



# 2024 report : Highlights and next steps for modernization

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## AGENDA

1 Context

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2 Changes to the application rules and Schedule of Contributions ecomodulation

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3 Changes to the contractual structure

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4 Modernization of curbside recycling: State of play and next steps

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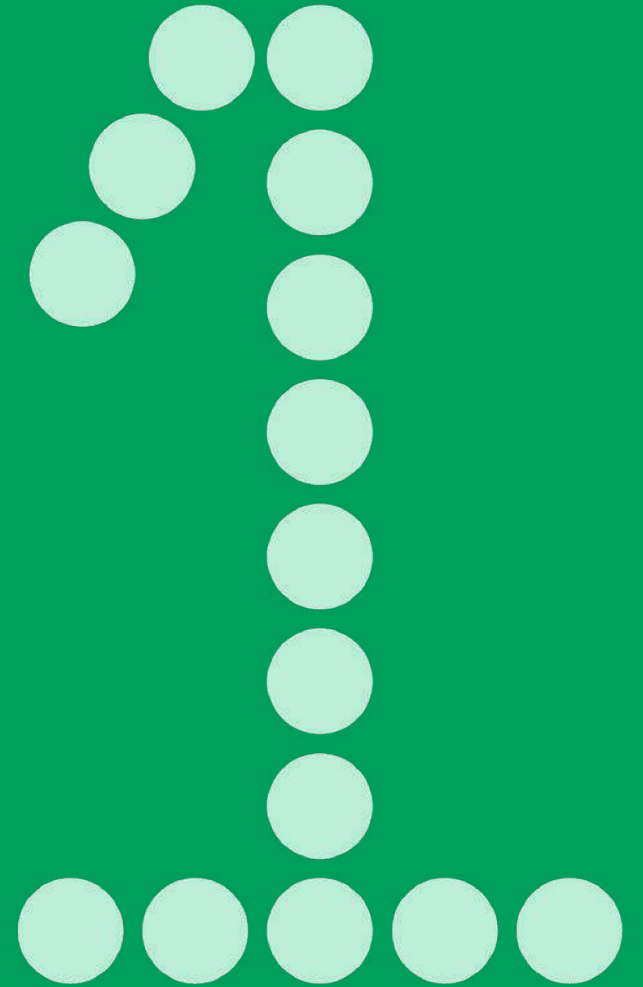
5 Reminder of important deadlines

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6 Q&A session

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# Context

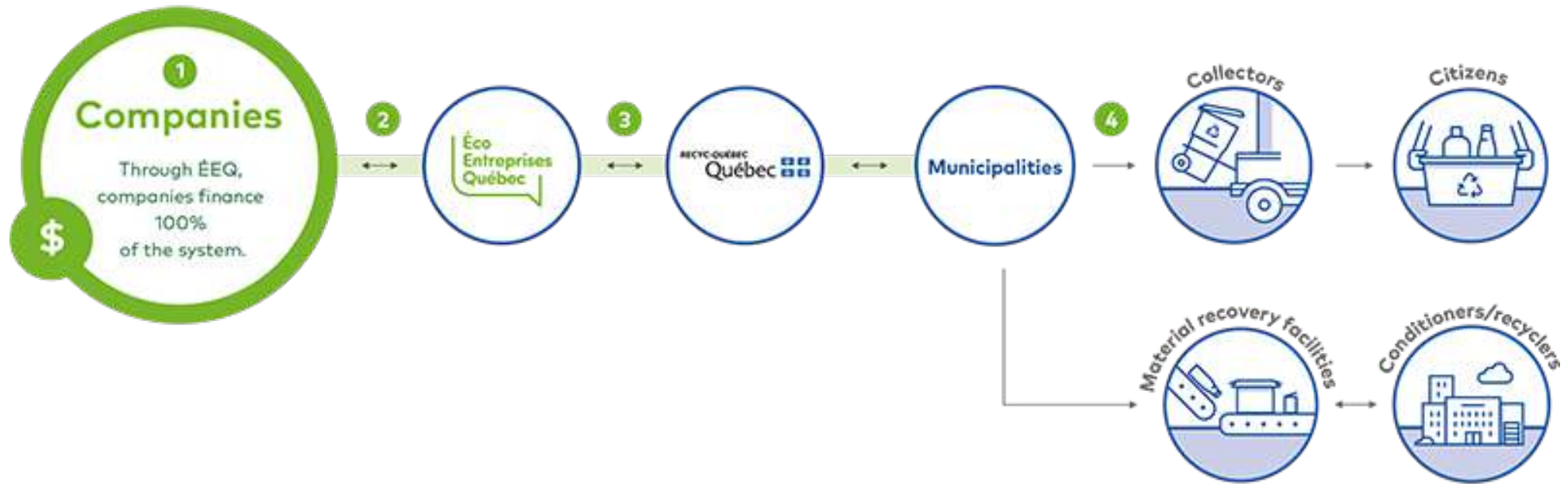


## EPR: a decade-old reflection

Key learning points taken from over 10 years of studies along with a unique co-creation approach by the Government of Quebec have led to the following observations:

- Need for an increased level of control for producers
- Specific needs for Quebec to be taken into account, including the importance of front-line services
- Role of accounting and transparency of information

# The Compensation Plan: a linear system

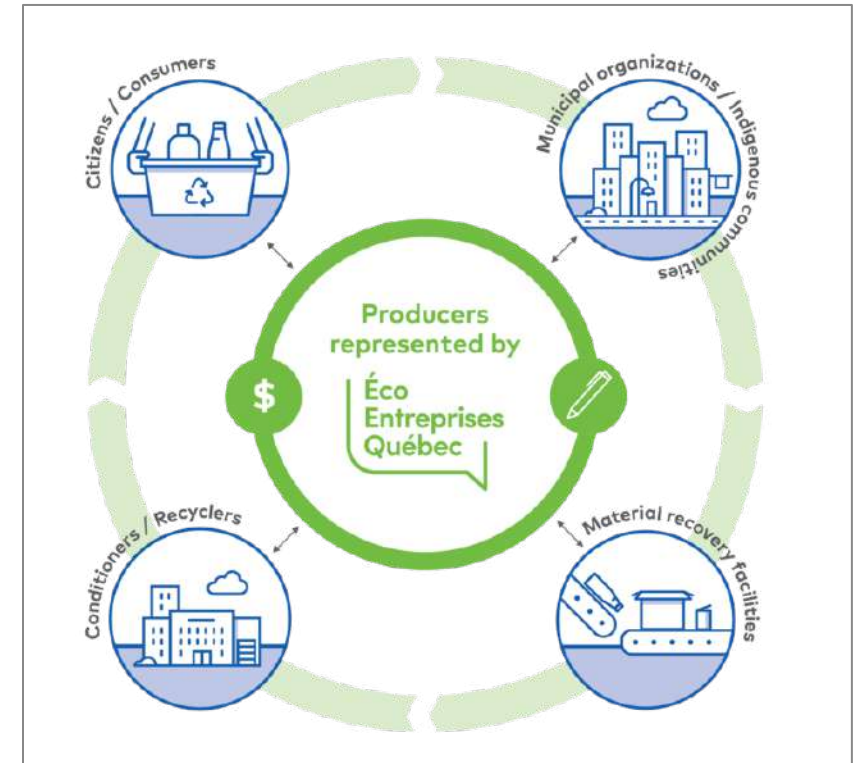


## Towards EPR: a curbside recycling system with producers now at the center

Designated as producer responsibility organization (PRO) in 2022, ÉEQ is at the head of curbside recycling management in Quebec with a view to sustainable development.

### Through the PRO, producers will collectively:

- Be responsible for developing, implementing and financing the curbside recycling system:
  - particularly by overseeing the collection and transportation of materials intended for residential, institutions, companies and industries (IC&I) sectors – Section 12 of the Regulation
- Own recycled and sorted materials
- Be responsible and held accountable for the system's performance



# Transition period: The Compensation Plan and EPR in coexistence

## Compensation plan (CP)

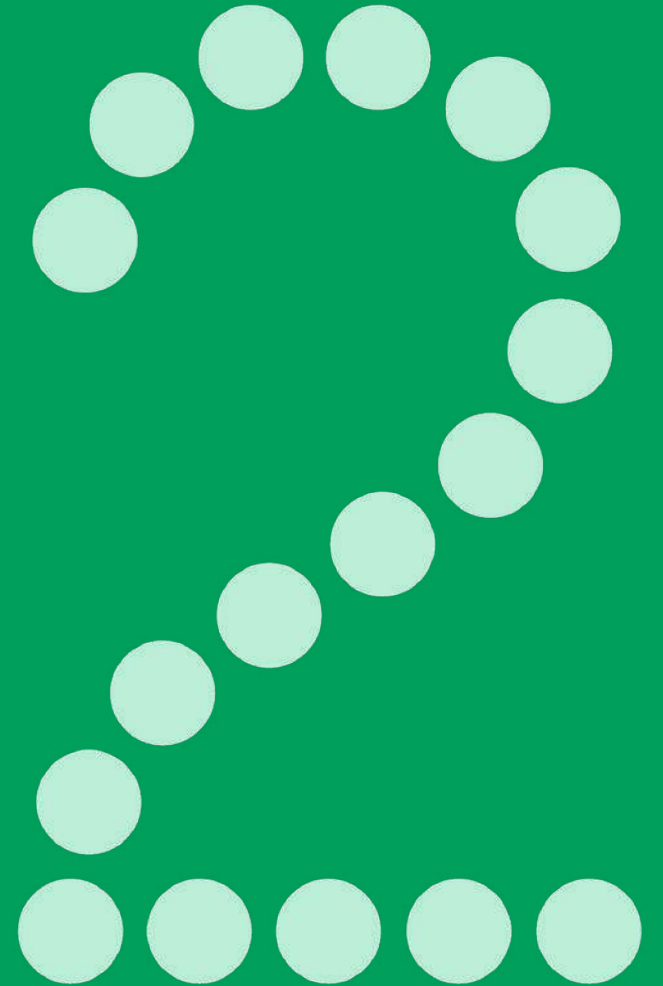
- ÉEQ is a mandated organization
- Voluntary membership
- No contractual agreement
- **Schedule of Contributions published in the *Gazette officielle du Québec*, giving it legal recognition**
- Application rules
- Contribution table
- Consultations as per the Regulation
- ÉEQ has no operational responsibility



## Extended Producer Responsibility (EPR)

- ÉEQ is producer responsibility organization (PRO)
- Mandatory membership
- **Contractual structure, including:**
  - **Membership contract & terms and conditions**
  - **6 contract-related policies**
- Consultation as per the terms and conditions
- ÉEQ has additional responsibilities:
  - Operational in terms of curbside recycling management
  - Expansion of service, designated materials and territories

# Changes to the application rules and fee eco-modulation





## Exemption and flat rates based on revenue

- So as to recognize the reality of small businesses, the exemption based on revenue has been upheld and its threshold has increased from \$1M to \$1.3M
- However, to ensure consistency under the new regulatory framework (EPR), which aims to delegate greater responsibility to producers with regard to the materials they place on the market:
  - ❖ ÉEQ has withdrawn what constitutes revenues eligible for a flat rate in order for companies to pay according to the quantities they place on the market
  - ❖ The notion of revenues eligible for exemption has been reviewed to include all revenues in Quebec, as opposed to revenues only related to products and services marketed within the province.

## Broadening of material: alternative fibres

- Separated from “Boxboard and other paper packaging” material
- Fibrous materials taken from annual plants (i.e.: bamboo, bagasse, wheat straw, hemp, eucalyptus, etc.) and used to substitute wood fibres
- Aims at an improved appraisal of influxes (in growth)
- Studies ongoing to better understand compatibility with the paper-cardboard recycling stream.



## Broadening of material: aluminium aerosol containers

- Separated from “Other aluminum packaging” materials
- Aims at an improved appraisal of influxes and cost model



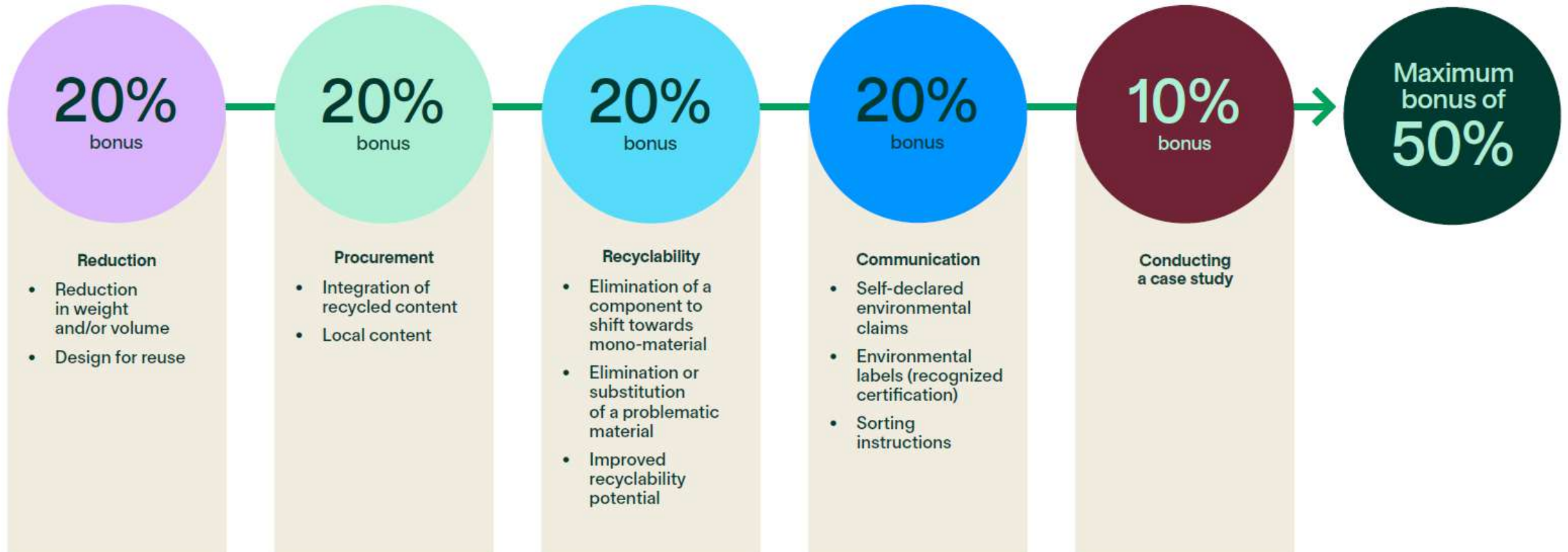
## Ecodesign incentive bonus renewed for a 4th consecutive year!

### Reminder

- **Recognize and reward** ecodesign approaches for containers and packaging
- Up to a **50% credit of the payable contribution** for designated containers or packaging
- A maximum of **\$25,000** granted **per application**
- Companies can submit more than one application and receive up to a maximum bonus of **\$60,000 per company**
- **Credit note** applicable to the balance of a future contribution



## Eligible ecodesign actions



## A broad range of bonus-earned initiatives



## Renewal of credit for post-consumer recycled content!

Producers who market materials, reach or surpass post-consumer recycled content targets can receive a **20% credit** based on the quantity of materials for which the credit application has been approved.

Printed matter	Threshold
Newsprint inserts and circulars	80%
Magazines	50%
Catalogues and publications	50%
Telephone books	80%
Paper for general use	80%
Other printed matter	80%

Containers and packaging	Threshold
Kraft paper bags	100%
Kraft paper packaging	100%
Laminated paper	100%
PET bottles	100%
HDPE bottles	100%
PET containers	100%
HDPE containers	100%

## Credit and bonus: key dates

### Credit for post-consumption recycled content

- Submitting an **application**: deadline to **submit your report**
- Submitting **supporting documentation**: deadline for the **first contribution payment**

### Ecodesign incentive bonus

- Submitting an **application**: deadline for the **first contribution payment**
- Submitting **supporting documentation**: **30 days** following the request from ÉEQ

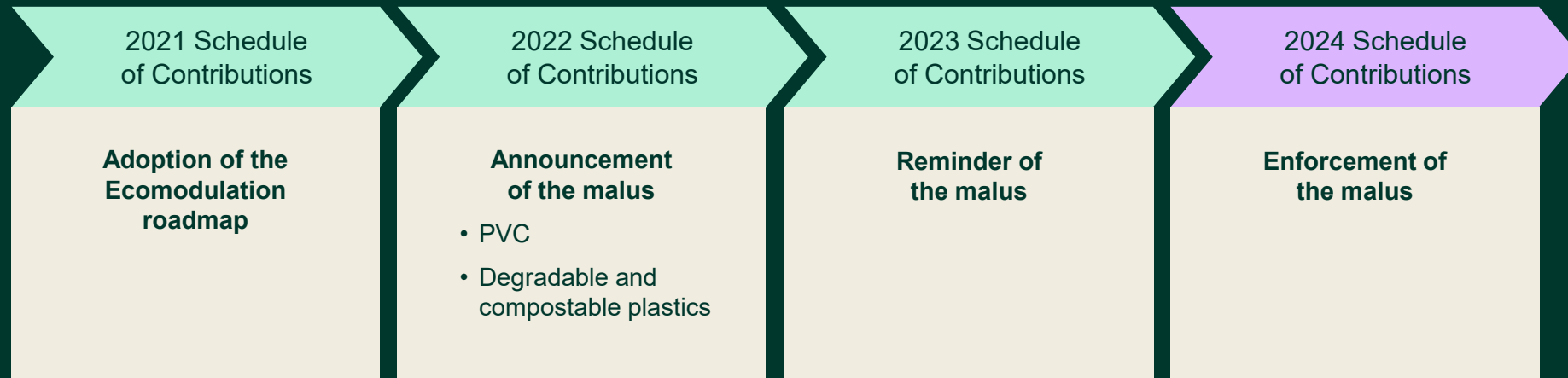




# Malus coming into effect as of the 2024 Schedule

## Reminder

- To hold producers **accountable** when it comes to the **consequences** of placing certain materials on the market
- To fast-track the use of **recyclable materials compatible** with a modernized curbside recycling system



## 20% malus rate for the 2024 Schedule

- Malus automatically applied on the **first contribution invoice** for the 2024 Schedule
- The **measure applies to:**
  - ❖ All targeted producers that file a **detailed report**
  - ❖ All designated containers and packaging whose **predominant material** is subject to a penalty, regardless of its format (rigid or flexible).

FOR EACH MATERIAL SUBJECT TO A MALUS

$$\text{Amount of the malus} = \text{QUANTITY OF CP\&PM GENERATED} \times \text{UNIT WEIGHT} \times \text{MATERIAL RATE} \left( \times \text{MALUS RATE} \right)$$


## Polyvinyl chloride (PVC)

- **Does not have** a recycling stream and **disturbs the recycling process** for other materials
- Linked to operational problems in recycling, and health and environmental issues
- Covers rigid and flexible packaging (includes PVDC products)



## Polylactic acid (PLA) and other degradable plastics

- **Does not have** an adequate end-of-life processing stream
- ÉEQ has written up a report on the subject in 2021
- Includes rigid and flexible packaging and other degradable plastics (e.g. PHA, oxodegradable products, etc.)



## Multiple external positions in favour of reducing or eliminating the use of these materials

Polyvinyl chloride (PVC)



Polylactic acid (PLA) and other degradable plastics



## Helpful resources for producers

- **Malus guide:** presents the application terms and offers substitution examples as information.
- Creation of a **fund**
  - ❖ Support and tools
  - ❖ Bonus
  - ❖ Research and development activities



## Ecomodulation at the heart of a new fee structure formula

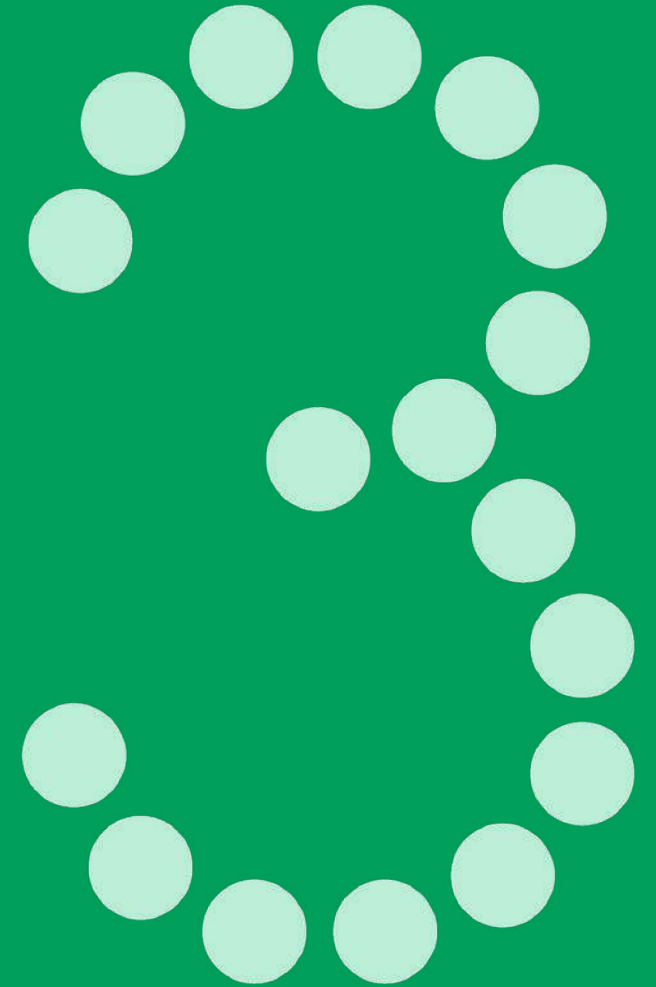
### 2021-2025 eco-modulation roadmap

- **Mid-term report** and look over **main accomplishments**
- Update to better reflect **current initiatives**

### Required evolution of the fee structure formula in readiness for EPR

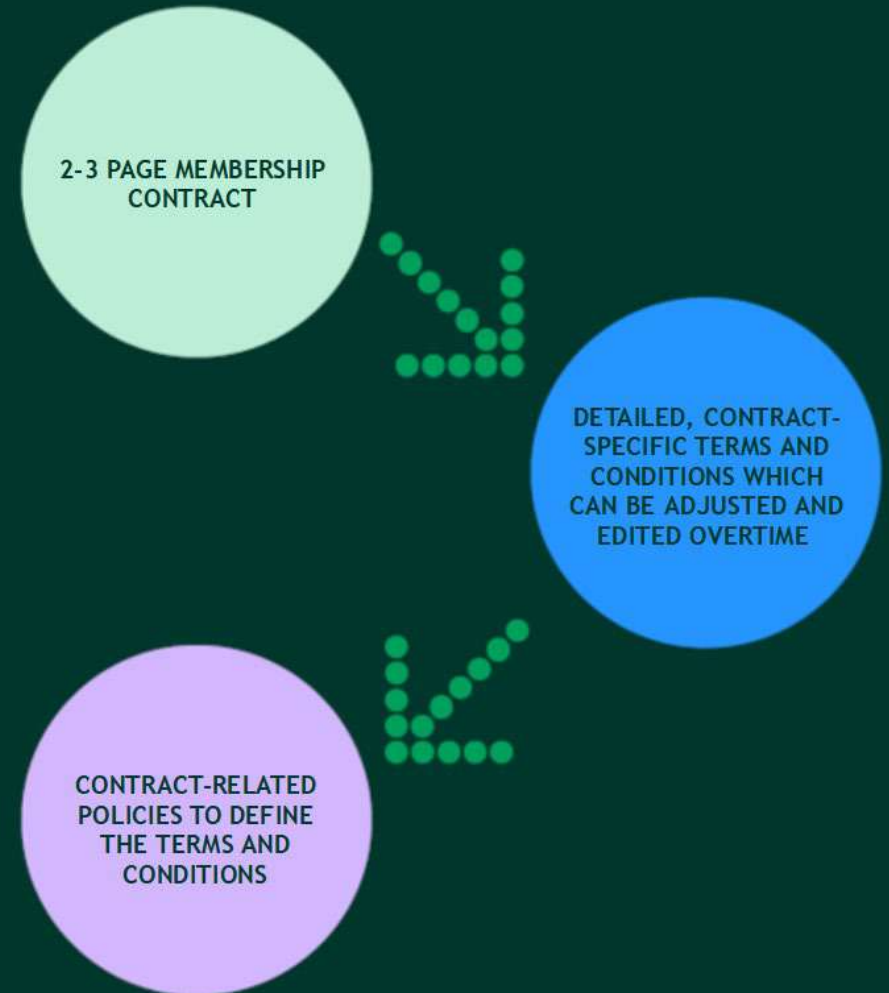
- Based on the **principles of eco-modulation**
- To reflect the **new responsibilities** of producers and the **expansion of ÉEQ's mandate**

# Changes to the contractual structure



## Reminder: Contractual structure for producers

- All producers must be ÉEQ members
- Membership occurred when submitting the 2023 report
- Consistent structure for all producers with policies specific to certain clients (small producers, voluntary producers), including the policy pertaining to the Producers' Financial Participation (PFP)
- The contract aims to formalize our responsibilities and mutual commitments, and define the value proposition of ÉEQ for members, aligned with our purpose





## Tying contribution rules to the contractual structure

To ensure a smoother transition towards EPR, allow companies to benefit from measures introduced in membership contract-related policies, and give ÉEQ some leverage to increase compliance and ensure fairness:

- Deadline to submit a **request for modification** to the report extended to **2 years** rather than 1
- Added clarifications for **what makes reviewing a report possible** to facilitate the process for companies
- Details related to **information to submit through the portal** to uphold the quantities of submitted materials and description of documents needed for the review of a report
- Deadline to **submit supporting documentation** reduced to **30 days** (rather than 60)

## Adjustment of policies for better clarification

- Removed the definitions for centralization within the terms and conditions for ease of reading
- In the PFP policy:
  - ❖ Removed the requirement to submit a report within 60 days following membership
  - ❖ Added paragraph indicating that any company starting its activities must submit a report the following year for its period of operation
  - ❖ Added clarifications to better define and simplify terminology
  - ❖ For example, added excluded materials linked to the health system (hospitals will be covered with the expansion of IC&I service)
  - ❖ Integrated a **special PFP for 2024**

## Reminder - Why a special PFP:

- To finance the costs related to **agreements** signed with municipal organizations who have been gradually transitioning towards the new plan since January 2024
- To set up a **Reserve fund** to answer to the EPR curbside recycling regulation requirements
  - ❖ Special PFP of up to 25%
  - ❖ Credit facility of up to 75%
- To finance expenses linked to **the new role of ÉEQ** as PRO of EPR curbside recycling

## Which producers will be required to pay a special PFP?

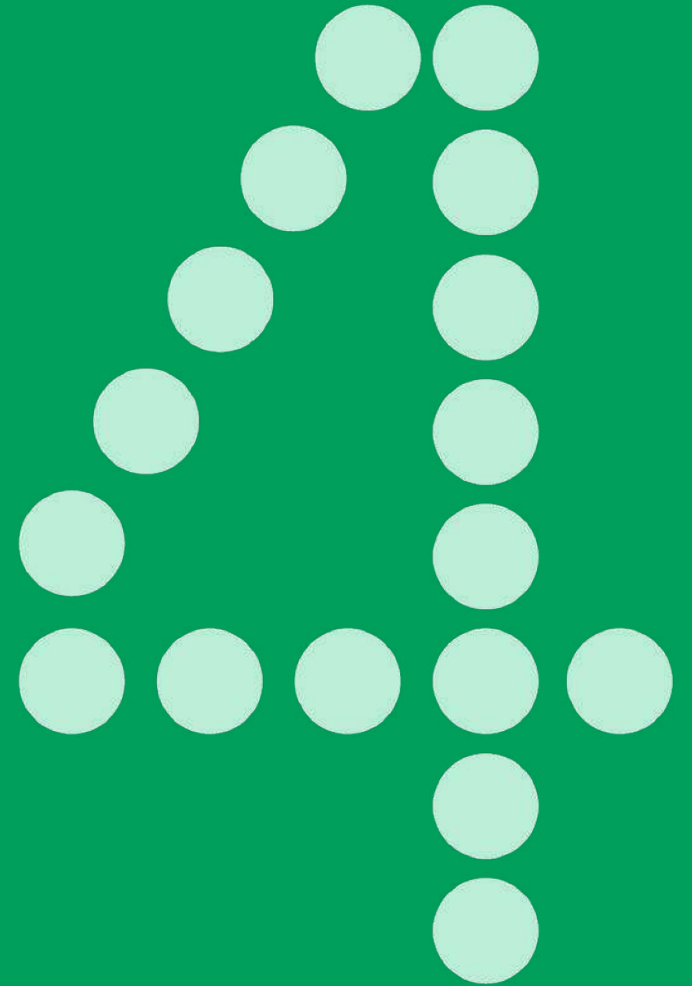
- Every ÉEQ member producer who reports a quantity of materials under the 2023 and 2024 reports
- Producers will need to report deposited containers (“ready-to-drink” 100ml to 2L) separately as they will be subject to specific special PFP rates
- Specific rates for the special PFP per material are established according to the current fee structure formula

## Administrative terms






- Taxes (GST/QST) will apply to the PFP
- The 2024 special PFP will come into effect during the 2024 report and will be **payable in the fall**
- For **small-volume producers\***, paying the 2023 special PFP has been postponed to the 2024 report, meaning both will need to be **payed off in the fall**

*\*Less than 15 metric tons of materials generated per year or having a sales revenue of less than \$2M*

# Modernization of curbside recycling: Next steps



# Evolution of regulatory obligations

		2025	2027	2028-2029	2030 and +
Included service and territory		<ul style="list-style-type: none"> <li>Residential</li> <li>Schools and cegeps</li> <li>Outdoor public areas and IC&amp;I* already being served</li> <li>Similar IC&amp;I</li> <li>1 Northern village</li> </ul>	<ul style="list-style-type: none"> <li>Universities</li> <li>All IC&amp;I</li> <li>Northern villages</li> <li>2/3 of outdoor public areas identified in ÉEQ's plan</li> </ul>	<ul style="list-style-type: none"> <li>All outdoor public areas identified in ÉEQ's plan (2028)</li> </ul>	<ul style="list-style-type: none"> <li>All industries (2030)</li> </ul>
Accepted materials for recycling		<ul style="list-style-type: none"> <li>All containers, packaging, printed matter and newspapers with a lifespan of &lt; 5 years (except ☐ )</li> </ul>	<ul style="list-style-type: none"> <li>Polystyrene</li> <li>Coat hangers, hooks, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Straws, cutlery, etc. (2029)</li> </ul>	<ul style="list-style-type: none"> <li>Compostable and degradable plastics (2031)</li> </ul>
Performance targets		<ul style="list-style-type: none"> <li>Traceability measures in contracts with material recovery facilities and recyclers</li> </ul>	<ul style="list-style-type: none"> <li>Recycling targets</li> <li>Recovery targets (exit from material recovery facilities)</li> </ul>	<ul style="list-style-type: none"> <li>Recycling targets:                             <ul style="list-style-type: none"> <li>☐ 5% every 5 years</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Recovery targets (exit from processing)</li> <li>Local recovery targets (2030)</li> </ul>
Impact of the deposit-refund system		<p><b>November 1, 2023:</b> Entry into force of the EPR deposit for beer and soft drink containers already targeted by the deposit system and for all aluminium beverage containers</p> <p><b>March 1, 2025:</b> Expansion of the EPR deposit for all beverage containers between 100ml and 2L.</p>			
Subject producers		<ul style="list-style-type: none"> <li>Producers who trade with consumers (B2C)</li> </ul>	<ul style="list-style-type: none"> <li>Producers who trade with other companies (B2B) – Institutional and commerces sector</li> </ul>		<ul style="list-style-type: none"> <li>Producers who trade with other companies (B2B) – Industrial sector</li> </ul>

\*IC&I : Institutions, commerces and industries

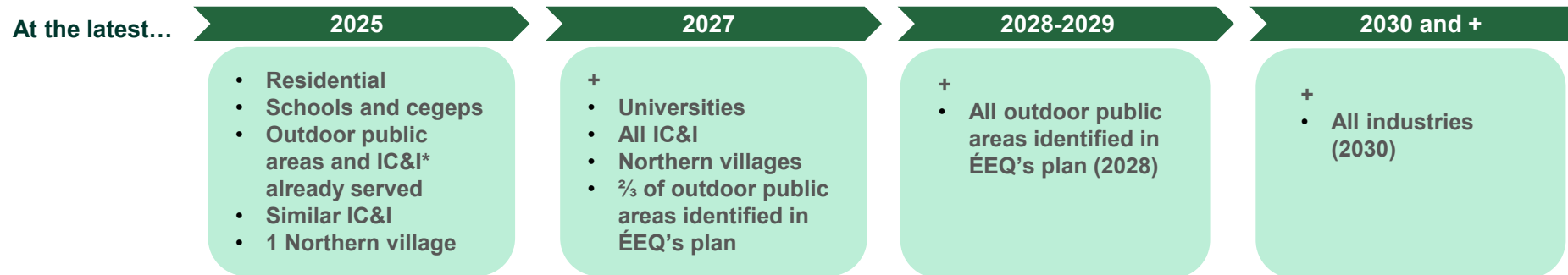
## Expansion of IC&I reporting postponed to 2025

Initially expected for the 2024 report, but following consultations, postponed to the 2025 report to give producers the time to:

- Adjust their system
- Prepare their teams
- Update their methodology



## Service evolution and impact on your report

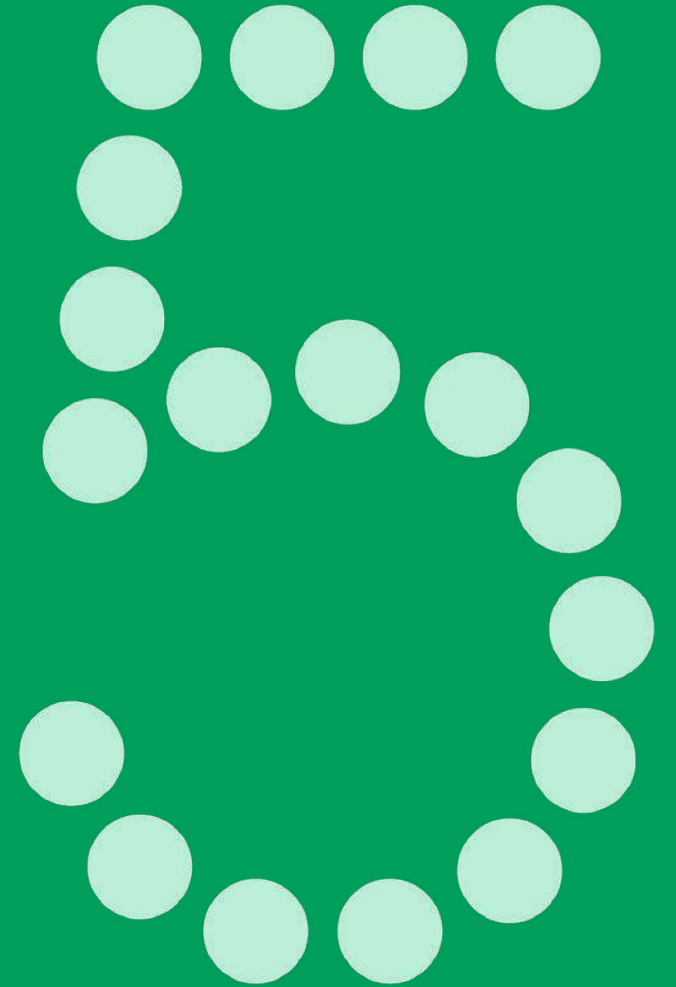


- ÉEQ needs to prepare itself for the gradual expansion of service to institutions, commerces and industries (IC&I)
- To obtain data on materials collected within IC&I, producers will need to include them in their report starting in 2025
- Since these materials will not have a rate, in 2025, they will need to be reported separately from other materials
- The rates for materials ultimately meant for IC&I will be established starting in 2026

## IC&I reporting: ÉEQ is committed to...

- Setting up a technical committee made of producers to jump-start reflections on the best practices for IC&I reporting (2024)
- Considering simple methodologies for the first years (2025-2026)
- Establishing the outcome for current private recycling contracts (ongoing legal analysis)
- Creating an IC&I reporting guide (2025)
- Holding a series of Webinars on the subject, of which the next one should take place in the fall

# Reminder of important deadlines



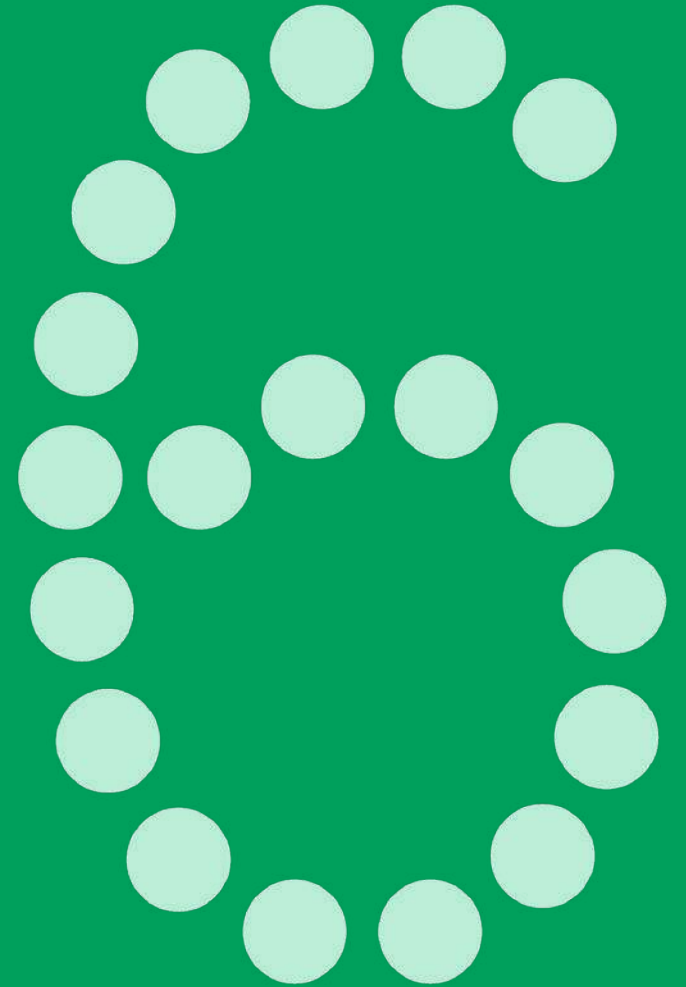
## Reporting period: Duration of 60 days

- Publishing date unknown as of now
  
- Reminder of available tools:
  - ❖ Updated materials guide
  
  - ❖ Excel file
  
  - ❖ Methodological sheets by industry
  
  - ❖ Starter kit (new company or new registered contact)

## Other key dates

- Payment deadlines for the 2024 Schedule contribution
  - ❖ 1st payment (80%): 90 days following the start of the reporting period
  - ❖ 2nd payment (20%): 150 days following the start of the reporting period
  
- Deadline to submit a bonus request
  - ❖ 1st payment: 90 days following the start of the reporting period
  
- Payment deadline for the special PFP for producers
  - ❖ In the fall (date to be determined)

# Q&A session



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Thank you for  
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