its major accomplishments. ÉEQ teams have also benchmarked the initiative against other international eco-organizations and work is still underway to update the roadmap to reflect various ongoing initiatives aimed at a possible overhaul of the pricing formula for EPR. More information about this will be shared over the coming months.

## Update of Inputs to Develop the 2025 SoC

Establishing a Schedule of Contributions includes several inputs that are obtained either via studies (recovery rate, net costs per material), via estimates (municipal net costs, expected quantities to be reported by companies) or known data (ÉEQ management fees). To fully understand the evolution of net costs within the current context, it is important to analyze the cost increase reported by municipalities with those estimated during the development of the last SoC (2024).

### 1. Marked Increase in Net Costs Reported for 2023 (2024 SoC)

Net costs reported by municipal organizations for 2023 (2024 SoC) are significantly higher than initially anticipated.

	2024 Schedule Announced Fall 2023	2024 Schedule Actual
Net costs to be compensated (ÉEQ and Newspapers combined)	\$236.0M	\$288.7M
<i>Variation</i>		22.3%

Three main reasons account for this increase.

First, on August 30<sup>th</sup>, 2023, the Draft amendment to the *Regulation respecting compensation for municipal services provided to recover and reclaim residual materials* came into effect and the latter changed the calculation method for the compensation to be paid out to municipal organizations for 2024 and subsequent years. This modification aimed at



mitigating the transition of municipal organizations toward the EPR system by removing the performance and efficiency factor previously used in calculations. This factor allowed additional cost reductions by comparing municipal organizations based on population size and distance from major urban centers. However, the transition of municipal organizations from the compensation plan to the new EPR system by January 1<sup>st</sup>, 2025, renders this factor non-applicable. The new compensation method now includes a compensation rate that can vary from one municipality to another but remains set over time.

Secondly, this increase is marked by a significant rise in collection and sorting costs compared to 2022. ÉEQ had partly anticipated this trend following the renewal of collection contracts for several municipal organizations in 2023, some of which are among the top 10 most densely populated municipalities.

Moreover, the sorting cost increase is tied to the market value of materials. The years 2021 and 2022 were indeed exceptional years regarding the value of curbside recycled materials. On the other hand, in 2023, the market value of residual materials dropped by about 35%. Several municipal organizations signed profit-and-loss-sharing agreements with material recovery facilities (MRFs). A significant price drop for certain materials thus results in a direct increase of costs to be incurred by municipal organizations. This can be observed namely in the greater Montreal and Québec City areas.

## 2. Estimated 2024 Net Costs (2025 SoC)

Net costs to be compensated from 2023 were used to project net costs for 2024. The estimated collection, transportation and sorting costs consider contract renewals, as well as the increase in the consumer price index (CPI) for transportation. A series of interviews were conducted with the most populous municipal agencies to learn more about their cost projections for the year 2024.

After the significant increase described above, ÉEQ anticipates that net costs for 2024 to be reported by municipalities by the end of summer 2025 should show a moderate increase. This is due to a slow-down of inflation, a price increase for certain materials going back to historical averages and collection contract renewals for many municipal organizations that already went into effect in 2023.

Thus, ÉEQ anticipates the 2024 net costs for the 2025 SoC to be \$301.5 million, up 4.4% compared to the 2023 preliminary net costs reported. This estimate excludes municipal organizations that have already transitioned to the EPR system.

2024 SoC Consultations Fall 2023	2024 SoC Actual	2025 SoC Projected
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Net costs to be compensated (ÉEQ and Newspapers combined)	\$236.0M	\$288.7M	\$301.5M
<i>Variation</i>		22.3%	4.4%

### 3. Allocation of Costs for Each Material

Since 2022, following a regulatory change, the Schedule of Contributions calculates the share of costs allocated for each material directly, regardless of materials categories. The relative weight of each material category has barely varied this year. However, we anticipate a slight drop for newspapers due to its continued declining reported quantities. ÉEQ's share is therefore \$297.3M, up 5.0% from the amounts actually reported by municipal organizations.

	2024 SoC Consultations Fall 2023	2024 SoC Actual	2025 SoC Projected
Net costs to be compensated	\$236.0M	\$288.7M	\$301.5M
Deduction - Newspapers	(\$4.6M)	(\$5.6M)	(\$4.2 M)
Net costs to be compensated - ÉEQ's share	\$231.4M	\$283.1M	\$297.3M
<i>Variation</i>		22.3%	5.0%

### 4. ÉEQ Management Costs and Other Provisions

Given that the 2025 Schedule of Contributions (SoC) will be the last Schedule under the compensation plan, ÉEQ's Board of Directors approved the use of all permanent and risk fund balances to close the gap between the actual amount reported by municipalities (\$283.1M) and the initial estimated result (\$231.4M) when developing the 2024 SoC. However, once these funds are applied, an amount of \$14.0M remains to be compensated. This amount will be added to the total costs used to develop the 2025 SoC and applicable to all materials, except newspapers.

ÉEQ's management costs and other provisions remain relatively constant for the 2025 SoC, at \$15.5 M. ÉEQ will maintain the provision for bad debt at 2% of anticipated contributions, to cover for possible company bankruptcies as well as possible disputes. Please note that the maximum allowance paid to RECYC-QUÉBEC remains unchanged at \$3.0M.

Also, ÉEQ's contribution to the *Innovative Glass Works Plan* has ended. This initiative, launched in 2016, aimed to modernize Quebec's sorting centres and support the growth of recycled glass markets to provide a second life for glass. The *Innovative Glass Works Plan*

has demonstrated that there is a solution within reach to recycle 100% of the glass collected from curbside recycling. For more information on the conclusions of the initiative, visit the "Initiatives" section of ÉEQ's website.

Finally, as the compensation plan will come to an end under this SoC, no additional sums are slated for the risk fund.

	2024 SoC Consultations Fall 2023	2025 SoC
ÉEQ Management Costs	\$8.6M	\$8.6M
Provisions for bad debt	\$4.9M	\$6.2M
Participation support: <i>Innovative Glass Works Plan</i> and provision for recycled content credit	\$1.0M	\$0.8M
Anticipated reports from low-volume producers	(\$2.4M)	(\$3.0M)
Allowance paid to RECYC-QUÉBEC	\$2.9M	\$3.0M
Allocation to the risk fund	\$1.4M	-
<b>Total ÉEQ fees and other provisions</b>	<b>\$16.3M</b>	<b>\$15.5M</b>
Estimated municipal net costs - ÉEQ share	\$231.4M	\$297.3M
<b>Amount to be funded before funds management</b>	<b>\$247.7M</b>	<b>\$312.8M</b>
Funds management	-	\$14.0M
<b>Anticipated total amount to be funded - ÉEQ share</b>	<b>\$247.7M</b>	<b>\$326.8M</b>
<i>Variation</i>		<i>31.9%</i>

*Note: Column totals may differ from displayed totals due to rounding applied to individual values.*

Thus, total costs to be factored into the calculation of the 2025 SoC are \$326.8M, up 31.9% over the same costs from the previous SoC.

## 5. Expected Quantities Decreasing

ÉEQ anticipates a drop in reported quantities for the 2025 SoC. Three main factors explain this:

- The extension of the deposit-refund system for aluminum beverage containers, effective since November 1<sup>st</sup>, 2023, will certainly impact reported quantities for that material. The tonnage for aluminum containers is expected to drop by 32%.
- The federal regulation banning single-use plastics products (DORS/2022-138) will also impact reported quantities. Based on ÉEQ's data, a 4% decrease in tonnage of certain plastics is expected. Substituting other packaging types with paper and carton was also considered during this process, but variances are still minor for those material categories overall.
- Finally, the end of *Publisac* in 2024, will also bring down reported quantities for printed matter by 13%.

In its estimates of expected quantities, ÉEQ also analyzed trends for each of the reported materials.

## 6. Recovery Rates Maintained

Recovery rates were updated last year. ÉEQ initiated a new residential waste audit in 2022. With this study, it was possible to update recovery rates for the 2024 SoC. These data were also used for the 2025 SoC. Just as for previous years, rates for the "wood and cork" and "ceramic and porcelain" categories were adjusted to zero. This decision reflects the fact that these materials have no outlet for MRFs and, in some cases, represent significant contaminants for other materials (namely, ceramic and porcelain for glass). This eco-modulation measure aims to better consider the impact of companies' choice of materials on the entire value chain.

## 7. Activity-Based Cost Allocation Update

Extensive work was carried out in 2021 to update the operational and financial parameters that comprise the Activity-Based Costing (ABC) model. In 2022 and 2023, several readily available inputs were updated to create a more accurate modelling of the curbside recycling system.

The 2025 Schedule of Contributions is based on the model that was updated this year. This year's update considers investments in sorting centers, rising labor costs, the impact of inflation, notably on fuel prices and MRF operational costs, and changes in the market value of recyclable materials.

# Costs Attributed to ÉEQ and Fee Variation

Considering all these elements, the overall average rate increase compared to 2024 is 33.2%. Factoring the anticipated reported quantities, the average rate for all materials is \$543.99/t.

	2024 SoC	2025 SoC
ÉEQ's total contribution	\$247.7M	\$326.8M +31.9%
Estimated reported quantities	606.5 kt	600.7 kt -1.0%
Average fee	\$408.39/t	\$543.99/t + 33.2%

### Fee Variation per Material Categories

With few exceptions, similar increases apply to almost all material categories.

Material Categories	Average variation	Explanations
Printed matter	31.5%	Rate increase due to higher net costs to be compensated and to a drop in the anticipated tonnage.
Paper, cardboard and other fibres	29.8%	Rate increase due to higher net costs to be compensated. The increase is, however, lower than average due to better performance on the markets compared to other materials.
Plastics	33.8%	Rate increase due to higher net costs to be compensated and to poor performance on the markets, especially for plastic laminates and polystyrene.
Aluminum	297.8%	Significant increase due to the loss of over 30% tonnage, with the expanded deposit-refund system in November 2023. Aluminum cans have a higher resale value than the rest of aluminum packaging.
Steel	14.2%	Rate increase due to higher net costs to be compensated. The increase is mitigated by better performance on the markets.
Glass	29.4%	Rate increase due to higher net costs to be compensated.

## Draft Contribution Table for the 2025 Schedule of Contributions

Material	2025 Schedule \$/t	Variation %
<b>Printed matter</b>	<b>420.91</b>	<b>31.5</b>
Newsprint inserts and circulars	349.78	26.5
Catalogues and publications Magazines Telephone books Paper for general use Other printed matter	510.71	30.7
<b>Containers and packaging</b>	<b>559.09</b>	<b>32.9</b>
Paperboard	474.03	29.8
Corrugated cardboard Kraft paper shopping bags Kraft paper packaging	377.44	33.8
Boxboard and other paper packaging Alternative fibers	490.60	32.0
Gable-top containers	571.89	34.3
Paper laminants	795.36	33.6
Aseptic containers	683.07	34.4
Wood and cork Reusable natural fiber bags	1,042.28	34.1
<b>Plastics</b>	<b>869.29</b>	<b>33.8</b>
PET bottles and containers	611.20	39.9
HDPE bottles and containers < 5L	347.71	28.2
Plastic laminants	1,207.22	38.1
Plastic HDPE/LDPE film HDPE/LDPE plastic shopping bags	1,261.79	38.0
Expanded polystyrene – food packaging Expanded polystyrene – cushioning packaging Non-expanded polystyrene Polyvinyl chloride (PVC) PLA and other degradable plastics Reusable synthetic fiber bags	2,247.41	55.3
Polypropylene (PP)	617.25	36.8

Material	2025 Schedule \$/t	Variation %
Other plastics, polymers and polyurethane	789.81	36.1
Aluminum	258.98	297.8
Food and beverages aluminum containers Other aluminum containers and packaging Aluminum aerosol containers	258.98	297.8
Steel	328.56	14.2
Steel aerosol containers Other steel containers	328.56	14.2
Glass	418.32	29.4
Clear glass	417.44	29.4
Coloured glass	418.02	29.4
Ceramic and porcelain	951.01	32.2
<b>Overall average rate</b>	<b>543.99</b>	<b>33.2</b>

Notes:

- The weighted averages by material category may be higher or lower than the highest or lowest variations respectively, due to a different denominator (quantities) between the two years.
- The malus applicable to the rate for PVC and PLA materials and other degradable plastics is extra.

## Flat Fees

For flat fees, rates are established based on the average rate variation for materials between the 2024 SoC and the 2025 SoC. The amounts are then rounded.

Eligibility criteria	2024 SoC	2025 SoC
> 1 t and < 2.5 t	\$1,010	\$1,350
> 2.5 t and < 5 t	\$2,040	\$2,720
> 5 t and < 10 t	\$4,070	\$5,420
> 10 t and < 15 t	\$6,120	\$8,150

## Appendix I – Rates of recovery and net costs of materials featured in the 2025 SoC

Recovery rates are from the 2022 residential Characterization study performed for ÉEQ. Material net costs are from the update of the Activity-based costing (ABC) model carried out by ÉEQ in 2024.

Material	Recovery rate 2022	Net cost 2024 ABC (\$/t)
Newsprint inserts and circulars	86.3%	233.01
Catalogues and publications	84.5%	233.23
Magazines	88.4%	224.64
Telephone books	80.0%	228.81
Paper for general use	53.0%	250.50
Other printed matter	60.1%	249.90
Corrugated cardboard	86.4%	234.31
Kraft paper bags	58.2%	234.31
Kraft paper packaging	58.2%	234.31
Boxboard and other paper packaging	72.9%	292.05
Gable-top containers	78.3%	408.05
Laminated paper	35.5%	362.30
Aseptic containers	61.5%	414.79
PET bottles	77.2%	377.19
HDPE bottles	71.5%	123.13
Plastic laminates	28.7%	751.04
HDPE/LDPE plastic film	24.4%	785.24
HDPE/LDPE film shopping bags	24.0%	785.24
Expanded polystyrene - food	19.3%	2,874.69
Expanded polystyrene - protection	19.3%	2,874.69
Non-expanded polystyrene	36.6%	626.94
PET containers	64.1%	386.89
Polyvinyl chloride (PVC)	52.2%	437.24
Polylactic acid (PLA) and other degradable plastics	36.4%	500.64
Polypropylene (PP)	50.4%	257.06
Other plastics, polymers and polyurethane	44.2%	397.83
Aluminium containers for food and beverages	59.7%	(989.42)
Other aluminium containers and packaging	19.8%	(8.15)
Steel aerosol containers	27.3%	32.45
Other steel containers	66.0%	42.58
Clear glass	83.1%	291.56
Coloured glass	83.1%	292.13
Ceramic and porcelain	0.0%*	290.72
Wood and cork	0.0%*	389.49

\*The recovery rate set for these materials is 0%.