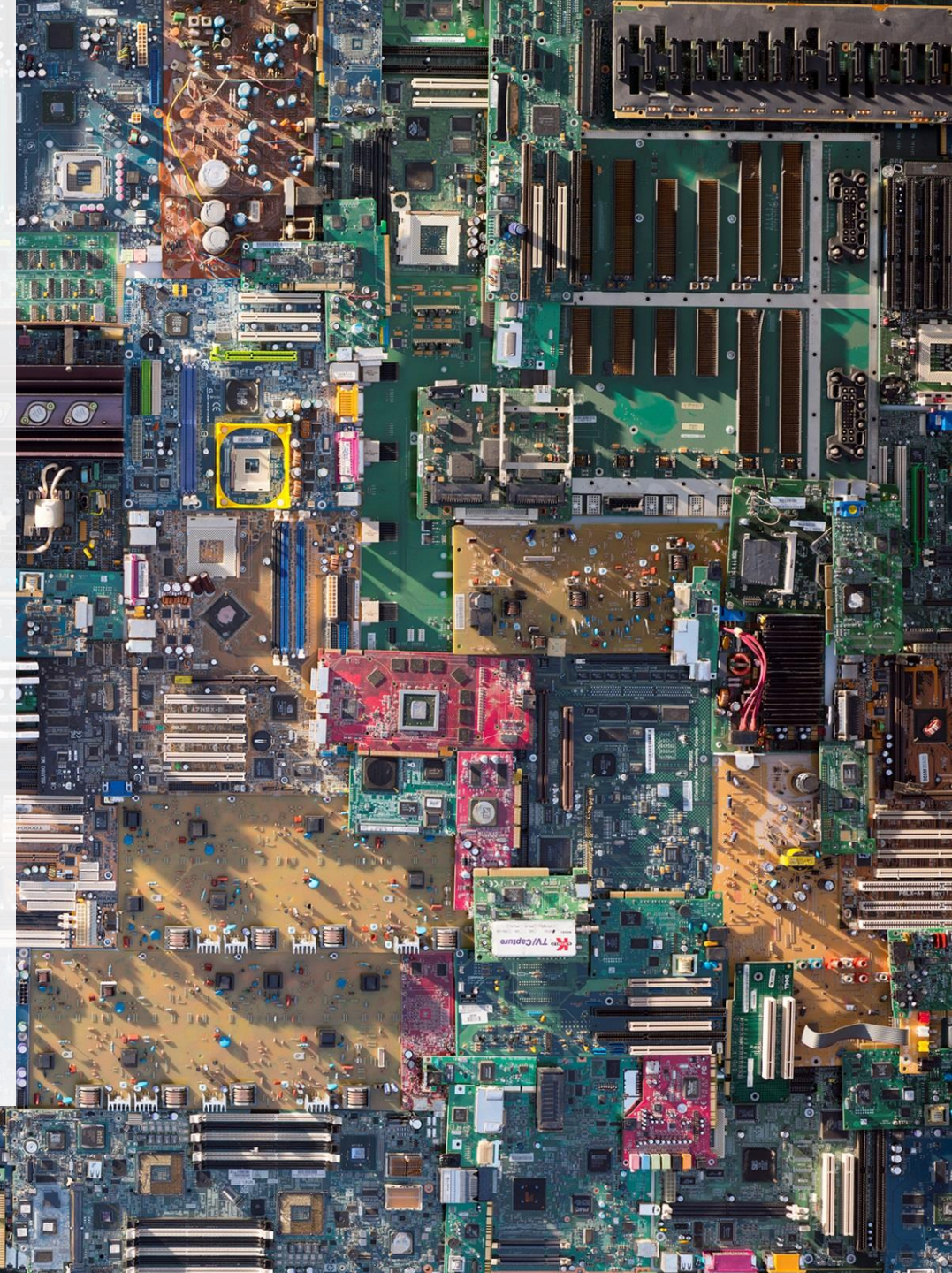


Waste Electrical and Electronic Equipment (WEEE) Program Wind Up

RPRA Consultations

Spring 2019



Asking Questions

01/29/2018 10:00 AM EST

This webcast has not yet started

Questions and Answers

Question : test

Answer pending

Type a question and press 'Enter'.

To ask a question at any time during the presentation or for technical assistance, type your question in the text box and press “Enter”.



RPRA Resource Productivity
& Recovery Authority

Agenda

1. Purpose of the Consultation
2. Background
3. About RPRA
4. OES's Wind-Up Plan

Purpose of the consultation

- Provide an overview of OES's Wind-Up Plan for the WEEE Program
- Answer questions you may have on the wind up and provide clarity
 - If there are questions we cannot answer, we will follow up in a written Q&A
- Outline key questions we are seeking feedback on during the consultation
 - You can provide your feedback until **Thursday, April 25, 2019**
 - At the end of the presentation we will recap how you can provide feedback
- Out of scope of this consultation:
 - New WEEE regulations
 - Other waste management programs (tires, hazardous household waste, Blue Box)



Background

Current WEEE Program

- Ontario Electronic Stewardship (OES) operates the WEEE Program on behalf of the electronics industry
 - Program ensures end-of-life electronics are handled in a safe, secure and environmentally sound manner
 - Funded by an environmental handling fee (EHF) for electronics
- In February 2018, the Minister of the Environment directed the wind up of the WEEE Program
 - Program directed to end on June 30, 2020
 - OES will wind up as a corporation shortly thereafter
 - In December 2018, the Minister of the Environment accelerated the wind up of the batteries program to June 30, 2020 to better coordinate with the wind up of the WEEE Program
- The Minister's direction enables the transition of WEEE to individual producer responsibility

What's changing

Going from:

Stewards/producers collectively responsible for the end-of-life management of electrical and electronic products

A system centrally managed by OES

To:

Stewards/producers individually responsible for the end-of-life management of electrical and electronic products

A system managed by multiple competing producer responsibility organizations (PROs), and/or producers managing their own products



RPRA Resource Productivity
& Recovery Authority

What's changing

Going from:

A supply chain operated according to a Program Plan

OES collects system data and the Authority oversees OES

The *Waste Diversion Transition Act, 2016* (WTDA)

To:

A supply chain operated without a Program Plan, resulting from commercial negotiations within the parameters of a new regulation

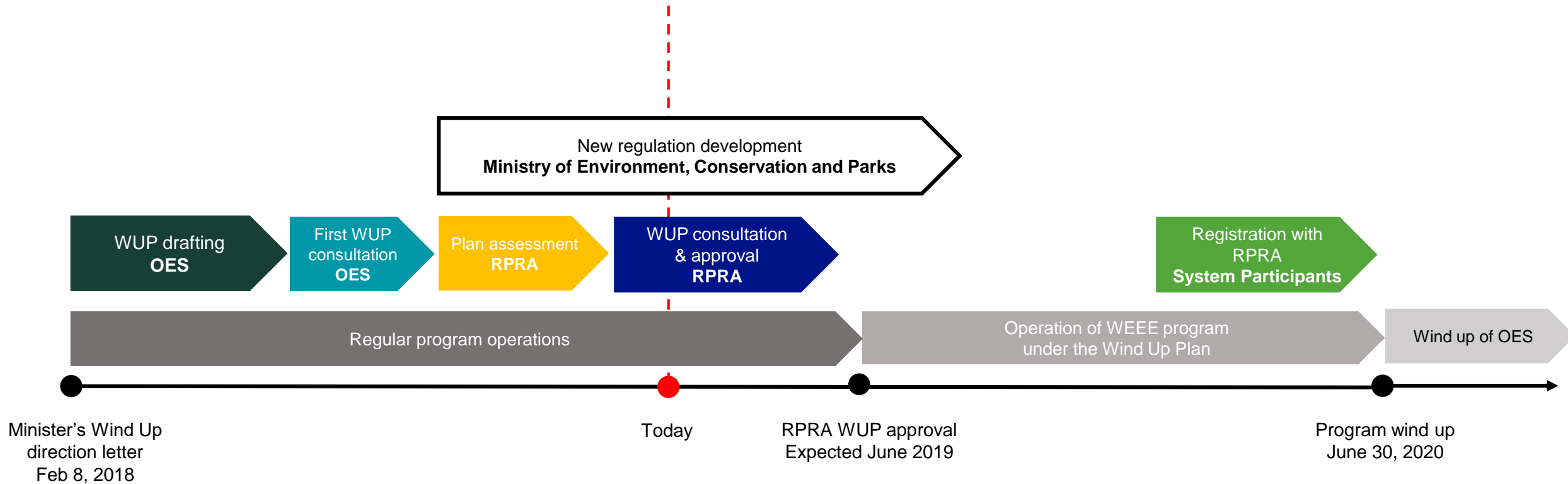
The Authority collects system data through a secure registry to enforce individual producer compliance

The *Resource Recovery and Circular Economy Act, 2016* (RRCEA)



RPRA Resource Productivity
& Recovery Authority

Wind Up Plan (WUP) Development and Approval



About RPRA



The Resource Productivity and Recovery Authority

- Regulatory body created by the Ontario government to oversee producer responsibility requirements
 - Compliance and enforcement responsibilities delegated by the province
- Mandated to support the transition to a circular economy and waste-free Ontario
 - Despite efforts, Ontario's diversion rates have stalled
 - New emphasis on producer responsibility to drive better economic and environmental outcomes

The RRCEA and WDTA

- RPRA receives its authority from the *Resource Recovery and Circular Economy Act, 2016* (RRCEA) and the *Waste Diversion Transition Act, 2016* (WTDA)
- RRCEA establishes a new regime where producers are accountable for their products and packaging, recovering resources, and reducing waste
- WDTA allows for the continuation of waste diversion programs and sets out provisions to wind up those programs as directed by the Minister of the Environment, Conservation and Parks



Our Vision

**A circular economy today
for a waste-free tomorrow.**

Our Mission

**Enforce producer responsibility and advocate for
the circular economy to spur innovation and
protect the environment.**

What we do

Under the **WDTA**, our responsibilities include:

- Overseeing existing waste diversion programs and industry funding organizations until wind up
 - Tires- Program ended December 31, 2018
 - Waste Electrical and Electronic Equipment
 - Municipal Hazardous or Special Waste
 - Blue Box
- Approve wind-up plans developed by industry funding organizations
 - Oversee the implementation of wind-up plans



What we do

Under the **RRCEA** our responsibilities include:

- Developing and operating a registry to register and receive information from obligated parties responsible for materials under the RRCEA
- Managing, analyzing and reporting on the information in the registry
- Carrying out compliance and enforcement activities

The Wind-Up Plan



The Wind-Up Plan

Minister's Direction

The plan should be consistent with the following principles:

- Demonstrate transparent communications and meaningful consultation
- Support competition and prevent conflict of interest
- Demonstrate fairness to stewards and protect consumers
- Maintain and improve program performance

Topic 1: Budget and EHF



Revised financial forecasts

- In April- June 2018, the Tax Court of Canada overturned a ruling from early in the program that stated that industry funding organizations, such as OES, were not allowed to claim Input Tax Credits (ITCs) for HST paid to third parties
- This meant claiming ITCs was allowed for the HST paid on services and goods received in managing the program from 2009-2018
- The Wind-Up Plan financial forecasts were revised following OES's consultations as a result of receipt of final refunds from CRA in February 2019
 - In total, OES received a refund of \$60.8 million from the CRA as a result of ITCs

Background - EHF reduction

- In light of the larger than expected OES forecast reserve surplus resulting from the CRA decision:
 - OES implemented a 17-month steward fee reduction to \$0
 - The fee reduction took effect on February 1, 2019
 - Eliminated:
 - Steward fees to OES until wind up
 - Consumer EHF fees until wind up
- OES formally notified stewards of the fee elimination on December 3, 2018 so that stewards could prepare their internal IT systems

Proposal- Budget

Revenue:	2018 Forecast	2019 Budget	2020 Budget
EEE Fee Revenue	\$51,309	\$3,327	
EHF Fee Refund		(\$2,300)	
Tax Refund	\$60,840		
Interest	\$936	\$545	\$250
	\$113,085	\$1,572	\$250
Expenses:			
Processing	\$27,142	\$26,013	\$12,681
Handling	\$6,103	\$6,231	\$3,280
Transportation/Storage	\$6,236	\$6,419	\$3,380
Direct Program Costs:	\$39,481	\$38,663	\$19,341
Other:			
Promotion and Education	\$2,885	\$2,860	\$1,000
Administration	\$3,101	\$3,370	\$2,485
Wind-up Fees	\$150	\$2,400	\$2,900
RPRA fees	\$1,256	\$2,600	\$1,300
Indirect Costs:	\$7,392	\$11,230	\$7,685
Total Costs:	\$46,873	\$49,893	\$27,026
Surplus/(Deficit)	\$66,212	(\$48,321)	(\$26,776)
Tonnage (metric tonnes)	47,711	45,684	22,271
Reserve	\$109,815	\$61,494	\$28,480
Drawdown on Reserve for HST		(\$6,238)	(\$2,597)
Closing Reserve		\$55,256	\$25,884

Proposal- Budget

- OES is projecting a program surplus of \$25.8 million following the steward fee elimination and the resolution of outstanding financial obligations
- Forecasts subject to financial contingencies, such as fluctuations in WEEE supply
- If needed, OES reserves the right to adjust steward fees to fund any financial shortfalls that may occur



Minister's letter on surplus funds

- The Authority received a letter from the Minister on April 2, 2019 requesting that the Authority conduct consultations on the use of OES surplus funds
 - Minister noted that surplus funds were larger due to the resolution of the tax issue with CRA
- The Minister requested that the Authority:
 - consult on options to ensure that any surplus at program termination be used for the benefit of Ontario consumers
 - report back by April 30, 2019



Contingency reserve

- Need for hold-back of a contingency to ensure OES can meet all of its financial commitments and not run out of funds prior to program wind up
- This contingency will have to address the uncertainty of the underlying assumptions and estimations associated with any option
- A conservative contingency will likely result in some final surplus funds remaining at wind up
- A determination will be made on the use of this final remaining surplus at corporate dissolution



Options for use of OES surplus funds

Based on the Minister's request, these are the possible options:

Surplus fund options that benefit Ontario consumers	
1	Modify the current elimination of consumer Electronic Handling Fee to provide a consumer rebate
2	Extend the current fee elimination period by extending the wind-up date
3	Credit consumers at point-of-waste or product return



Additional considerations for assessment

- Operational ease of implementation within available time
- Legal/contractual feasibility
- Cost efficiency



Option 1: Modify the current elimination of EHF fee to provide a consumer credit

Description

- Rebate applied to purchases of electric and electronic equipment (EEE) products
- Distribution method:
 - Credit at point-of-purchase/invoice
 - Mail-in coupons
- Implementation mechanism:
 - Distributed via stewards, remitters and sub-remitters
 - Mail-in management outsourced by OES

Key questions

- How should the rebate amount be set?
 - Fixed across EEE categories
 - Variable (e.g. mirroring former EHF)
- Which distribution method is preferred?
- What challenges do you see in implementing this option in your supply chain?
- What are timing and duration considerations?

Option 2: Extend the current fee elimination period by extending the wind-up date

Description

- Currently the fee elimination is implemented for the last 17 months of the program
- Continue operating the program at no cost to consumers beyond June 30, 2020

Key question

- Would you support the extension of the existing program as a way to drive down the surplus?

Option 3: Credit consumers at point-of-waste or product-return

Description

- Fixed or variable credit distributed to consumers of EEE at point-of-return
- Distribution method:
 - Direct or invoice credit
 - Mail-in coupons or receipts
- Implementation mechanism:
 - Distributed via processors, generators and collectors
 - Mail-in management outsourced by OES
 - Voluntary or mandatory participation

Key questions

- What factors should determine the rebate amount?
- What challenges do you see in implementing this option in your supply chain?
- Which distribution method is preferred?
- Voluntary or mandatory participation considerations?
- Timing and duration considerations?

Key questions- Surplus funds

Which of these options would be most cost and resource efficient?

Would any of these options have a potential negative impact on competition in the WEEE marketplace?

Would any of these options have a potential negative impact on the program?



Topic 2: Governance and Administration



Conflict of interest mitigation

- Minister directed in wind-up letter that:
 - *“OES shall take all necessary steps to ensure there is no real, potential or apparent conflict of interest when developing and implementing the plan.”*
- Potential concerns identified:
 - Electronic Products Recycling Association (EPRA) administers the OES WEEE Program through a service agreement with OES
 - EPRA may have an operational role under the RRCEA after wind up
 - OES and EPRA Boards had significant cross representation
- Conflict of Interest Mitigation Plan:
 - RPRA required that OES develop and implement a Conflict of Interest Mitigation Plan and that this plan be implemented prior to wind up

OES Conflict of Interest Mitigation Plan

Board Governance

- Existing OES Board resigned and new Board appointed in August 2018
 - New Board eliminated all OES/EPRA cross board memberships
 - New Board eliminated EPSC and RCC observer members
 - Oversaw the drafting of the Wind-Up Plan

OES Conflict of Interest Mitigation Plan

Administration

- New independent manager for the WEEE Program appointed in March 2019
 - Reports to new OES Board
- OES will separate operations from EPRA to minimize conflict during wind up
- OES will function as a corporate entity following the wind-up date to process claims from service providers
- OES will appoint a liquidator to dispose of any remaining assets and coordinate corporate dissolution

Conflict of Interest Mitigation Plan

Data Management

- Minister directed that:
 - *“OES sharing of data and information to parties other than the Authority must be done through a fair, open and transparent process that does not result in preferential treatment of one person or group over another or release of any confidential information.”*
- New OES Board and Program Manager will oversee data management and transfer during wind up
 - OES will identify any confidential or commercially sensitive data transferred to RPRA and take measures to ensure that data is supplied in confidence
 - RPRA is required to treat information in its possession as confidential
- All steward and service provider data in OES’s possession will be destroyed following transfer to RPRA

Key question- Governance and administration

Do OES's proposals support competition and prevent conflict of interest?



Topic 3: Operations



Proposal- Transition of Material Tracking System (MTS)

- Proprietary software used to track WEEE materials through the supply chain, and to process orders, payments and incentive claims
- OES is proposing to make a clean version of MTS available as a free software to stewards and potential producer responsibility organizations as of January 2020
- OES will conduct information sessions if necessary to facilitate the transition of the MTS
- A copy of the MTS software will be provided to RPRA following program termination

Key question- MTS

Would you use a clean version of the MTS system?

Proposal- Program operation

- In OES's view a business as usual approach will ensure that program performance is maintained and there is no disruption to the existing program during wind up
- OES is not proposing any changes to WEEE material definitions
- OES is not proposing changes to collection, transportation and processing incentive rates prior to or during the wind up period
- OES is proposing to maintain existing service provider contracts related to collection, transportation and processing during the wind up period

Operations: Stewards



Proposal- Steward fees and supply reports

- In OES's view, the continuation of steward supply reports is essential for OES to monitor program performance and conduct periodic and final program cost allocations
- Current OES steward and remitter service agreements will remain in place for the duration of the program
- OES will provide formal notice of the timing of termination of these agreements to stewards after RPRA's approval of the Wind-Up Plan

Proposal- Steward fees and supply reports

- Despite the reduction of steward fees to \$0, stewards must submit EEE supply reports until June 30, 2020
- Final steward reports for the month ending June 30, 2020 will be due by **July 31, 2020**
 - Corrections or adjustments due by **September 15, 2020**
- Following program termination, stewards who normally submit annual supply reports will submit a six month supply report covering the period January 1, 2020- June 30, 2020
- OES is proposing that steward reports be submitted through a different login link starting July 1, 2020

Key question- Steward operations

Does OES's proposed reporting schedule and process align with your business operations?



Operations: Service Providers



Proposals- Service provider contracts, incentives and payments

- OES is not proposing changes to current collection, transportation and processing incentive rates prior to or during the wind up period
- OES is proposing that it maintain existing service provider contracts related to the collection, transportation or processing of WEEE materials
- OES will monitor applications for additional service providers during this period in light of maintaining current program performance and streamlining program wind up
- OES is proposing to give all service providers a minimum of six months' notice of contract terminations. Currently OES anticipates providing notice of contractual termination to service providers in relation to wind up by **September 30, 2019**



Proposals- Compliance

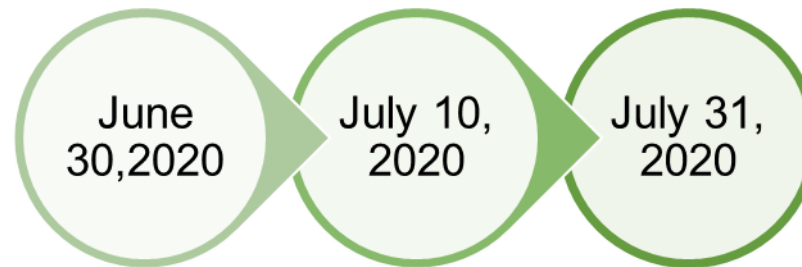
- OES will continue with its regular compliance review activities during the wind up period
- OES is proposing to conduct additional onsite processor visits to validate inputs and outputs related to processor reports
- OES is also proposing to conduct additional reviews on claims outside of normal patterns to ensure validity of claims and expedite the reconciliation process

Proposals- Collectors and Generators

- In January 2020, OES will begin working with collectors and generators to prepare for program shut down
- Collected WEEE will only be eligible for program incentives if the WEEE is dropped off at a collection site by **June 30, 2020** and the related MTS Bill of Lading (BOL) for pick up and transportation of these materials is created and submitted to OES by end of day on **June 30th, 2020**.
- As of **July 1st, 2020**, collectors and generators will not be able to add new volume to MTS and no new BOL submissions will be accepted

Proposals- Collectors and Generators

- Collector and generator BOL submissions must be made by **June 30, 2020** with arrangement for pickup of such materials arranged no later than **July 10, 2020**
- Collector claims for incentives on WEEE materials collected prior to June 30, 2020 must be submitted to OES no later than **July 31, 2020**



Proposals- Re-use and Refurbishers

- Re-use and refurbisher service providers will have until **July 10, 2020** to submit reports to OES on R&R activities completed prior to June 30, 2020
- After July 10th, 2020, the MTS system will no longer be available for R&R reports

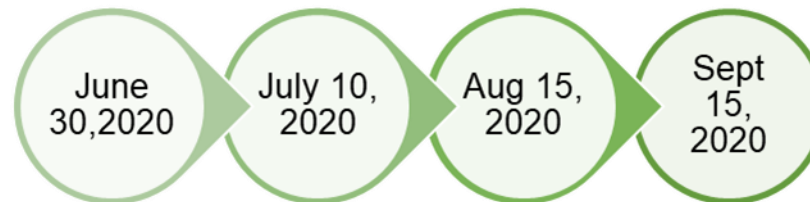
Proposals- Processors

- In the first quarter of 2020, processor mass balancing reports will be moved from a quarterly to a monthly basis to expedite OES payments in the final six months of program operations
- Processors will have until **August 15, 2020** to submit claims to OES for the MTS BOL's completed and submitted by June 30th, 2020 end of day and with corresponding pick ups completed by July 10th, 2020
- BOL's dated later than June 30, 2020, will not be eligible for reimbursement
- Mass balancing reports must be completed and submitted to OES by **September 15, 2020**



Proposals- Processors

- OES will increase the audits of processors during the last six months of the program to ensure claims are entered correctly, are valid and that processors continue to function in accordance with program requirements
- Onsite inspections and wind up audits will occur during **July through September 2020**



Summary of key dates

Cut-Off Date	Wind Up Plan Measure
June 30, 2020	<ul style="list-style-type: none">- Program termination date;- Final date for collection of WEEE materials under program;- Final date for submission of MTS BOLs by collectors and generators;
July 10, 2020	<ul style="list-style-type: none">- Final date for transportation pick up of WEEE from collector and generator sites;- Final date for submission of re-use and refurbish reports to OES;
July 31, 2020	<ul style="list-style-type: none">- Final date for submission of claims for collection incentives to OES from collectors;- Final date for submission of steward EEE supply reports to OES for the period ending June 30, 2020;
August 15, 2020	<ul style="list-style-type: none">- Final date for processing of WEEE collected prior to June 30, 2020 and submission of processor incentive claims to OES;
September 15, 2020	<ul style="list-style-type: none">- Final date for completion of final processor mass balance reports under WEEE program;- Final date for steward submission of corrections or adjustments to EEE supply reports provided earlier under the program.



Key question- Service provider operations

Do the deadlines proposed by OES work when thinking about your business processes?



Topic 4: Promotion and Education



Proposal- Consumer collection sites

- OES is proposing that program access, collection sites, events, and spending on promotion and education activities be maintained throughout the wind up period
- OES will coordinate the collection of any OES collection materials previously provided to OES collection partners in a manner that does not adversely impact consumer access to WEEE disposal sites prior to June 30, 2020.

Proposal- Consumer awareness

- OES uses EPRA's Recycle My Electronics logo, branding, campaigns and marketing collateral to increase consumer awareness and participation in Ontario through radio, print and digital initiatives
- OES proposes to continue using the Recycle My Electronics brand to promote recycling of waste electronics throughout the wind up period
- Current promotional and education campaigns and partnerships will continue throughout 2019. In 2020 these events will be assessed on a case-by-case basis to determine their need given the pending program termination
- After program termination, use of Recycle My Electronics brand will revert to EPRA

Key questions- Promotion and education

Do OES's proposals support competition following wind up?

Do OES's proposal maintain and improve program performance?



Key question- The overall plan

Is there enough information in the wind-up plan for you to prepare for the wind up of the program?

From your perspective, does the plan meet the requirements of the Minister's direction?



Next steps

- You may provide your feedback on OES's Wind-Up Plan by:
 - Completing a survey that will be emailed to you after this session
 - Emailing your comments to consultations@rpra.ca
- Feedback is due by **Thursday, April 25, 2019**
- This session is recorded and will be posted on RPRA's website
- Feedback from the consultation will be summarized in a report that will be available on the Authority's website
- RPRA and OES will provide information on proposed regulations as soon as information becomes available from the Ministry of Environment, Conservation and Parks