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Circulated via email

Attention: Karen Nesbitt, Senior Manager, Policy
Association of Municipalities of Ontario

Matt Keliher, General Manager
Solid Waste Management Services, City of Toronto

Andrew Farr, Chair, Regional Public Works
Commissioners of Ontario

David Douglas, Chair, Board of Directors
Municipal Waste Association

Thank you for your letter of March 21, 2024. We have reviewed your letter and are pleased to share our response.

We can assure you that Circular Materials is committed to delivering a successful extended producer responsibility program in Ontario for packaging, paper, and packaging-like products (PPP) that delivers results and improves recycling rates. As a not-for-profit producer-led organization, we are committed to meeting the regulatory obligations of Ontario's Blue Box program in an effective and efficient manner. Our producer members understand their obligations under the Blue Box Regulation (the Regulation) and have selected Circular Materials to be in the best position to ensure they meet the performance targets under the Regulation.

As mentioned in your letter, this includes Circular Materials supporting its producer members in their efforts to work with government to address the increasing costs facing Ontario businesses as a result of the current regulatory framework. This has been more challenging due to the lack of significant capital investments in recycling infrastructure, which now falls on producers to address to ensure that they can meet the material performance targets established in the Regulation. Despite these challenges, we are committed to meeting producers' compliance requirements and have:

- already contracted with ten pre-conditioning facilities, including three greenfields, that will have new technology and sorting capabilities that will mitigate gaps in the current Ontario recycling infrastructure,
- worked to address infrastructure gaps with secondary processing that will improve our ability to manage hard to recycle plastics, and
- ensured we are on track to facilitate returning materials back to producers for use in new products and packaging with pilots starting at the end of Q2 this year.

While these are important steps forward to meeting our performance targets in 2026, it is clear the Ontario recycling system is not cost effective based on the current regulatory conditions and associated design consequences. It is our intention to deliver an optimal recycling system that is both efficient and

effective at meeting our producers' obligations. However, before we are able to do this, changes are required to support efficiencies.

To this end, in support of our producer members, we have had ongoing dialogue with the Ontario Ministry of Environment, Conservation and Parks (MECP) staff on the escalating costs on producers, together with the underlying factors that are a result of the current system. It is important to note that we are not even halfway through the transition and the costs of the current system have already more than doubled, which is creating additional challenges for producers as those costs will continue to rise even further as we transition the remaining 235 communities in the lead-up to the final transition date of December 31, 2025.

Our discussion with MECP staff has identified challenges of placing all these system operating costs on a subset of producers while exemptions have been provided to the newspaper and beverage alcohol industries, and there still being over 200 producers out of compliance with their obligations under the Regulation nine months after it was launched.

What our producer members are not comfortable with going forward are the increased costs being placed on industry through Ontario's complex regulatory framework and the uneven playing field that has been established where some, but not all, companies distributing PPP are required to pay the extraordinary costs for the blue box system in Ontario. Our producer members have been clear that we have an opportunity to reduce costs and avoid incurring approximately \$100 million in additional costs that are considered extraneous to the system. The current regulatory framework is hampering, not helping, producers meet their obligated targets under the Regulation.

Our producers are committed to improving the current recycling system in Ontario and meeting their obligations in the most effective and economically efficient method to ensure the long-term stability and sustainability of the EPR program in Ontario.

We welcome any support from municipalities in supporting producer calls for a level playing field, as many of our producer members have facilities and operations in your communities and are major employers in many regions across the province.

Also as you may know, to support transparency and open communication with municipalities, in collaboration with Waste to Resource Ontario (W2RO), we have scheduled an in-person meeting with Ontario municipalities on April 19, 2024 as a starting point in facilitating an ongoing dialogue with municipalities as we progress through the transition.

Thank you for the opportunity to share our response. If you have any questions or would like to meet to further discuss these issues, please do not hesitate to contact me.

Sincerely,



Allen Langdon
Chief Executive Officer, Circular Materials
alangdon@circularmaterials.ca

cc: Nicole Fischer, Chair, Circular Materials Board of Directors
The Honourable Doug Ford, Premier of Ontario
The Honourable Andrea Khanjin, Minister of Environment, Conservation and Parks
The Honourable Paul Calandra, Minister of Municipal Affairs and Housing