
MEMORANDUM

WMPSC-C 3-2021

Subject: Update on Blue Box Funding for 2021

Date: Monday, February 22, 2021

To: Waste Management Planning Steering Committee

From: Brad Whitelaw, Program Manager, Waste Policy & Planning

The purpose of this memorandum is to provide Waste Management Planning Steering Committee (WMPSC) members with an update on Niagara Region's 2021 Stewardship Ontario (SO) Blue Box funding and how it is determined, as well as an update on the status of the Province's Blue Box regulation and producer responsibility.

Background

- “The Resource Productivity Recovery Authority (RPR) Blue Box Datacall is the source of data used by RPR in calculating the net residential Blue Box cost and for determining the annual SO funding to be allocated under the Blue Box Program Plan.
- Each Ontario program (i.e. municipality, recycling association, or First Nation) providing recycling services must complete the annual RPR Datacall to be eligible to receive SO funding for their Blue Box program.
- SO is the not-for-profit, industry funding organization (IFO) that operates Ontario's Blue Box program on behalf of industry stewards (i.e. first importers, brand owners or franchisors) of packaging and printed paper that end up in residential Blue Boxes.
- Industry stewards pay fees to SO to enable it to fulfill its funding and operational obligations. These steward fees are based on the amount of packaging and printed paper they supply annually into the Ontario residential market.
- SO operates the Blue Box and Orange Drop programs under the authority of *The Waste-Free Ontario Act, 2016*.
- SO is accountable to RPR, which is the oversight, compliance, and enforcement organization.”

Overview

Every year, Ontario programs must complete the RPRA Blue Box Datacall, which is based on their previous year's program information, in order to be eligible to receive SO funding. Ontario programs must submit their Blue Box Datacall into RPRA by the end of April of each year. All Datacall submissions are then reviewed by RPRA, as part of their data verification process. Once all of the data has been verified, RPRA sets the steward obligation, which is submitted to the RPRA Board, for approval.

As part of RPRA's oversight of the Blue Box program, RPRA determines the total amount that Blue Box industry stewards must pay each year to Ontario programs to operate their program. RPRA also calculates how much funding each participating Ontario program is eligible to receive from SO, based on the information they provide as part of their annual Datacall submission.

"To determine the SO funding obligation each year, RPRA considers information obtained from the annual Datacall. In addition, the following factors are considered:

- Municipal cost containment to reflect best practices in operating municipal waste diversion programs
- Steward cost containment to represent cost increases stewards have had on the system due to their packaging and product choices
- InKind lineage to reflect the share of promotion and education through newspapers using InKind lineage attributable to the Blue Box program
- Non-obligated materials to reflect a portion of the costs to collect materials through the Blue Box program that are not mandated
- Three-year rolling average revenue to reflect volatile commodity prices
- Prior year adjustments to reflect any errors identified by the RPRA in verifying and auditing Datacall information."

"RPRA uses the Municipal Funding Allocation Model (MFAM) to determine how the Annual Steward Obligation is to be distributed among the participating Ontario programs. The MFAM was established as a way to differentiate funding levels between Ontario Blue Box programs, with the intent being that the more efficient and effective programs would receive greater financial incentives.

The MFAM has been a subject of discussion numerous times, as it re-distributes steward obligation, based on the criteria of costs, tonnage and best practice questions, as follows:

- Net Residential Blue Box System Cost (50%)
- Recovered Tonnage (35%), and
- Best Practices (15%) score”

Summary of Niagara Region’s SO Funding

An Ontario program’s SO funding amount received in any current year is based on their Datacall’s net residential Blue Box cost from two years ago. For example, the SO funding that an Ontario program receives in 2021 will be determined, based on their 2019 net residential Blue Box cost, which was calculated as part of their 2020 RPRA Datacall submission.

In 2021, SO funding payments made to all Ontario programs range from a low of 3% to a high of 75%, with an average of 39% of their 2019 net residential Blue Box cost. SO funding payments made to Niagara’s 11 municipal comparators average 50% of their 2019 net residential Blue Box cost.

Table 1 below provides a summary of Niagara Region’s SO funding that was received between 2017 and 2021.

Table 1 - Summary of Niagara Region's 2017- 2021 Stewardship Ontario Funding and Net Residential Blue Box Costs

SO Funding Year	SO Funding Received	Net Residential Blue Box Program Cost	SO Funding as % of Net Residential Blue Box Cost
2017	\$3,925,713	\$7,589,776	51.72%
2018	\$4,028,353	\$6,949,396	57.97%
2019	\$3,711,276	\$5,415,186	68.53%
2020	\$4,412,428	\$7,941,830	55.56%

SO Funding Year	SO Funding Received	Net Residential Blue Box Program Cost	SO Funding as % of Net Residential Blue Box Cost
2021	\$5,647,496	\$10,159,441	55.59%

Comparison of Niagara Region's 2021 Budget vs. SO Funding

Table 2 below provides a comparison of Niagara Region's 2021 Budget versus the SO funding amount that will be received.

Table 2 - Comparison of Niagara Region's 2021 Budget vs. SO Funding

2021 Budget	2021 SO Funding	2021 Budget vs. SO Funding Variance
\$5,689,300	\$5,647,496	(\$41,804)

As part of the 2021 Budget, total 2021 Blue Box funding from SO was estimated at \$5,689,300, based on historical trends of funding received as a percentage of net residential blue box costs over the past several years. Niagara Region has received a confirmed 2021 funding announcement of \$5,647,496, which will result in an unfavourable budget variance of \$41,804.

Status of Blue Box Regulation and Producer Responsibility

A report was submitted to Public Works Committee on the proposed producer responsibility regulation, as part of PW 48-2020, November 10, 2020. In addition, a report was submitted on SO's proposed plan to windup the residential Blue Box program and transition to the new producer responsibility framework, as part of PWC-C 42-2020, November 10, 2020.

1. Blue Box Regulation:

"Under the *Resource Recovery Circular Economy Act* (RRCEA), the Province is shifting to a full producer responsibility framework for products, packaging, and packaging-like products, making producers and brand holders accountable for recovering resources and reducing waste associated with products.

On October 19, 2020, the Province released a proposed new regulation under the RRCEA and amendments to the Regulation 101/94 to the Environmental Registry of Ontario (ERO) for a 45 day comment period. Under the proposed Blue Box regulation, the producer shall establish a collection and management system of designated materials and producers may be interested in having municipalities provide Blue Box services on their behalf, should mutually agreeable terms be negotiated.”

Niagara Region provided its comments on the proposed Blue Box regulation to the Ministry of Environment, Conservation and Parks (MECP) on December 3, 2020.

2. Producer Responsibility:

“In the summer of 2019, the MECP issued direction to SO to develop a plan to transition the current Blue Box program, which is a shared cost model (50% funded by producers and 50% funded by municipalities) to the new individual producer responsibility framework (funded 100% by producers). The plan was to be submitted to RPRA by the August 31, 2020 deadline, which was extended from June 30, 2020 due to the COVID-19 pandemic.

SO submitted the Blue Box Program Transition and Stewardship Ontario Windup Plan (the Plan) to RPRA and as per the Ministers direction, RPRA is required to review, consult and approve the plan. RPRA has consulted with stakeholders via a series of webinars and group discussions that were held from October 13 to 23, 2020. Stakeholder comments on the Plan were required by November 10, 2020.”

Niagara Region provided its comments to RPRA regarding SO’s proposed plan to windup the residential Blue Box program and transition it to the new individual producer responsibility framework on November 10, 2020.

“On December 16, 2020, RPRA (the Authority) approved SO’s Blue Box Program Transition and Wind-Up Plan, with the following six conditions:

1. Prior to the implementation of the Material Cost Differentiation (MCD) methodology, SO is required to:
 - a) develop a proposal, to the Authority’s satisfaction, to further mitigate the increase of InKind funding to municipalities and First Nation communities as a result of the adoption of the methodology until the program winds up

- b) develop a plan, to the Authority's satisfaction, to address stakeholder concerns about potential impacts of the methodology on competition in the market for resource recovery services under the *Resource Recovery and Circular Economy Act, 2016*
- 2. SO shall ensure its Code of Conduct applies to all SO staff and develop a plan by February 15, 2021, to the satisfaction of Authority staff, to ensure measures are in place at the staff level to further mitigate conflict of interest
- 3. SO is required to develop a plan by May 31, 2021, to the satisfaction of Authority staff, to ensure data retained outside of its enterprise resource planning system is managed in a secure manner and destroyed following wind-up of the Blue Box Program
- 4. SO is required to develop a plan by September 15, 2021, to the satisfaction of Authority staff, to maintain or minimize reduction in program performance during the wind-up process
- 5. SO is required to update the plan as required to address operational and implementation issues and as directed by Authority staff
- 6. SO shall provide any information identified by Authority staff that it requires to perform its mandated duties."

Next Steps

Niagara Region will be submitting a follow-up report on the final Blue Box regulation, once it is released by the Province.

Respectfully submitted and signed by

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