



Supporting Reduction: Reuse, Recycling and Reintegration of PPP into the Economy

November 17, 2017

Recommendations:

- Modifying the existing Stewardship Ontario fee setting methodology is the most effective tool available under the amended Blue Box Program Plan (a-BBPP) to incentivize stewards to accelerate efforts to promote greater reduction, reuse and to design for recyclability.
- Recognizing the multitude of factors that go into stewards' packaging choices and the limited experience to date with incorporating financial incentives and disincentives into Extended Producer Responsibility (EPR) fee setting methodologies:
 - Year one (1) of an approved a-BBPP provides the opportunity to collect relevant data and to consult with stewards and other stakeholders on how best to implement these changes; and,
 - With a commitment within the a-BBPP to implement these changes and to apply the revised fee setting methodology for year two (2) of the approved a-BBPP.
- The revised steward fee setting methodology should be structured to provide greater economic incentives to stewards to introduce more recyclable paper products and packaging (PPP) by:
 - Maintaining the existing practice of having material specific fee rates reflect the cost to manage each material type and also its relative recycling performance;
 - Assigning material specific fees to all obligated packaging not collected under the a-BBPP at a level to provide sufficient funds to make direct, meaningful efforts to overcome the barriers to recycling each of these specific materials and to ensure a clear nexus between the fees charged to the steward and the services provided under the a-BBPP. In principle, these fee rates should be set higher than those assigned to similar but recyclable material types collected under the a-BBPP so that there is no competitive advantage for stewards selecting non-recyclable/non-collected material;
 - Adding an additional "disrupter fee" to materials which are known to be problematic materials in Blue Box programs or which contain substances that compromise the materials' reusability or recyclability. This additional fee rate and the reason why it is being assessed should be communicated clearly to the obligated steward as a separate line item; and,

- Setting fees for PPP promoted by stewards as biodegradable and/or compostable and that are collected in municipal organics programs, at a rate sufficient to pay municipalities for the costs of managing these products in organics collection and management programs.
- Adding an incentive to stewards to increase the recycled content of their PPP is a more complex undertaking and should include an assessment of existing (and potentially new) trade regulations to determine whether it is possible, and if so how, to incent new market developments within Ontario and Canada. Evaluation of and possible coordination with the Eco-Emballages Quebec fee incentive measures should be considered.
- Resource Productivity and Recovery Authority (RPRA) and Stewardship Ontario should maintain a registry and post on their websites examples of branded non-recyclable packaging supplied by obligated stewards into the Ontario market which cannot be recycled and which are not to be included in Blue Box collection programs.
- Alternative options for collecting obligated PPP not collected in Blue Box programs should be trialed over the first year of the approved a-BBPP and the most successful methods implemented more widely in the second year of the program.
- Stewardship Ontario promotion & education (P&E) programs should include:
 - Information on what types of obligated PPP are not recyclable and why; and,
 - Information on efforts underway to overcoming the barriers to recycling these materials.
- RPRA and Stewardship Ontario should provide an assessment in each annual report of the progress made by stewards in reducing the generation of PPP and the introduction of more recyclable PPP.

Background:

The [Accord](#) states:

A critical first step in the evolution towards such a circular economy is to implement extended producer responsibility...we have agreed that such a transition must:

- *Address the provincial interests listed in the resource Recovery and Circular Economy Act 2016 (RRCEA) thus becoming the blueprint for the future development of a producer responsibility PPP regulation under the RRCEA.*

The [Minister's letter](#) directs that the proposal for an amended BBPP:

- *Provide effective economic methods to incent behavior changes leading to waste reduction of PPP;*
- *Establish methods to facilitate the reduction of waste generated related to defined PPP materials. The methods may include activities to support:*
 - *Increase of the product's or packaging's reusability and recyclability,*

- *Reduction or elimination of any impact the material may have on the recyclability of other materials;*
 - *Reduction of the amount of waste generated at the end of the product's or packaging's life;*
 - *Reduction or elimination of the use of any substance in the material that compromises the materials reusability or recyclability; and/or*
 - *Increase of the use of recovered resources in the making of the material.*
- *Use means to discourage the use of materials that are difficult to recycle and have low recovery rates; and,*
 - *Establish mechanisms to identify and address issues associated with problematic materials, such as packaging that is difficult to recycle.*

Stewardship Ontario has stated in the a-BBPP consultation documents that:

- *“Where stewards bear the cost of the end-of-life management of their paper product and packaging choices, consideration of opportunities to reduce, reuse and increase both recyclability and recycling is expected to increase.”*

Stewardship Ontario has also stated that:

- *“Whether or not the paper product or packaging is being collected and managed in the transitioned system, Stewardship Ontario will employ a fee setting methodology for purposes of financing the amended Blue Box Program Plan that will enable the allocation of cost to material categories in order to fund remedial actions to improve the diversion performance of poorly performing materials and actions necessary to allow items that are not currently collected to be collected...”*
- *Stewardship Ontario will ensure that collection and resource recovery performance reporting metrics are available annually to provide evidence of the requirement for these investments.”*

The actions proposed by Stewardship Ontario to better inform stewards; to make recommendations for operational and technological innovation; and to work collaboratively with its commercial partners falls short of the direction provided by the Minister and of the public policy objectives of the RRCEA.

There is little evidence to demonstrate that there has been any substantive change in steward behaviors leading to reduction of PPP or better design for recycling resulting from similar initiatives:

- Stewards in Ontario have broadly known the recovery performance of their packaging under the BBPP for 20+ years.
- Stewards have paid material specific fees over these two decades which reflect both the cost to manage these materials through Blue Box programs and the recovery rate of each material relative to lower and higher performing materials.

- These feedback mechanisms have not slowed in any way the continuing transformation of PPP towards lighter, multi-material, harder and more expensive to recycle packaging types. Steward representatives have also been forceful and accurate in stating that relatively few PPP design decisions are taken at the provincial, or even the national level in Canada.
- While Stewardship Ontario fee rates have been low in comparison to other provinces and in particular in comparison to jurisdictions internationally (due in part to the cost sharing arrangement with municipalities, the inclusion of ONP in a basket-of-goods calculation in measuring recovery performance and the general efficiency of Blue Box program operators and service providers), little clear progress has been made in regards to design for recycling/supporting a transition to circular economy thinking in other jurisdictions with significantly higher fee rates than Ontario.
- The projected pace of transition to full producer responsibility under the a-BBPP will moderate the impact on steward fee rates overall and may not provide a strong enough economic incentive to overcome the known barriers to change.
- While Stewardship Ontario has suggested that it will adopt a fee setting methodology *“that will enable the allocation of cost to material categories in order to fund remedial actions to improve the diversion performance of poorly performing materials”* no details have been provided on how this would be done or when.

Most studies on the effects of EPR programs and policies on producer “design for recycling” decisions have shown little or no effect to date. This is especially true in jurisdictions with a monopoly compliance scheme where there is a marked tendency to manage to the lowest common denominator in the interests of keeping costs as low as possible for all obligated stewards/producers.

Relying solely on fee rates designed to cover the costs to recycle packaging that is collected under the program, in combination with education and some R&D efforts to incent significant behavior change among producers, has not proven effective to date. As a result some producer recovery organizations and some leading brand holder companies are moving towards incorporating additional incentives and disincentives in producer fees specifically to spur greater efforts on obligated companies to promote reduction, reuse, increased recycled content and the elimination of non-recyclable packaging and material choices which interfere with the recycling of other packaging. Some of these initiatives include:

- Modifying material specific fee rates to incent producers to increase the recycling content of their packaging, to select more recyclable packaging, promote more effective sorting and recycling, etc.;
- Charging higher fees to packaging known to be non-recyclable in that market;
- Adding “disputer fees” to specific materials and types of packaging known to interfere with recycling operations (i.e. PVC, use of black PET, etc.);
- Requiring members of the PRO to submit packaging reduction plans and reports;

- Providing member companies with best practice examples of recyclable packaging design;
- Establishing design for recycling resource centers and offering best practice training to producer members; and,
- Providing incentives to add “on pack” recycling messages on their packaged goods.

While none of these initiatives are known to have sparked widespread changes in producer behavior these represent early innovations that are expected to be revised and enhanced over time. This is not unlike previous interventions to correct for market failures or to advance progressive environmental policies (think feed-in tariffs for renewable energy, minimum average fuel consumption requirements for classes of vehicles, quotas to meet for the sale of zero emission vehicles, etc.). This need and experience has been clearly recognized in the Minister’s letter and the Stewardship Ontario proposals fall short of this direction.

Conclusions:

The initiatives proposed by Stewardship Ontario to date fall short of the Minister’s direction to:

- Provide effective economic methods to incent behavior changes leading to waste reduction of PPP; and
- Establish methods to facilitate the reduction of waste generated related to defined PPP.

Informing stewards that their packaging will not/is not being collected in Blue Box programs, and why, is not likely to be new news to the steward nor to spark significant changes in their behavior.

There are clear, practical initiatives that Stewardship Ontario can undertake to incent producers to move in this direction. While these activities will not likely achieve revolutionary changes over the life of the a-BBPP, they will send a stronger price signal, especially to those stewards that continue to introduce non-recyclable PPP which impedes the recycling of other types of packaging into the Ontario market. Implementing these initiatives under the a-BBPP will also help to better prepare stewards for the transition to individual producer responsibility under the RRCEA.

There is clearly no “silver bullet” mechanism that will change producer behavior to meet these challenges but a clear start should be made in this direction. Eco-Emballages Quebec has already taken steps in this direction and these would be enhanced by making similar efforts in Ontario, while also promoting greater harmonization of EPR programs across Canada which is known to be a high priority for Canadian companies.

Granted the pace at which the process is moving, we will likely provide additional comments on this issue.