

October 23, 2018

Transitioning the Blue Box to Full Producer Responsibility

Background

In early 2017 key producers and municipal governments met to discuss the future of Ontario's Blue Box in the context of growing challenges for both municipalities and producers. These challenges include:

- A rapidly changing mix of packaging and paper products in the Blue Box residential recycling stream;
- Disconnect between those who supply paper products and packaging and those who collect, process and market the paper products and packaging;
- A fragmented municipal recycling collection and processing system that does not easily accommodate system-wide rationalization to standardize items collected, increase collection rates, improve scale efficiencies, reduce contamination and mitigate commodity market risks;
- New investment in Ontario's recycling collection and processing system has been hindered due to uncertainty related to the future direction of the Blue Box Program;
- An increased focus on quality in global recyclable material commodity markets; and
- Due to the above conditions, rapidly increasing costs for both municipalities and producers without levers to mitigate costs under the status quo regulatory environment.

In April of 2017, an agreement was reached between the parties that:

- Producers needed to assume full operational and financial responsibility for delivering the Blue Box to Ontarians; and
- An amended Blue Box Program Plan might provide a mechanism to affect the orderly transfer of operational responsibility from municipalities to producers as a transitory step to full operational and financial extended producer responsibility (EPR) under the amended Blue Box Program Plan which would set the stage for a second transitory step to an individual producer responsibility regulation under the *Resource Recovery and Circular Economy Act 2016* (RRCEA).

Under direction from the Minister, the Resource Productivity and Recovery Authority (the Authority) and Stewardship Ontario were directed to develop a proposal for an amended Blue Box Program Plan (a-BBPP).

The a-BBPP proposal was not completed prior to the Minister's deadline and the pending spring 2018 provincial election. Moreover, completion was uncertain without policy direction from the Ontario government on some outstanding issues such as:

- Accessibility, collection and recycling targets including associated terminology definitions and calculation methodologies;
- Reporting and mechanisms for oversight and enforcement, and
- Timelines for the next stage of transition to individual producer responsibility under the RRCEA.

Path Forward

At this juncture, continuing discussions to amend the existing Blue Box Program Plan as a transition mechanism to full operational and financial EPR will require the Minister to provide additional policy direction to the Authority and Stewardship Ontario. As the policy direction necessary to continue discussions to amend the Blue Box Program Plan would address the same elements as a regulation under the RRCEA, the most expedient path forward may be to develop a regulation under the RRCEA. Given the proposed transition date of 2023, this process needs to be initiated as soon as possible.

Prior to developing a regulation under the RRCEA, the first step calls for the Minister to issue a wind-up letter to Stewardship Ontario to develop and submit to the Authority a plan to wind-up the Blue Box Program Plan by a specified date on which responsibility for collecting and managing packaging and paper products will shift from municipalities to the companies that supply these products into Ontario.

The template for the wind-up process and wind-up letter is well-established through the previous directions to wind-up programs for used tires, waste electrical and electronic equipment (WEEE) and municipal hazardous or special wastes (MHSW). Similar to the three previous wind-up letters, direction to Stewardship Ontario to wind-up the Blue Box Program Plan would include a series of principles and procedures to be followed and timelines to be met.

Issuing a wind-up letter for the Blue Box Program Plan will provide transition timeline certainty which will:

- Enable appropriate investments by municipalities, private recycling companies and producers in Ontario's recycling collection and processing infrastructure;
- Enable appropriate business decisions between municipalities and their contractors;
- Enable producers to prepare to assume their future obligations;
- Set the stage for more constructive dialogue among municipalities and their existing service providers and producers and their future service providers on interim steps that can be of benefit to all parties;
- Signal that a regulation under the RRCEA will be developed at an appropriate point in the process that will:
 - Reduce future demands on Ontario's limited disposal capacity¹;
 - Reduce financial burden on Ontario's municipal taxpayers²;and
 - Provide an opportunity to significantly reduce greenhouse gas emissions in the Province³.

In causing the wind-up of the Blue Box Program Plan and in developing and promulgating a packaging and paper products regulation, it is prudent for the Ontario government to provide adequate time for a successful transition to full producer responsibility. The *Strategy for a Waste Free Ontario* has set a target of completing the transition by 2023 – a date which is only viable if the process to wind-up the Blue Box Program Plan and subsequently develop an RRCEA regulation begins soon.

Directing wind-up the Blue Box Program Plan soon and proceeding to develop an RRCEA regulation at the appropriate point in the process benefits all parties as it provides a clear timeline within which operational decisions can be made and it will ultimately lead to a regulation with enforceable outcomes established in the public interest that provides obligated businesses with the flexibility to achieve the outcomes in the most efficient and effective manner.

¹ A 2016 report by the Ontario Waste Management Association indicates that the province potentially has only 22 years of remaining landfill capacity. Available at <https://www.owma.org/articles/first-annual-state-of-waste-in-ontario-landfill-report>.

² Municipalities currently pay over \$125 million annually to manage residential Blue Box programs and these costs continue to rise.

³ A 2016 report indicates that GHG emission reductions of over 15 million tonnes can be achieved in Ontario through the recycling of used packaging and paper products. Available at <https://www.owma.org/articles/cap-and-trade-research-for-ontarios-waste-management-sector>.