






Member Update on Financial Impacts of Transition to Full EPR for Curbside Recycling

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1. Overview of producers' collective obligations

Evolution of Regulatory Obligations

		2025	2027	2028-2029	2030 +
Included service and territory		<ul style="list-style-type: none"> Residential Schools and Cegeps Outdoor public places and IC&I* already being served Residential-like IC&Is* 1 Inuit village 	<ul style="list-style-type: none"> + Universities All institutional and commercial units All Inuit villages 2/3 of outdoor public places identified by ÉEQ 	<ul style="list-style-type: none"> + All outdoor public places identified in ÉEQ's plan (2028) 	<ul style="list-style-type: none"> + All industries (2030)
Acceptable recyclable materials		<ul style="list-style-type: none"> All containers, packaging, printed paper and newspapers with a lifetime < 5 years (except →) 	<ul style="list-style-type: none"> + Polystyrene Hangers, hooks, etc. 	<ul style="list-style-type: none"> + Straws, utensils, etc. (2029) 	<ul style="list-style-type: none"> + Compostable and degradable plastics (2031)
Performance targets		<ul style="list-style-type: none"> Traceability measures in contracts with sorting centres and recyclers 	<ul style="list-style-type: none"> Recovery targets Reclamation targets (exit from sorting centres) 	<ul style="list-style-type: none"> Recovery targets: ↑ 5% every 5 years 	<ul style="list-style-type: none"> Reclamation targets (exit from conditioning) Local reclamation targets (2030)

*IC&I : Institutional, commercial and industrial sectors

Evolution of Regulatory Obligations



Impact of the deposit-refund system



November 1st, 2023: Implementation of the EPR deposit-refund system for beer and soft drink containers already covered by the deposit-refund system, and for aluminum beverage containers
March 1st, 2025: Expansion of the EPR deposit-refund system to all beverage containers from 100 mL to 2 L.

Obligated Producers



- **Producers supplying to consumers (B2C)**

+

- Business-to-business producers (B2B) – Institutional & Commercial Sectors
- B2C consumed on-site

+

- Business-to-business producers (B2B) – Industrial Sector

*IC&I : Institutional, commercial and industrial sectors

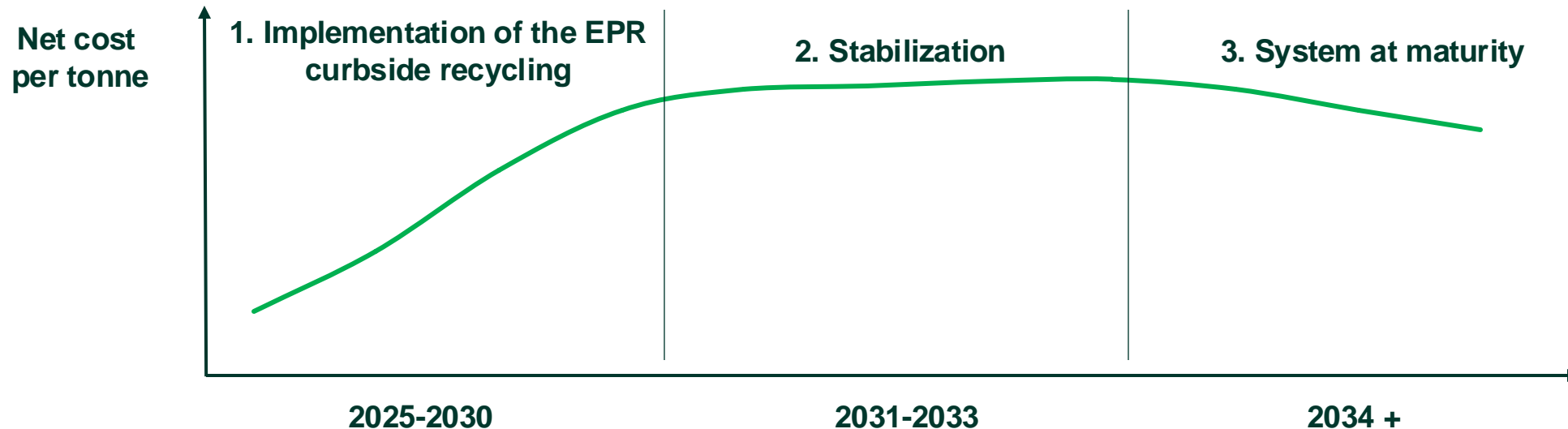
2. Estimated Financial Impacts for Producers

Despite Major Short-Term Cost Increases, Expected Gains Once the System Reaches Maturity

At maturity, gains will come from various optimization avenues:

- Improvement in citizen sorting behavior
- Enhanced system performance
- Optimization of commodity/material marketing

Evolution of net cost per tonne (for illustrative purposes)



Financial Impact Aspects of New Responsibilities of the EPR Curbside Recycling

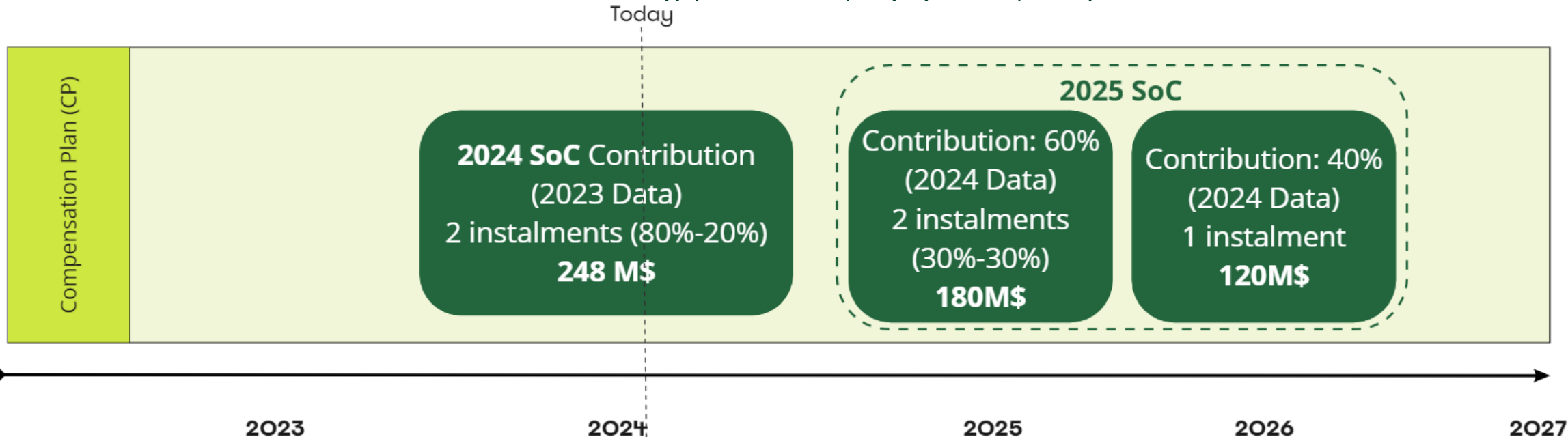
1. **Marketing of sorted materials by the PRO from 2025**
2. **Expansion of deposit-refund system from 2025.**
3. **100% funding by producers starting from 2025**
4. **New performance targets to be met starting in 2027**
5. **Modernisation of sorting centres and new sorting infrastructure to be deployed**
6. **Gradual deployment of new curbside recycling services by 2030**

Compensation Plan until December 31, 2024

Paid in 2025-2026 for all materials supplied in 2024

Highlights

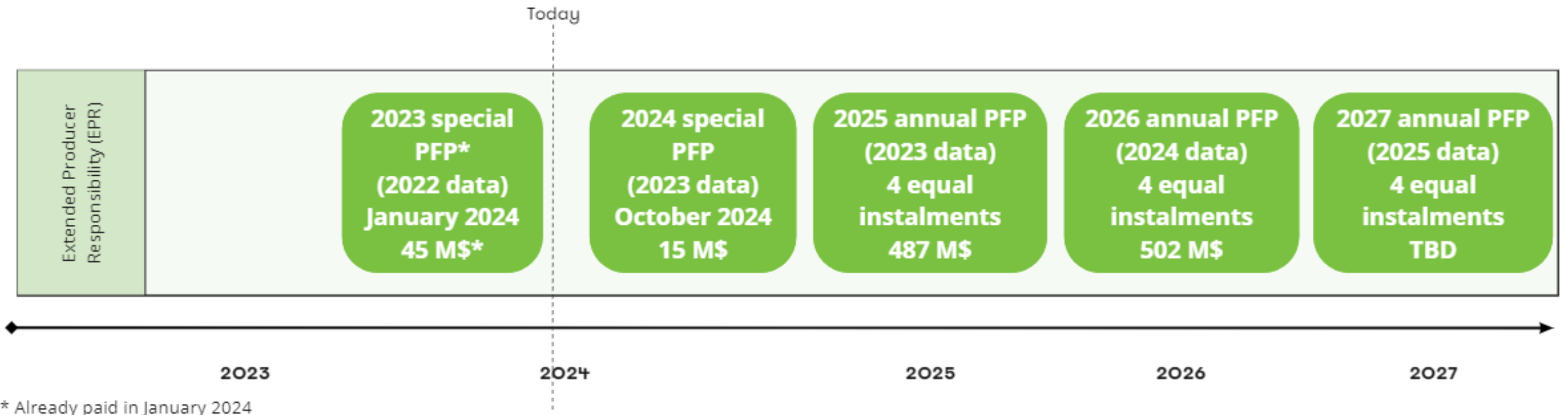
- Annual SoC pays for previous year’s municipal costs (2023 paid by SoC 2024/ 2024 paid by SoC 2025)
- SoC 2025 : Regulation allows to spread up to 40% of payment in 2026.
- Compensation Plan’s cost increases for SoC 2024 and 2025 mainly explained by: :
 - Loss of the deduction for non-obligated materials starting in 2023
 - Cost increases for collection and sorting (workforce, equipment, etc.)



EPR for Curbside Recycling

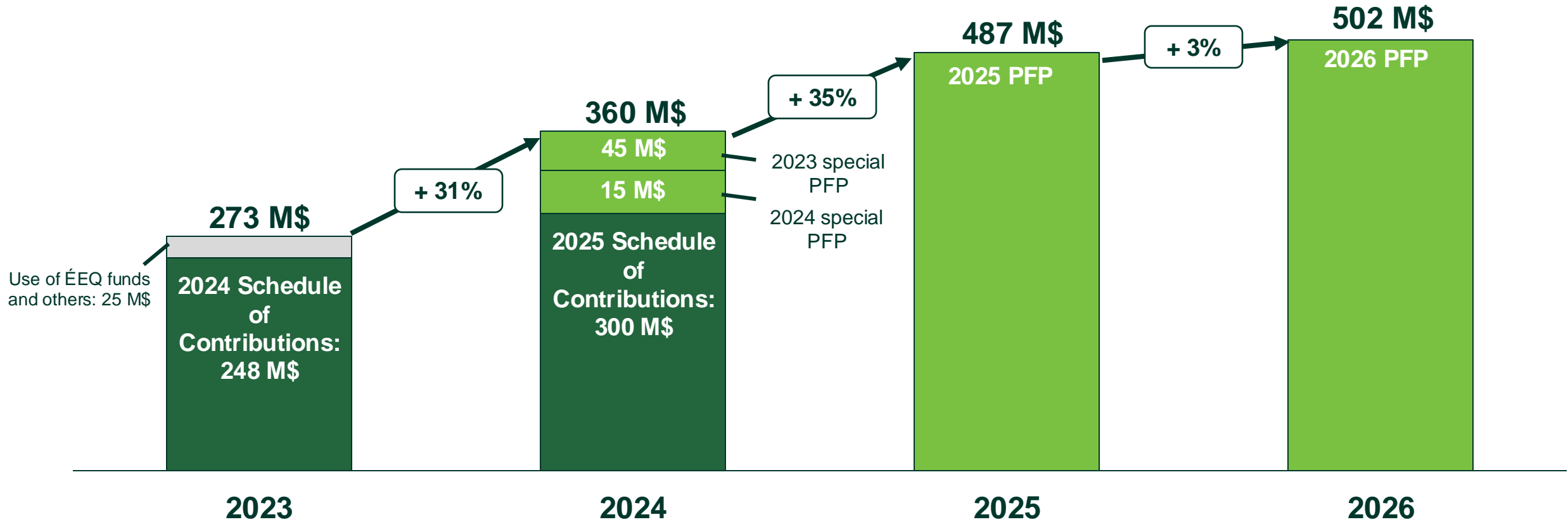
Highlights

1. Starting in 2025, EEQ must manage **real-time system costs**
2. **Special 2023 and 2024 PFPs** cover 2024 costs for managing the new system under EPR
3. EPR costs include upgrades for MRFs and new sorting infrastructure
4. **IC&I service** to be managed starting in 2027 is **excluded** from current cost estimates.



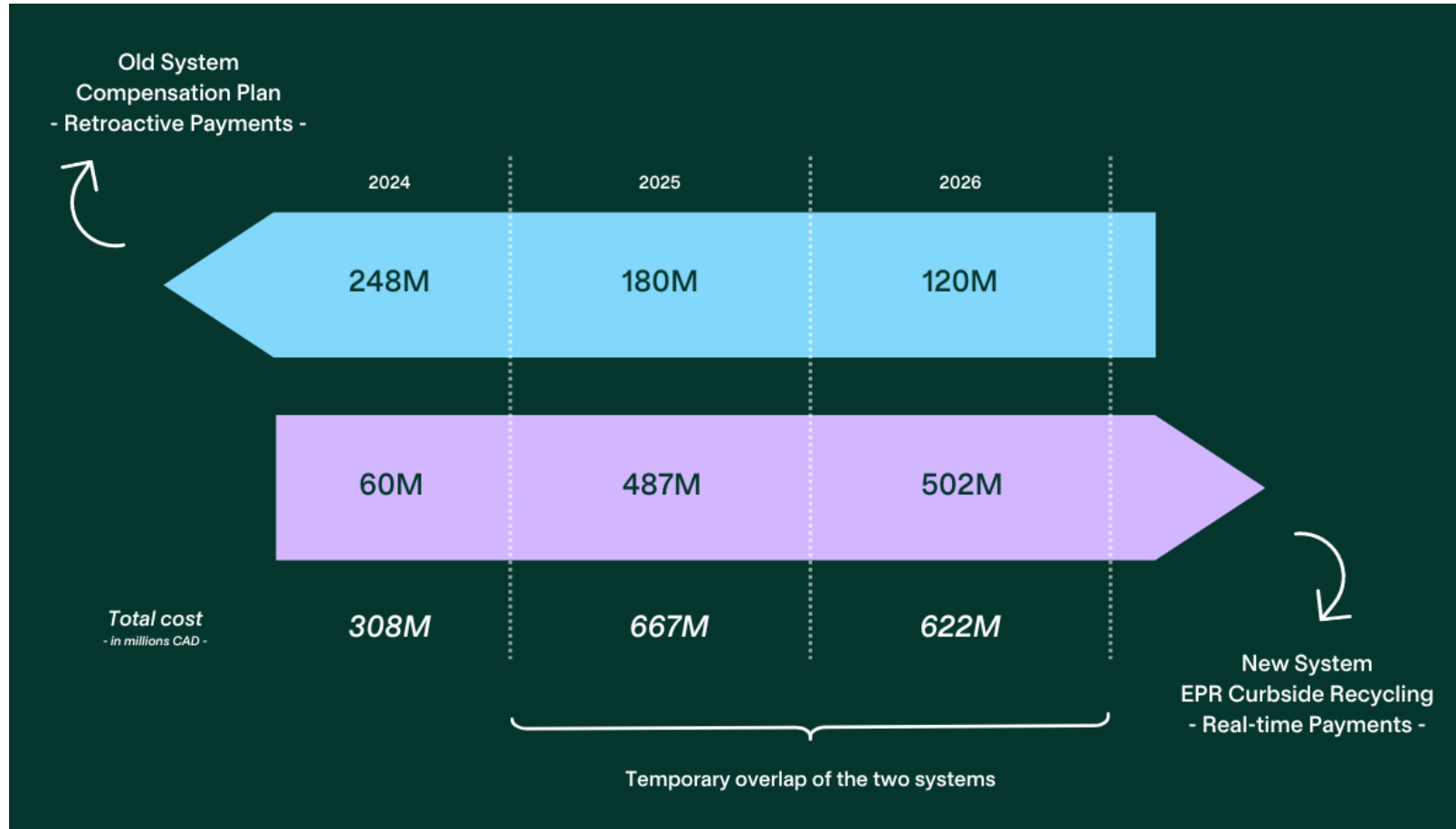
Evolution of System Costs

Estimated System Costs for Each Calendar Year (Illustrative)



Funding Overlap Between Two Systems

A retroactive scheme (current) and real-time cost structure (EPR)



4 Years of System Costs Paid over 3 Years

		Estimated Producer Fees 2024-2026			
		2024	2025	2026	Total - System Costs
Curbside Recycling System Costs	<u>2023</u>	2024 Schedule of Contributions (100%) \$248 M			<u>\$248 M</u>
	<u>2024</u>	2023 special PFP* \$45 M* 2024 special PFP \$15 M	2025 Schedule of Contributions (60%) \$180 M	2025 Schedule of Contributions (40%) \$120 M	<u>\$360 M</u>
	<u>2025</u>		2025 annual PFP \$487 M		<u>\$487 M</u>
	<u>2026</u>			2026 annual PFP \$502 M	<u>\$502 M</u>
	Total - Fees	\$308 M	\$667 M	\$622 M	

*already paid in January 2024

Upcoming Information to Clarify the Financial Impacts

Upcoming input to clarify financial impacts:

- Sales price of sorted materials
- Actual collection contract costs
- Actual sorting contract costs
- Investments in sorting centers and new sorting infrastructures

Next Steps on Financial Impacts

1. Regular system cost updates to the Association Committee
2. Data update in preparation for the 2025 Producers' Financial Participation (PFP) in the fall of 2024.
3. Update of financial impacts in preparation for the 2025 AGM:
 - Inclusion of preliminary data on the service to Institutional, Commercial, and Industrial sectors (IC&I) starting in 2027.

3. Legal responsibilities and Producer obligation criteria

Reporting situations

There are 3 types of applicable reporting situations :

- Exempted
- Simplified reporting with flat fee
- Detailed reporting

Obligation deadlines :

- <https://www.eeq.ca/en/for-companies/fee-structure/payment-schedule/>

Exemptions

For a company or restaurant to be eligible to a payment exemption, it must meet one of the following criteria (combined activities for all franchise locations) :

- Generate \leq \$1 million (M) in gross revenue in Québec; *(for the 2024 Schedule of contribution threshold increased to \$1,3 million (M))*
- Generate \leq 1 metric ton (MT) of designated materials in Québec;
- Be a retailer or restaurant with a single retail outlet of less than 929 m² (10,000 sq. ft.) that is not operated as a franchise, banner or group.

However, to ensure your company's compliance, you are **legally required to confirm your exemption** for every SoC. Doing so also gives you access to ecodesign training & support services.

Simplified report with flat fee

Your company may be eligible to file a simplified report and pay a flat fee if it meets one of these criteria (combined activities for all franchise locations) :

- Between \$1M and \$2M in gross revenues in Québec; *(for the 2024 Schedule of contribution this criteria will no longer be applicable)* or
- Generate between 1 MT and 15 MT of designated materials in Québec.

A company that generates **more than 15 metric tons** of containers, packaging and printed matter in Québec and (before 2024 Soc) whose gross revenues **exceed \$2M** must file a **detailed report** detailing each material.

Simplified reporting with flat fee : SoC 2024

	Schedule of contributions 2024
Year of reference for quantities generated	2023
Quantity generated > 1 t and ≤ to 2,5 t	\$1,010
Quantity generated > 2,5 t and ≤ to 5 t	\$2,040
Quantity generated > 5 t and ≤ to 10 t	\$4,070
Quantity generated > 10 t and ≤ to 15 t	\$6,120

More info : <https://www.eeq.ca/en/for-companies/fee-structure/flat-fees/>

Detailed reporting

A company that generates **more than 15 metric tons** of containers, packaging and printed matter in Québec and (before 2024 SoC) whose gross revenues **exceed \$2M** must file a **detailed report** detailing each material. Here are key links :

- **General information for companies:** <https://www.eeq.ca/en/for-companies/>
- **Specific section for restaurants:** <https://www.eeq.ca/en/for-companies/profiles/restaurant/>
- **Contribution table:** <https://www.eeq.ca/en/for-companies/fee-structure/contribution-table/>
- **Fee structure and terms:** <https://www.eeq.ca/en/for-companies/fee-structure/understanding-the-schedule-of-contributions/>
- **Prepare my report:** <https://www.eeq.ca/en/faq/prepare-report/>
- **Start-up kit:** https://www.eeq.ca/wp-content/uploads/EEQ_TrousseDemarrage_ECEC_EN_F2.pdf

4. What to expect in 2024-2025

Modernization of curbside recycling

- Finalizing partnership agreements with municipal organizations
- Planning services in aboriginal communities and remote territories
- Negotiation and awarding of contracts for sorting recyclable materials
- Negotiation and awarding of contracts for the sale of recyclable materials
- Call for proposals process for new sorting infrastructure
- Planning services for the institutional, commercial and industrial (IC&I) sectors
- Negotiation and conclusion of the agreement with the deposit system PRO

Producer Responsibility

- Implementation of Value-driven Producer Engagement Strategy
- Development of 2025 Schedule of Contribution and 2025 PFP
- Redesign of the Fee-setting Formula integrating Ecomodulation
- Producer Technical Working Group on IC&I Reporting
- Launch of Sector-based Packaging Design Initiatives
- Packaging Design Events with Trade Associations

New members to share costs

STRATEGY FOR IDENTIFYING FUTURE MEMBERS

- Action plan to **identify and map new producers** who primarily or exclusively generate IC&I materials
- Communication plan to **reach** these producers as the range of responsibilities continues to grow to **inform** them of their new obligations and **encourage** compliance
- **Increase the pool of producers** to ensure that they do their part, and to establish appropriate and representative rates

Thank you