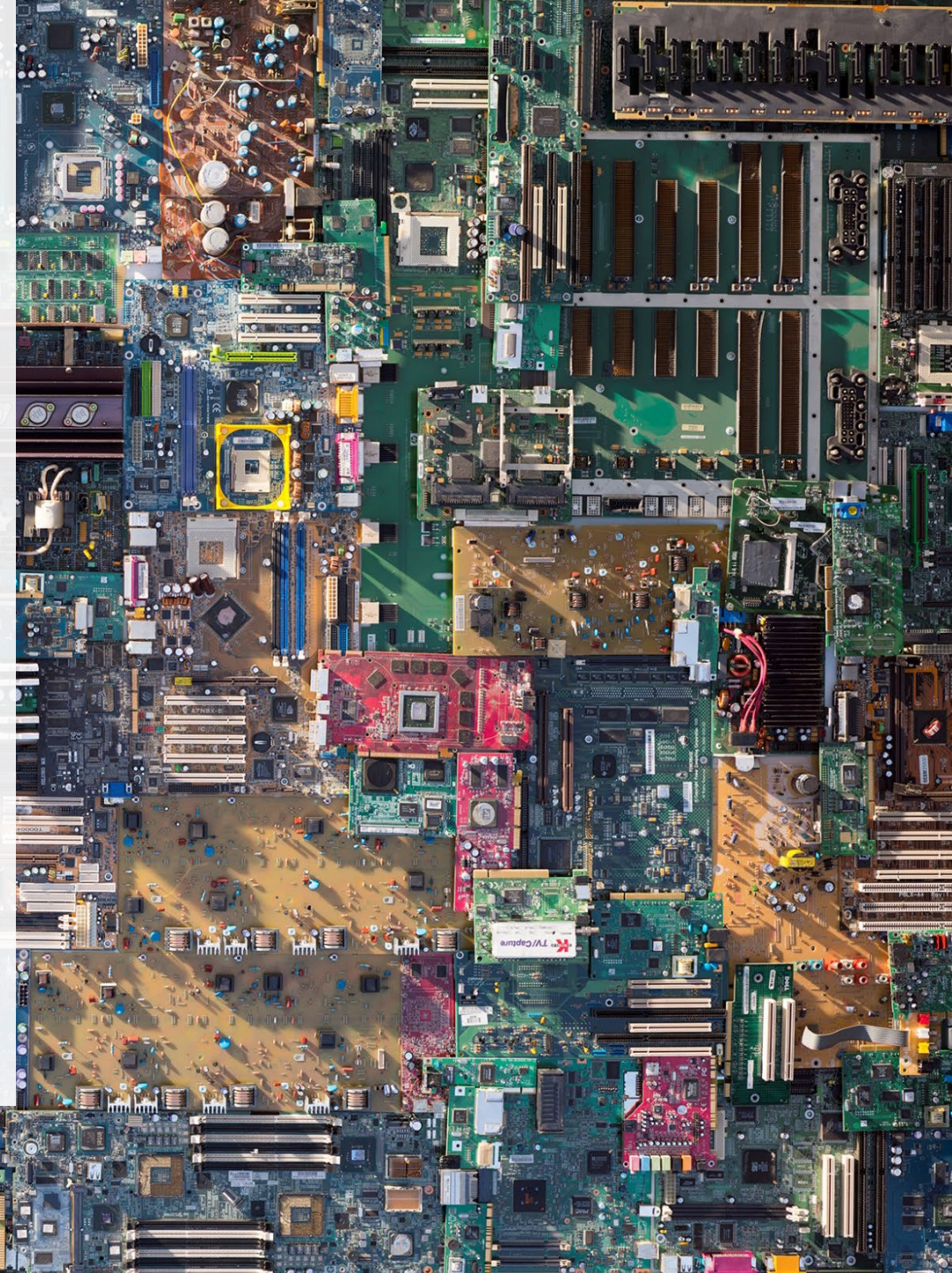
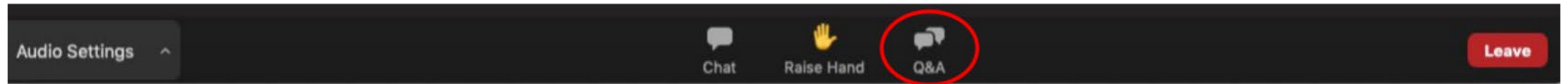


Proposed Use of Ontario Electronic Stewardship Residual Funds to Offset RRCEA Program Fees for ITT/AV Producers

Consultation period:
August 10 - September 2, 2022



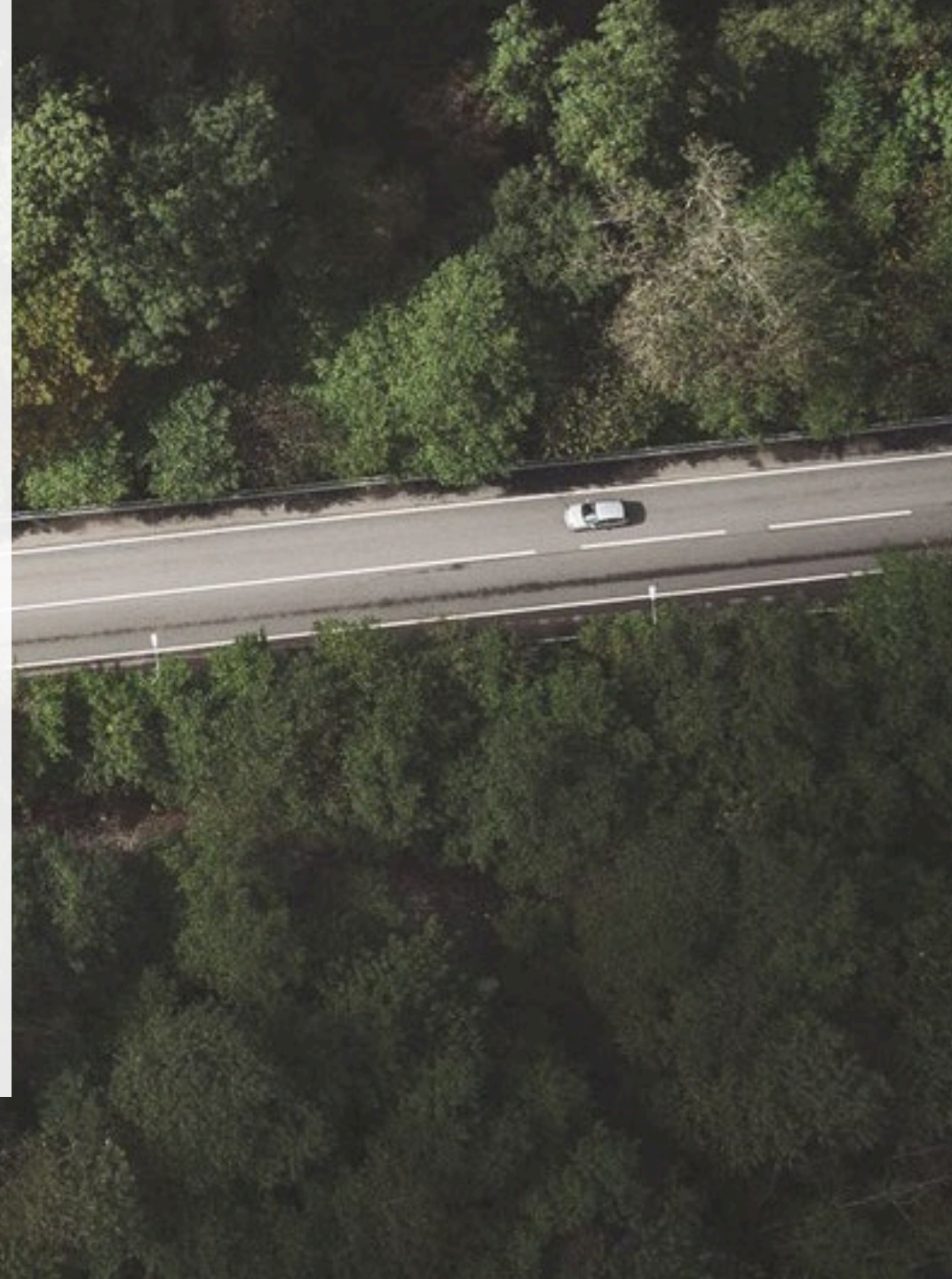
How to ask a question



To ask a question at any time during the presentation or for technical assistance, click on the Q&A tab, type your question in the text box and click “send”.

Agenda

1. Purpose of the consultation
2. Background
3. Application of Ontario Electronic Stewardship Residual Funds
 - Interim Residual Funds Transfer and Application
 - Final Residual Funds Application
4. Consultation Questions
5. Summary and Next steps



Purpose of the consultation



Purpose of the consultation

- Provide an overview of the framework for managing Ontario Electronic Stewardship (OES) residual funds
- Obtain feedback on the proposed approach to applying OES residual funds to offset 2023 *Resource Recovery and Circular Economy Act, 2016* (RRCEA) program fees for information technology, telecommunications, audio-visual (ITT/AV) producers
 - Stakeholders to provide feedback by **Friday, September 2, 2022**
- Out of scope of this consultation:
 - RRCEA Program Fees for 2023
 - *Environmental Protection Act* (EPA) Program Fees for 2023

Background



Background

Wind-up of the OES WEEE Program

- In February 2018, the Minister of the Environment, Conservation and Parks directed the Waste Electrical and Electronic Equipment (WEEE) Program to be wound up. OES was required to submit a wind-up plan (WUP) to RPRA, which was approved with conditions on August 20, 2019.
- The WEEE Program ceased operations on December 31, 2020.
- The Board of Directors of OES resigned and appointed Deloitte Restructuring Inc., as liquidator of OES, effective as of April 1, 2021.

Background

Wind-up of the OES WEEE Program cont.

- The final wind-up of OES is dependent on the resolution of a claim the OES Liquidator filed with Canada Revenue Agency (CRA) for a refund of \$3.5M in GST/HST remitted during the time steward fees were reduced to \$0. This was part of the surplus elimination ahead of the WEEE program's wind-up on December 31, 2020.
- As reported by OES in the 2021 Annual Report, the amount remaining in the reserve fund as of December 2021 is \$3.4M.
- The OES Liquidator is making \$780K in residual funds available for transfer to RPRA in 2023 as an interim step ahead of the resolution of the CRA claim and final liquidation of OES.

Background

Transfer of Residual Funds to RPRA

- OES WUP states that residual funds remaining in OES after wind-up activities are completed will be transferred to RPRA to offset RRCEA Registry-related expenses.
 - OES consulted on the WUP between October 30, 2018, and November 23, 2018.
- RPRA approved the WUP with conditions on August 20, 2019. Conditions include that OES will cooperate with RPRA in consulting with stakeholders on additional details about the transfer of residual funds to RPRA and how the funds will be used.
 - RPRA consulted on the OES WUP between March 7, 2019, and April 25, 2019.
 - RPRA amended its consultation on the OES WUP to consult specifically on surplus funds, as directed by the Minister.

Background

Transfer of Residual Funds to RPRA cont.

Following its appointment, the Liquidator identified a need to amend the OES Steward Rules that address the payment of fees to align the rules with the obligation to transfer residual funds to RPRA, as required by the WUP.

The following is the timeline of the Liquidators' activities:

- The Liquidator consulted on the Steward Rules between May 7, 2021, and May 25, 2021, and RPRA's Board approved the amended Steward Rules on June 22, 2021.
- The Steward Rules were amended to add: *4 (7) Nothing in these Rules shall prevent the distribution of residual funds [...] to the Resource Productivity and Recovery Authority consistent with a Wind-Up Plan approved under section 14 of the Waste Diversion Transition Act, 2016.*
- The Liquidator also proposed an interim transfer of residual funds to RPRA.

A person wearing yellow work gloves is holding a black smartphone vertically. The background is a large pile of discarded mobile phones and their components, including keyboards, screens, and casings, scattered on a blue surface. The scene suggests a recycling or disposal process for electronic waste.

Questions?

Application of OES Residual Funds



Application of OES Residual Funds

Overview

- OES residual funds transferred to RPRA will be used to offset RRCEA Registry-related expenses.
- The Registry is an online platform that allows the Authority to securely and confidentially collect information from obligated parties and monitor performance.
- As an Administrative Authority of the Government of Ontario, RPRA does not receive any government funding and funds its operations through fees charged to regulated parties on a cost-recovery basis.

Application of OES Residual Funds

Overview cont.

- OES residual funds will be used to offset 2023 fee rates charged to ITT/AV producers obligated under the Electrical and Electronic Equipment (EEE) Regulation under the RRCEA.
 - This will temporarily lower the fee rates charged by RPRA to **ITT/AV producers only**.
 - The rate reduction will not apply to fees collected for batteries or lighting because these materials were not obligated under the legacy OES WEEE program.
- RPRA will conduct a separate consultation on all proposed 2023 RRCEA Program Fees in fall 2022.

Application of OES Residual Funds

Methodology

RPRA is seeking ITT/AV stakeholder feedback on two tranches of OES residual funds to be transferred to RPRA to offset RRCEA Program Fees for ITT/AV producers only.

RPRA is seeking for feedback on:

1. Interim residual funds transfer totaling \$780K and application in 2023.
2. Final residual funds transfer and application. Total amount estimated to range between \$2.5M and \$6M, dependent on the outcome of the CRA claim. Application timing also dependent on resolution of the CRA claim and final liquidation of OES.

Application of OES Residual Funds

Methodology cont.

RPRA's proposed methodology is guided by the following principles:

- All OES residual funds will be applied to offset RRCEA Program Fees for ITT/AV producers.
- Once transferred to RPRA, funds will be held in a separate low-risk, interest-bearing account, and will be reported on in RPRA's audited financial statements in its annual reports.
- Proposed fee reductions will be applied to provide fee predictability for ITT/AV producers.

Application of OES Residual Funds

Interim Residual Funds Transfer and Application

Prior to the resolution of the CRA claim, RPRA proposes the following:

- OES must retain a prudent amount of residual funds as contingency due to the uncertain timing of the resolution of the CRA claim.
- The Liquidator determined that a portion of the residual funds are available for distribution prior to the resolution of the CRA claim, while ensuring that sufficient residual funds remains for contingency.
- It is expected that up to \$780,000 may be transferred to RPRA on an interim basis.
- The Liquidator must seek a Court Order prior to transferring any funds to RPRA. *(see next slide for more information)*
- If the GST/HST claim is successful, the refund awarded by CRA will be added to the residual funds reserve.

Application of OES Residual Funds

Interim Residual Funds Transfer and Application cont.

RPRA proposes to direct the Liquidator to seek a Court Order for an interim transfer of funds in Q3 2022 and the following:

- The interim residual funds transferred to RPRA (\$780K) will be applied to the 2023 RRCEA Program Fees for ITT/AV producers only.
- The Interim Amount will be apportioned fairly between small producers and large producers.
- The fee reduction is proposed to be calculated by dividing the Interim Amount (\$780K) by the total ITT/AV tonnage for 2023 to calculate a per kg discount for ITT/AV producers.

Predicted Supply Volume by type of Registrant	2022 fee	Possible Interim Transfer Discount (illustrative)	Possible Effective Rate (illustrative)
small producers (up to 6,360 Kg): 18,000 Kg	\$75 flat fee	- \$18	\$57 flat fee
large producers (>6,360 Kg): 55,017,000 Kg	\$0.06 per kg	- \$0.014	\$0.045 per kg

The table above is using supply volume predicted for 2022

Application of OES Residual Funds

Final Residual Funds Application

- The timing and total amount of the final residual funds available for transfer to RPRA after the final liquidation of OES will be determined following the resolution of the CRA claim.
- OES final residual funds are proposed to be used to freeze RRCEA Program Fees for ITT/AV producers.
- The length of the rate freeze period is dependent on the amount of the final residual funds transferred to RPRA, which is estimated to range between \$2.5M and \$6M.

Application of OES Residual Funds

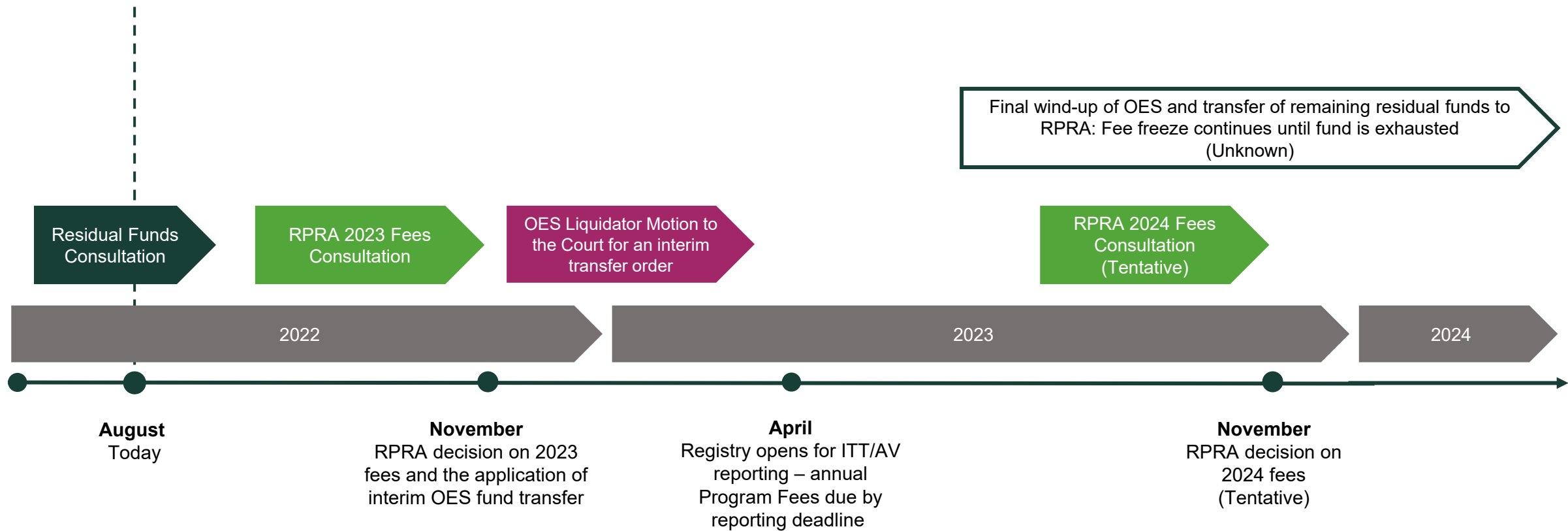
Final Residual Funds Application

The following is how the final residual funds fees are proposed to be applied to RRCEA Program Fees for ITT/AV producers:

1. RRCEA Program Fees will continue to be determined following the [General Fee-Setting Policy](#), as required by law, and will be open for stakeholder comments as part of RPRA's 2023 annual fees consultation.
2. The residual funds will be applied to effectively freeze RRCEA Program Fees at the previous years' rate
3. The OES Residual Fund Account will be drawn down each year to sustain the RRCEA Program Fee until the account is depleted.
 - If the RRCEA Program Fee is lower than previous year, the effective fee rate for the following year will be the lower fee rate.

Note: ITT/AV producers would not experience a fee rate increase until the OES Residual Fund Account is depleted.

Timeline of Interim Transfer and Use of OES Residual Funds



Consultation Questions



Consultation Questions for Stakeholders

In providing your feedback, RPRA would be interested in hearing your views on the following:

1. Do you support RPRA requesting the transfer of interim residual funds from the OES Liquidator to offset 2023 RRCEA Program Fees for ITT/AV producers?
2. Once the CRA claim is resolved, do you support the proposal to apply the final residual funds transferred to RPRA to effectively freeze RRCEA Program Fees for ITT/AV producers at the previous years' rate until the funds are exhausted?
3. As an ITT/AV producer, how important is a predictable fee rate to you?
4. Would you prefer the final residual funds be applied to reduce the RRCEA Program Fees for ITT/AV producers to \$0 until the funds are exhausted?

A top-down view of a person's hands typing on a silver laptop keyboard. The person is wearing a white shirt and a black smartwatch on their left wrist. A semi-transparent white horizontal bar is overlaid across the middle of the image, containing the text "Help us improve our webinars" in a bold, black, sans-serif font. To the right of the laptop, a black smartphone is lying vertically on the wooden desk surface.

Help us improve our webinars

Summary and Next Steps



Summary of Key Elements

OES residual funds remaining after the program wind-up will be used to offset Registry-related costs:

- Transfer of residual funds to RPRA is consistent with the direction set out in the OES WUP.
- OES Steward Rules were amended in June 2021 to allow for the residual funds to be used to offset the costs borne by ITT/AV producers under the RRCEA.

RPRA will maintain transparency and fairness in applying the residual funds to Registry fees:

- OES funds will be held in a separate account, which will be included in RPRA's Financial Audit and Annual Report.
- OES funds will only be applied to fees charged to ITT/AV producers, under the EEE Regulation.
- Fees charged to battery and lighting producers will not be offset by OES residual funds.
- OES residual funds will be used to reduce, and temporarily freeze RRCEA Program Fee rates for ITT/AV producers and support fee predictability.

Summary of Key Elements cont.

Interim Residual Funds Transfer and Application:

- RPRA proposes to request the OES Liquidator to transfer an interim amount of OES residual funds to RPRA
- Funds received by Q1 2023 will be used fully to offset 2023 Registry fee rates for ITT/AV producers

Final Residual Funds Application:

- OES residual funds will be used to freeze effective ITT/AV Registry fee rates at the level applicable in that year, until the funds are exhausted

Next steps

- Feedback on the proposal for the use of Ontario Electronic Stewardship (OES) residual funds can be submitted to consultations@rpra.ca.
- To review consultation materials, including the proposal, please [visit our consultation webpage](#).
- The deadline to submit your feedback is **September 2, 2022**.
- Consultation participants will be notified when the proposal is approved. The approval and consultation report will be posted to the RPRA website.
- For more WEEE Program wind-up information, visit the [WEEE Program Wind-Up webpage](#).