

Stewardship ONTARIO

Presentation of Preliminary 2009 Fees for Blue Box Stewards

September 12, 2008

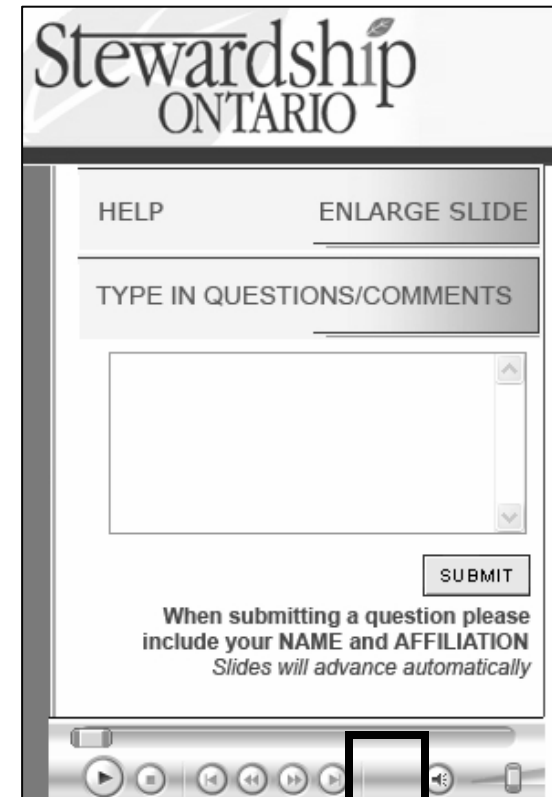
Joyce Barretto, CEO



Slide 2

Welcome!

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Today's Agenda: Blue Box Focus

- ◆ Stewardship Ontario key updates
- ◆ Blue Box Program Plan overview
- ◆ Preliminary stewards' Blue Box fees for 2009
 - questions & comments
- ◆ Break
- ◆ Proposed changes to 2009 Blue Box Rules & reporting requirements
 - questions & comments
- ◆ Concluding remarks



Stewardship Ontario

- ◆ Industry Funding Organization (IFO) established under the *Waste Diversion Act* (2002)
- ◆ Charged with developing, implementing & managing two stewardship programs:
 - Blue Box Program Plan (BBPP)
 - Municipal Hazardous or Special Waste (MHSW) Program Plan



Stewardship Ontario Programs

- ◆ 2003—*Blue Box*
 - packaging & printed material introduced into Ontario (ON Reg. 273/02)
 - managed through municipal recycling programs
- ◆ 2008—*Municipal Hazardous or Special Wastes*
 - wide range of products (ON Reg. 542/06)
 - managed through municipal MHSW programs & through commercial & institutional collection programs



2 Programs; 1 Organization

- ◆ Distinctly different stewardship programs
 - Printed Paper & Packaging in municipal waste stream
 - residuals & related packaging that require separate management
- ◆ Material streams, collection & processing requirements & funding formulas differ



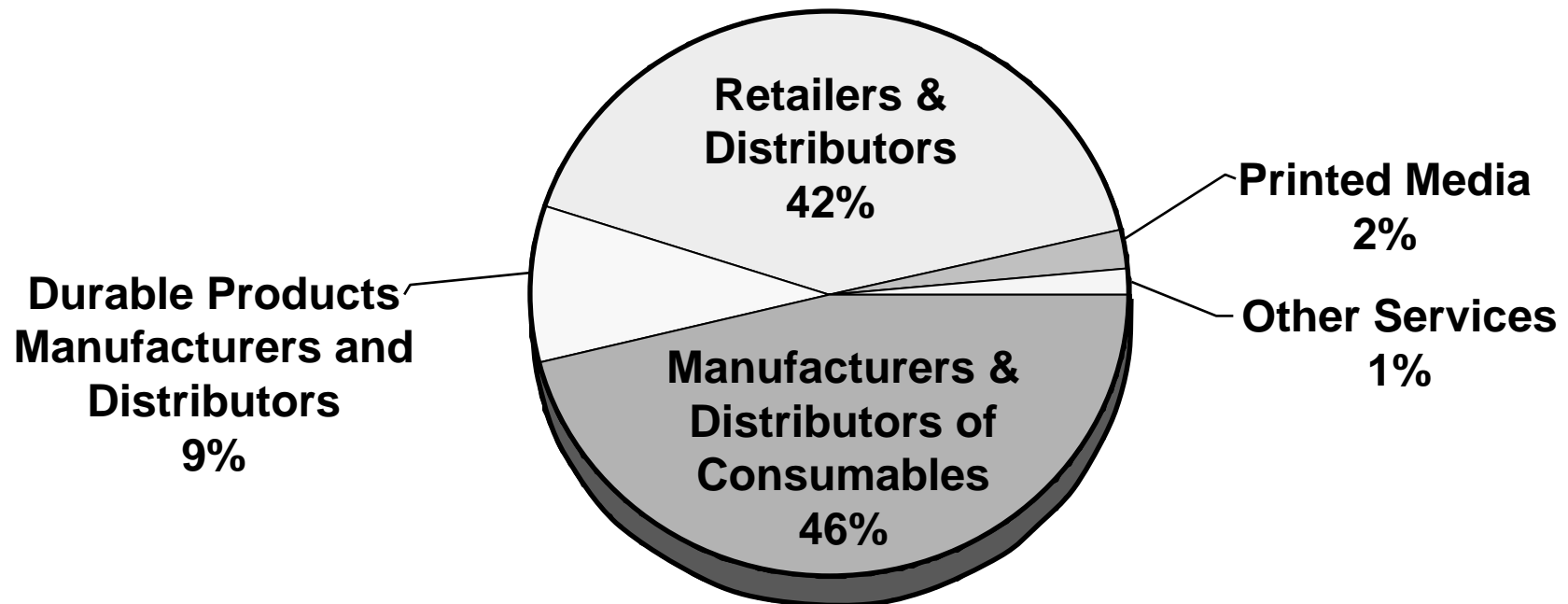
Blue Box Program Highlights

- ◆ 5 years successfully discharged members' legal obligations under *Waste Diversion Act* (WDA); stewards at 50% share of net program costs
- ◆ Keeping combined administration costs of Stewardship Ontario & Waste Diversion Ontario (WDO) under 5% of total program costs
- ◆ Successful partnerships with municipalities to improve effectiveness & efficiency of municipal Blue Box (BB) programs



Profile of Blue Box Stewards

- ◆ 1,380 registered stewards in 2008
- ◆ Fee contribution by sector



Blue Box Steward Contributions

- ◆ Over first 5 years:
 - \$191M: direct cash payments to municipalities
 - ~\$7M: “In-kind” advertising space
 - \$19.75M project grants to improve effective & efficiency of municipal recycling programs



Annual Tonnes of Blue Box Material Recovered

	Tonnes Recovered	Estimated Recovery Rate
2001	693,547	45%
2002	726,718	46%
2003	779,844	53%
2004	823,635	55%
2005*	786,947	57%
2006*	850,975	64%
2007*	865,969	63%

*Figures do not include wine & spirit containers on deposit in Ontario



BBPP—A Continuous Improvement Program

- ◆ Continuous Improvement Fund
- ◆ Recyclers' Knowledge Network
- ◆ Market Development



Continuous Improvement Fund (CIF)

- ◆ Agreement among Stewardship Ontario, WDO, Association of Municipalities of Ontario (AMO) & City of Toronto to allocate 20% of stewards annual financial obligation to municipalities to:
 - support diffusion of municipal BB recycling Best Practices
 - make strategic investments in collaboration with municipalities toward improving system performance
 - reduce future net system costs

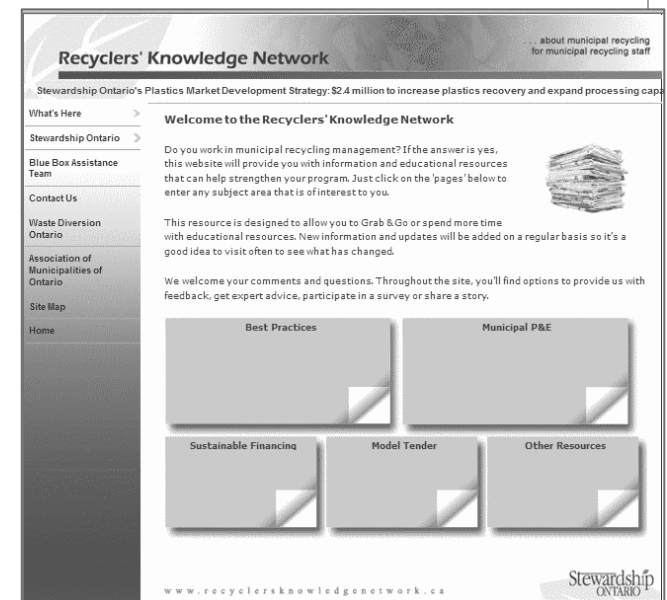
www.wdo.ca/cif

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Recyclers' Knowledge Network (RKN)

- ◆ Completely up-to-date online source of municipal recycling information
- ◆ User-friendly resource for recycling 'Best Practices'
- ◆ Likely future site for expanded online recycler training



www.recyclersknowledgenetwork.ca



Market Development

- ◆ Overcome barriers to recycling—provide capacity & increase value
- ◆ Glass—\$2.5M investment paid by glass stewards
 - 8 projects including new glass processing plant
 - due to open October 2008
 - \$10M savings in glass processing over 5 years
- ◆ Plastics—\$2.4M investment paid by plastics stewards
 - details later in presentation



New Program Report: MHSW

- ◆ Phase 1 launch: July 1, 2008
 - 300 stewards registered to date
- ◆ 9 materials; 3 “return channels”
 - automotive, commercial, municipal
- ◆ Double diversion rate of these materials within 5 years

Phase 1 Materials

- ◆ Paints & coatings
- ◆ Solvents
- ◆ Oil filters
- ◆ Oil containers
- ◆ Single use dry cell batteries
- ◆ Antifreeze
- ◆ Pressurized containers
- ◆ Fertilizers
- ◆ Pesticides



MHSW Phase 2

- ◆ Due March 2, 2009
- ◆ Materials:
 - all batteries, except lead acid batteries from vehicles
 - aerosol containers such as hair spray containers
 - portable fire extinguishers
 - fluorescent light bulbs & tubes
 - switches containing mercury
 - thermostats, thermometers, barometers, other measuring devices that contain mercury
 - pharmaceuticals
 - sharps, including syringes



MHSW Phase 3

- ◆ Due August 31, 2009
- ◆ Final phase of amended program includes addition of all other remaining materials (“Phase 3”) that meet definition of “municipal or hazardous waste” in provincial regulation



Wrap-Up

- ◆ More information
 - website: www.stewardshipontario.ca
 - e-newsletter: *Need-to-Know*
- ◆ Provide your opinion about today's presentation
 - form on table





Preliminary BBPP 2009 Fees

Derek Stephenson, Program Manager



Topics

- ◆ Determining Stewards' Fees for 2009
 - timeline; financial obligation to municipalities; program delivery & administration costs; preliminary 2009 fees
- ◆ Policy Issues
 - fee-setting methodology; overcoming barriers to performance; managing 2008 surplus; BB containers for Municipal Hazardous or Special Materials (MHSM)
- ◆ Review of fees over past 5 years



Timeline for Setting 2009 Fees

August 1	WDO informs Stewardship Ontario of stewards' obligation for 2009
Sept 12	Stakeholder information session on preliminary fees
Sept 26	Deadline for comments to Stewardship Ontario
Oct 8	Stewardship Ontario Board review & set final fees
Oct 22	WDO Board approval of fees



Summary of Fee-Setting

Fees comprised of:

- ◆ External costs charged to Stewardship Ontario:
 - 50% of verified municipal net system cost
 - including allocation to CIF & in-kind advertising
 - projected WDO charges
 - projected Ministry of the Environment (MOE) enforcement costs

Plus

- ◆ Costs directly incurred by Stewardship Ontario:
 - projected administration
 - projected program delivery costs
 - material-specific market development fees (if any)
 - recovery of any shortfall or credit for any operating surplus





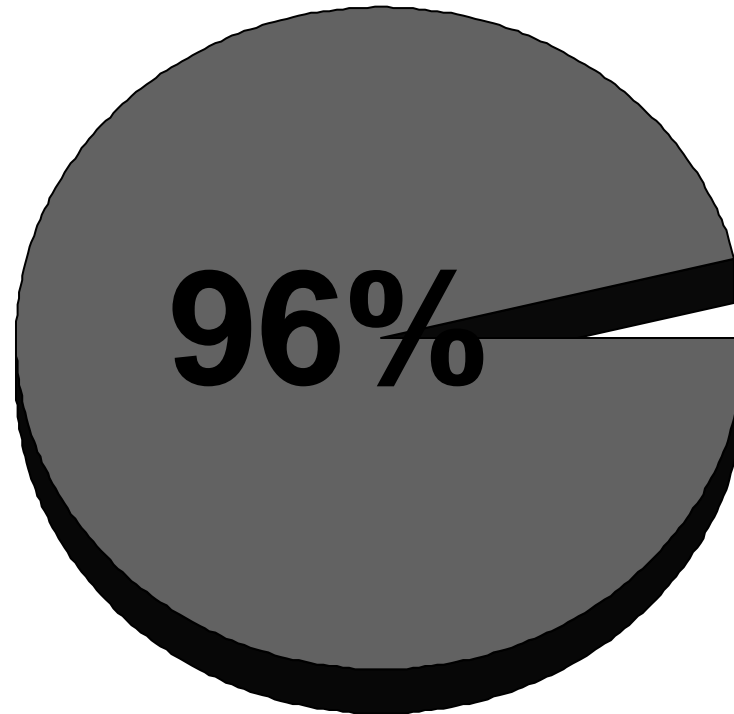
2009 Material-Specific Fee Calculations

Liz Parry

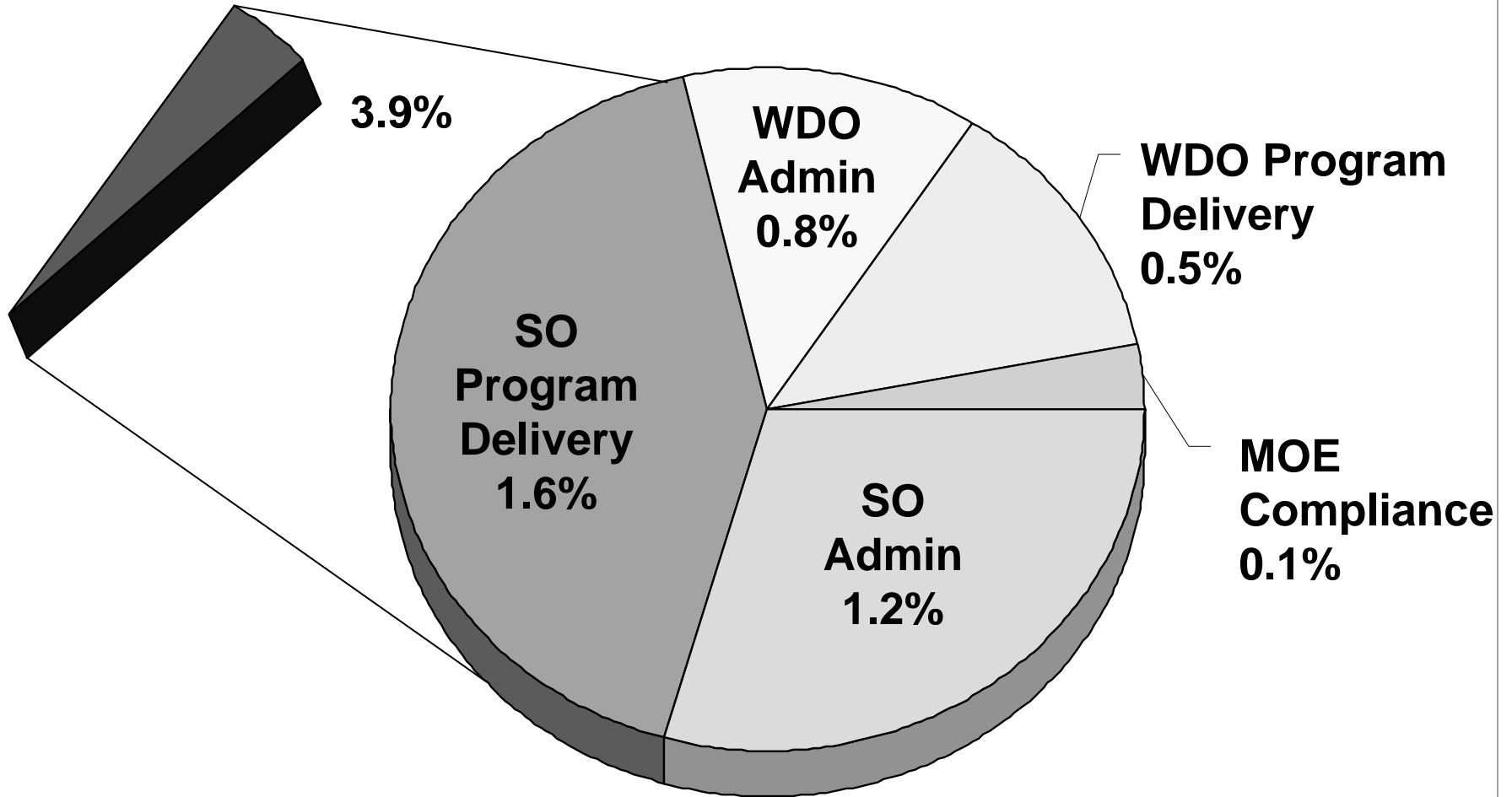


Largest Component of Fees

- ◆ Industry financial obligation to municipalities represents 96% of fees



Program Delivery & Admin & WDO Charges



NOTES: Program admin generally represents legal, accounting & office overheads as approved by WDO & Minister.

Program delivery refers to activities required to meet program objectives, such as monitoring performance, allocating costs, increasing the efficiency of recycling programs, ensuring compliance, etc.

Blue Box Material Recovery

Tonnes	2006	2007	Year Over Year Change	
Overall Recovered	943,000	903,000	(40,000)	-4%
Net of LCBO	851,000	871,000	20,000	2%

- ◆ Drop in overall reported recovery due to diversion of LCBO containers now returned through deposit system.
- ◆ Recovery of remaining BB materials relatively flat
 - increased by about 2% in 2007 over 2006, compared to 4% to 7% in past years
 - population & households increased by about 3%
- ◆ Overall recovery rate (excluding LCBO deposit containers) remains at about 63%



Municipal Obligation for 2009

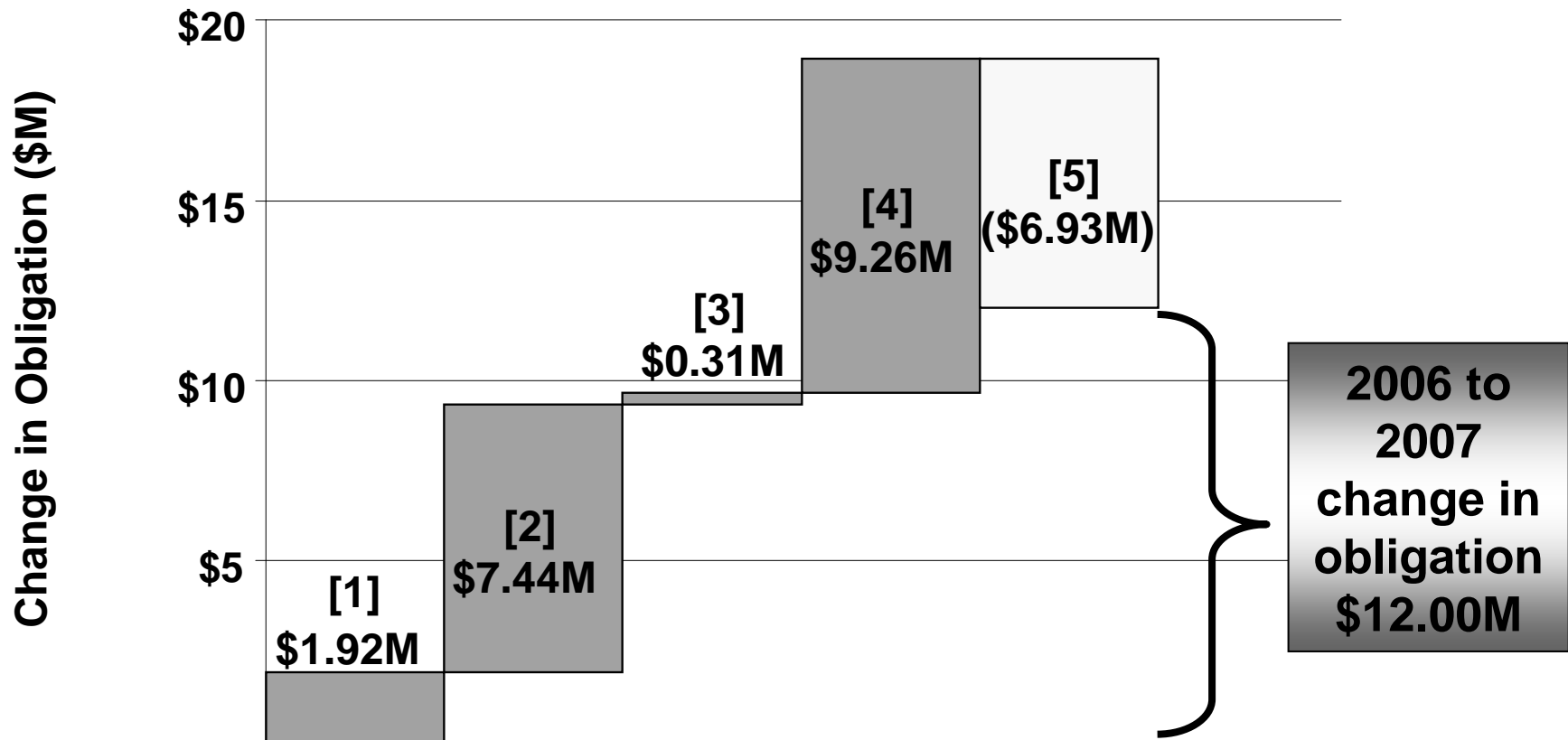
Obligation for 2009 \$78.5M

Obligation for 2008 \$66.5M

Difference (+18%) *\$12.0M*



Factors leading to Increased Obligation



[1] Adjustments for incorrect reporting in previous year.

[2] Smaller deduction for wine & spirit containers remaining in BBPP.

[3] New capital costs: increased investment in system.

[4] Increased operating costs: fuel surcharges; new contracts reflecting investment in system; increased recovery in recent previous years; shifting mix of materials.

[5] Higher commodity prices do not offset costs given: 3 year averaging of revenue small shift to less valuable mix of materials.

Material-Specific Increases (1)

- ◆ All fee rates increase with overall increase in financial obligation to municipalities
- ◆ Change in obligation affects materials differently due to fee-setting formula
 - type of material: easier-to-recycle materials have higher recovery rates & lower cost to manage have relatively lower fee rates
 - commodity value: higher revenues lower net cost for that material which results in a lower fee



Material-Specific Increases (2)

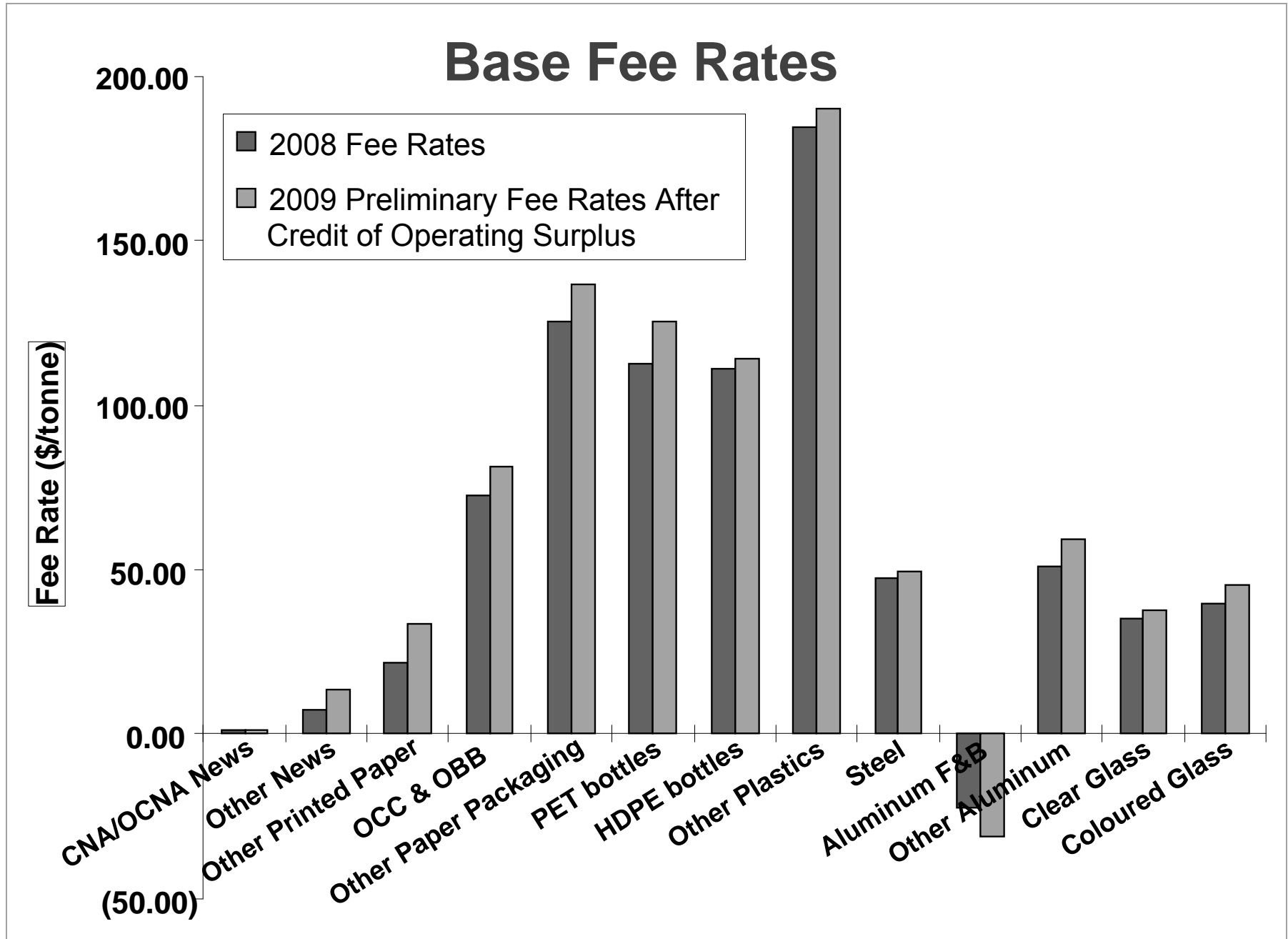
- ◆ Therefore, the material-specific changes primarily relate to:
 - relative quantity of material recovered
 - affect of commodity prices on the cost
 - relative percentage of each material recovered (recovery rate)
- ◆ Fee rates are affected by amount of material introduced into Ontario market



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Factors Contributing to Increase in Obligation

Material	Tonnes Recovered	Net Cost	Recovery Rate	Tonnes Reported by Stewards	Result
Printed Paper	↓	↑	↑	↓	Relatively large increase
Paper Packaging	—	↑	—	—	In line with overall increase
PET	—	↑	↓	↓	In line with overall increase
HDPE	↓	↑	↓	↓	Relatively small increase
Other Plastics	↑	↑	↑	↑	Relatively small increase
Steel	↑	—	↑	—	Relatively small increase
Aluminum	↓	—	↓	—	Relatively large increase in credit
Glass	↑	↑	↑	—	Relatively small increase



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Preliminary Stewards' Fee Rates for 2009

Material	2008 Fees	2009 Preliminary Fees	
	Fee Rates (¢/kg)	Fee Rates (¢/kg) ¹	Fees (\$) ²
CNA/OCNA Newsprint	0.148	0.133	\$347,022
Other Newsprint	0.764	1.332	\$1,961,184
Other Printed Paper	2.182	3.373	\$4,820,385
OCC & OBB	7.252	8.115	\$20,975,849
Other Paper Packaging	12.534	13.696	\$5,651,483
PET Bottles	11.238	12.560	\$6,069,735
HDPE Bottles	11.135	11.406	\$2,539,465
Other Plastics	18.449	18.990	\$26,523,822
Steel	4.744	4.955	\$2,849,038
Aluminum Food & Beverage	(2.215)	(3.116)	(\$834,143)
Other Aluminum Packaging	5.095	5.912	\$188,593
Clear Glass	3.529	3.758	\$2,860,223
Coloured Glass	3.976	4.537	\$419,707
Total Blue Box Program Fees^{2,3}	\$66,605,943		\$74,372,363
CNA/OCNA In-Kind Contribution	\$1,829,057		\$3,396,745

1. Fees are not final pending on-going review of stewards' reports expected to result in higher reported tonnes before fees are finalized in October. Therefore total Blue Box program costs would be spread over a larger base of tonnes, tending to reduce fee rates.

2. Fee rates include a \$4.9 M credit (6%) for the projected operating surplus for 2008 (after the restricted reserve) that is attributable to each material

3. Total Program fees includes financial obligation to municipalities of \$78.5M & projected program delivery & administration costs.

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Fee-Setting Policy Considerations

Guy Perry



Key Policy Considerations

- ◆ Annual review of fee-setting methodology
- ◆ Market development investments
- ◆ Allocation for 2008 surplus fees
- ◆ Minimizing future surpluses
- ◆ Reconciling containers managed under both BB & MHSW Programs



Fee-Setting Methodology

- ◆ Changes made to factor weightings for 2008 fees
 - in 2007, changes were made to dis-aggregate fee rates for plastic & paper packaging
- ◆ Agreement to review weightings annually
- ◆ ***No change recommended for 2009***
 - reasons:
 - significant system cost increase
 - allow time for recent changes to work through system
 - implementing plastics market development initiatives



Market Development Investments

- ◆ For some materials—barriers to increasing recovery & to lowering cost of recycling
- ◆ Provision to include additional material-specific fees to overcome barriers
 - paid by stewards of affected materials
- ◆ Initial focus on glass (\$2.5M)—years 2 & 3
- ◆ For 2008, \$2.4M market development fees to increase plastics recycling—plastics stewards



2-Track Blue Box Plastics Plan

- 1) Optimize recovery of highest value plastics via BB
 - “All Bottle Plus” demonstrations (potential 15% lift)
 - conducted initial demonstration in Brockville in June
 - follow-up research underway
- 2) Technology investment opportunities for range of plastics
 - REOI to RFP for range of solutions
 - REOI used to ensure activities provide best return for stewards
 - issued REOI in June, interviews in July-August
 - developing next steps to RFP



Market Development Fees for 2009

- ◆ Recommendations:
 - no additional market development fees for 2009
 - Board to undertake strategic review of Stewardship Ontario market development needs across all materials



Management of Surplus for 2008

- ◆ Projected 2008 surplus available: \$4.9M
 - new stewards found
 - penalties & interest
 - conservative budgeting
- ◆ Recommendation:
 - continue with current policy of:
 - maintaining restricted reserve of \$3.5M
 - apply remaining surplus to reduce fees in following year



Minimizing Surplus for 2009 (1)

- ◆ Not possible to project with 100% accuracy total quantity of BB material in next program year
- ◆ Current practice is to divide projected current year costs by steward reported tonnes in previous year
 - no allowance made for projected growth or change in material mix, due to lack of data



Minimizing Surplus for 2009 (2)

- ◆ Consideration given to alternative of incorporating projected modest growth rates into estimates of obligated material likely to be reported next year
 - resulting in lower fee rates (\$/tonne)
 - not recommended at this time—still no clear generation trends & risk of financial shortfall
- ◆ ***Board support to continue with current practice***



Blue Box Containers for MHSM

- ◆ Addendum to MHSW Program Request Letter states:
“Potential fees should...not [apply] to a different program developed by WDO (i.e. Municipal Hazardous or Special Material containers managed under the blue box program).”
- ◆ MHSM fees:
 - effective July 2008 with payments commencing October
 - fees effective for 18 months—2008 & 2009
 - synchronized with BB fee-setting in 2010
- ◆ Some BB stewards will pay fees both for BB containers & for MHSM



Reconciliation of Costs for MHSM Containers

- ◆ Program in which fees paid will reflect market in which majority of MHSM sold (residential vs IC&I) & sector through which majority of containers managed (BB vs MHSW)
- ◆ Identifiable costs incurred to manage BB containers within MHSW program will be reimbursed by BB program & vice versa
- ◆ Measurable recovery of BB containers within MHSW program will be credited to BB program & vice versa
- ◆ Ensure administrative simplicity, transparency & minimize arbitrary allocations



2009 BB Fees for MHSM Containers

- ◆ BB containers which contain MHSM will continue to pay BB stewards' fees in 2009
- ◆ BB containers for paint, solvents, antifreeze, pesticides & fertilizers sold into consumer market
 - will pay 2009 BB fees
- ◆ Oil containers, specifically designated as MHSW will not pay BB fees in 2009
 - no BB stewards fees for oil containers in 2009
 - credit for BB fees for oil containers July-December 2008
 - stewards may apply for an adjustment to their 2008 Steward's Reports
 - send email to pgill@stewardshipontario.ca

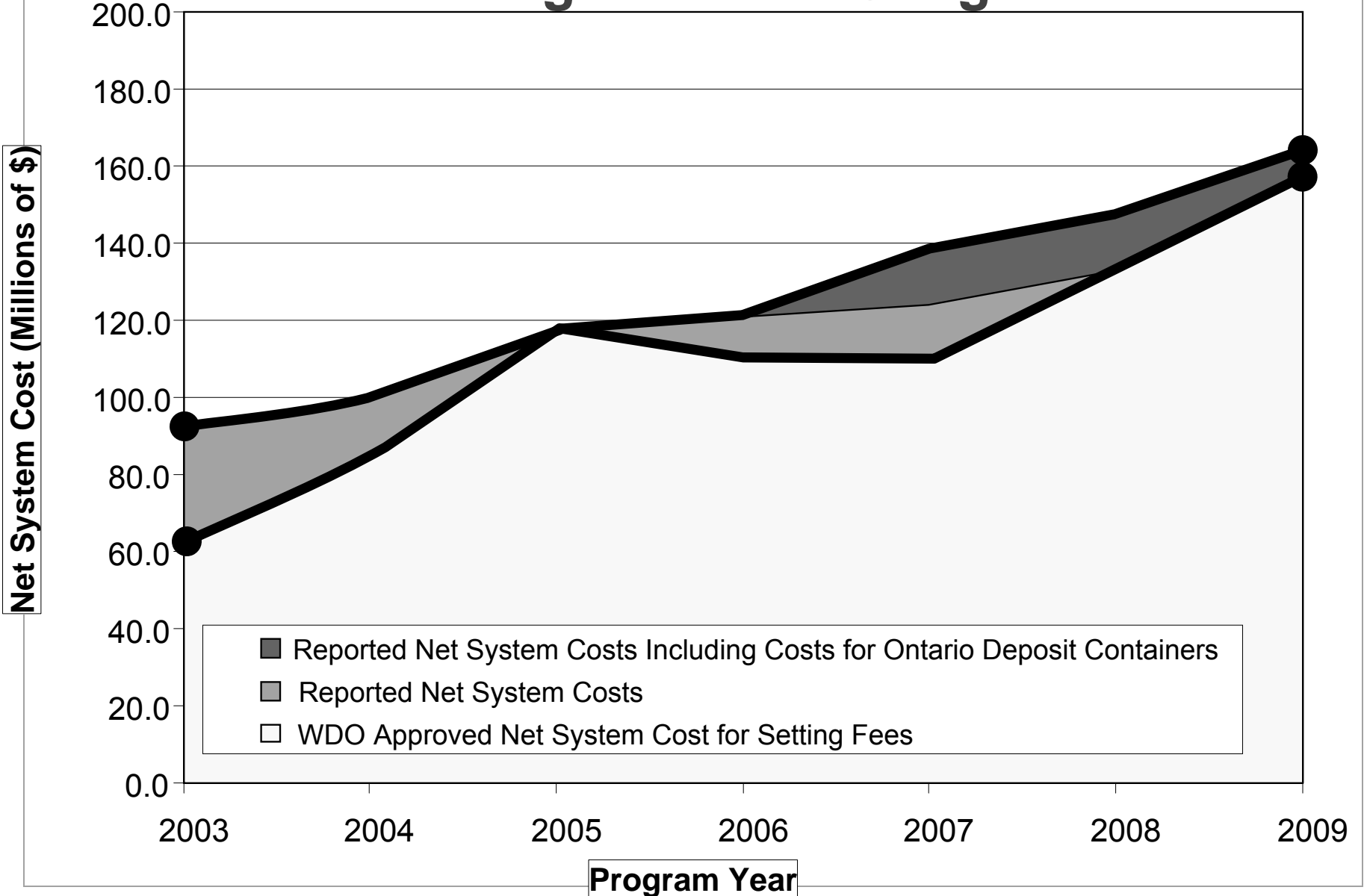


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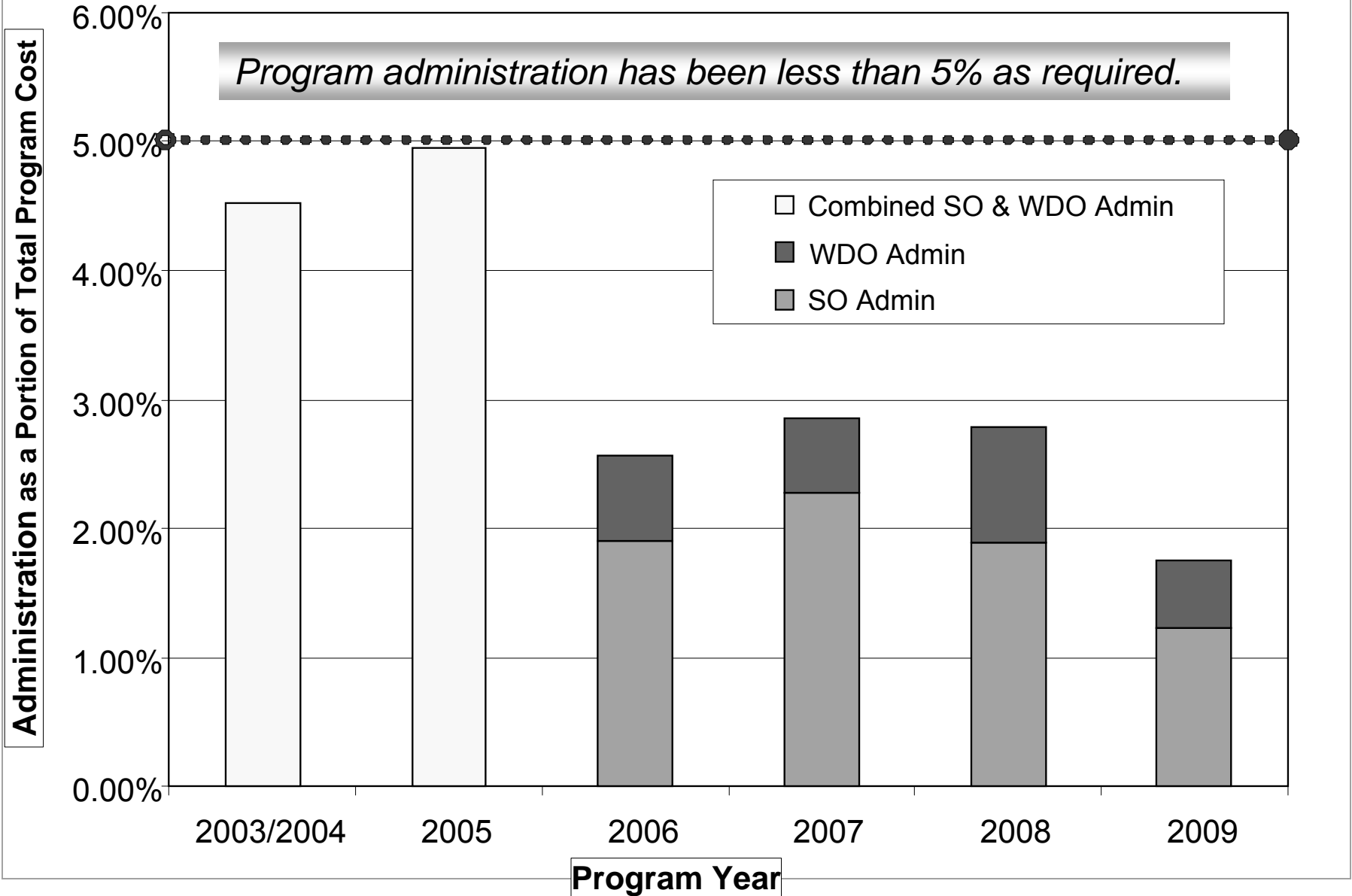
Review of Blue Box Program Plan Fees Over 5 Years



Determining Financial Obligation



Program Administration



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Summary & Next Steps

Derek Stephenson



Preliminary 2009 Fees

External costs charged to Stewardship Ontario:

Verified municipal net system cost (includes allocation to CIF & in-kind advertising)	\$78.5M
Projected WDO charges	\$0.8M
Projected MOE enforcement costs	\$0.1M

Plus

Costs directly incurred by Stewardship Ontario:

Projected program administration	\$1.4M
Projected program delivery costs	\$1.8M
Material-specific market development fees	none
—Board to review strategic needs & options	pending
Credit shortfall for operating surplus	-\$4.9M

Total	\$77.7M
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Comments

- ◆ Deadline: September 26
 - consultation slides & detailed calculations posted on Stewardship Ontario website
- ◆ Send comments to:
comments@stewardshipontario.ca
- ◆ Board will review comments & finalize fees on October 8
- ◆ WDO Board consideration & approval of fees on October 22
 - note fees no longer require Minister's approval



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Questions & Comments



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Break



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Proposed Changes to 2009 BBPP Rules

Paul Gill



Key Changes

- ◆ Annual date changes
- ◆ Clarification change—designation of stewards
- ◆ Publishing names of notified companies
- ◆ New material reporting categories



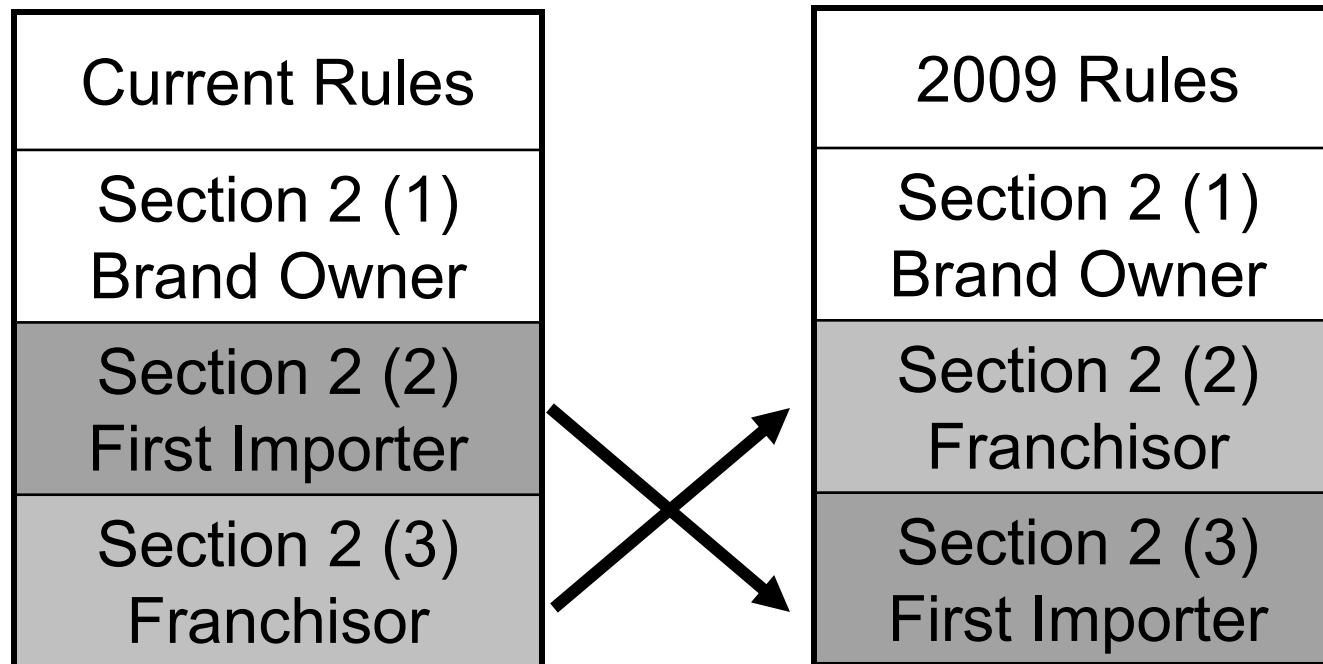
Annual Date Changes

- ◆ Change addressed in sections:
 - Section 1 – defines year for basis of Steward's Report
 - Appendix B – Form of Steward's Report
 - Appendix C – Payment Schedule



Designation of Stewards (1)

- ◆ Revise order of First Importer & Franchisor



Designation of Stewards (2)

- ◆ Modify Section 2 (3)
 - *In the event that there is no Brand Owner or Franchisor, a First Importer is designated as a steward...*
 - clarify that a steward is only designated as a First Importer if a Brand Owner does not exist
- ◆ No changes to designation of a steward



Publishing Names of Notified Companies

- ◆ Change addressed in section 10 (6):
 - *Stewardship Ontario may publish on its website the names of those persons to whom, in 2008 and 2009, it sent written notice of how to obtain a copy of the Rules pursuant to the Waste Diversion Act 2002*
 - aid stewards in identifying their obligation



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Proposed New Material Reporting Categories for 2009



Background (1)

- ◆ Stewards report kilograms of designated BB wastes they introduce into the Ontario market & manage as municipal waste
 - 24 sub-categories of packaging & printed materials
- ◆ Stewards report on methodology used, deductions, brands & additional comments
- ◆ Continued packaging innovation leading to
 - introduction of new materials & packaging formats
 - differential recycling & management costs



Background (2)

- ◆ May 2008 letter from AMO highlighted “problem packaging”
 - non-recyclable & contaminants, difficult to identify & sort, and large sizes
 - used to support AMO position paper on revised BB funding
- ◆ Stewards concerned about differences in reporting requirements between Stewardship Ontario & Éco Entreprises Québec (ÉEQ)



Objectives of Proposed Changes

- ◆ Track packaging changes that may impact program costs & recovery performance
- ◆ Provide additional data to better inform Board decision-making on emerging policy & program issues
- ◆ Promote greater harmonization of stewards reporting requirements in Ontario & Quebec
- ◆ Board commitment to monitor impact of steward fees



Current Plastic Sub-Categories

PET bottles	12.560 ¢/kg
HDPE bottles & jugs	11.406 ¢/kg
Polystyrene	18.990 ¢/kg for each of these materials
Other rigid plastics	
LDPE/HDPE film	
Plastic laminant	
Natural & synthetic textiles	



Summary of Proposed Changes

- ◆ Biodegradable plastic film & biodegradable rigid containers
- ◆ Plastic containers >5 litres
- ◆ LDPE/HDPE carry-out bags
- ◆ Request additional information from stewards



Biodegradable Plastic Film & Rigid Containers (1)

- ◆ Proposed additions
 - biodegradable plastic film
 - biodegradable rigid plastic containers
- ◆ Rationale for collecting this information
 - not addressed in original BBPP because not on the market
 - growing usage by brand owners & retailers
 - carry-out film bags, service packaging

continued...



Biodegradable Plastic Film & Rigid Containers (2)

- ◆ Rationale, *continued* ...
 - considered a contaminant to conventional plastic film & rigid container recycling
 - need to quantify amount entering marketplace
- ◆ Impact/challenges to stewards
 - limited number of stewards affected, but growing



Plastic Containers >5 Litres (1)

- ◆ Proposed additions
 - PET bottles >5 litres
 - HDPE bottles & jugs >5 litres
 - Other rigid plastic containers >5 litres
- ◆ Rationale for collecting this information
 - large packaging formats fill recycling containers & collection vehicles faster, leading to increased collection costs

continued...



Plastic Containers >5 Litres (2)

- ◆ Rationale, *continued* ...
 - some containers lost to disposal under some existing MRF configurations
 - >5 litre based on feedback from operators
 - AMO & Toronto discussing a ban or deposit on large PET water containers
- ◆ Impact/challenges to stewards
 - limited number of stewards & products affected
 - stewards may not be able to identify & report product by size



LDPE/HDPE Carry-Out Bags (1)

- ◆ Proposed additions
 - LDPE/HDPE carry-out bags
 - optional field for bag unit count
- ◆ Rationale for collecting this information
 - Ontario Plastic Bag Task Force MOU with Minister to reduce single-use plastic bags
 - Stewardship Ontario providing reporting & analysis for Task Force
 - weight & bags/capita are being tracked

continued...



LDPE/HDPE Carry-Out Bags (2)

- ◆ Rationale, *continued* ...
 - provides valuable & comparative information for the Task Force
- ◆ Impact/challenges to stewards
 - large number of stewards have carry-out bags
 - retailers typically source bags from suppliers separately from other plastic film applications
 - many retailers currently split out plastic bags in their Steward's Reports



Additional Information from Stewards (1)

- ◆ Proposed addition
 - text box for steward to enter waste reduction initiatives
- ◆ Rationale for collecting this information
 - allow stewards to provide information on what the company is doing to:
 - reduce packaging materials
 - select easier to recycle materials
 - utilize recycled content

continued...



Additional Information from Stewards (2)

- ◆ Rationale, *continued ...*
 - recommendation from Report to Minister:
Assessment of Stewards Actions in Response to Stewardship Ontario Fees
 - monitor industry packaging & material trends
 - support analysis of potential revisions to existing fee-setting methodology if program costs increase
- ◆ Impact/challenges to stewards
 - steward choice to participate or not



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Proposed New Material Reporting Sub-Categories

PET bottles	12.560 ¢/kg
PET bottles > 5 Litres	
HDPE bottles & jugs	11.406 ¢/kg
HDPE bottles & jugs > 5 Litres	
Polystyrene	18.990 ¢/kg for each of these materials
LDPE/HDPE film	
LDPE/HDPE film carry-out bags*	
Plastic laminant	
Other rigid plastic	
Other rigid plastic > 5 Litres	
Biodegradable rigid plastic containers	
Biodegradable plastic film	
Natural & synthetic textiles	

*Optional carry-out bags unit total

Comment Period

- ◆ Please review draft “Proposed Rules & New Material Reporting Categories for 2009”
 - comment on additions
- ◆ Comments due September 26
 - put “*Proposed Rules & New Material Reporting Categories*” in subject field
 - email to: customerservice@stewardshipontario.ca



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Questions & Comments



Wrap-Up

- ◆ Email questions/comments about presentation content by Friday, September 26
 - customerservice@stewardshipontario.ca



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Thank You!

