

# Revised proposed 2023 fees for producers of Hazardous and Special Products in material categories A and B

January 26, 2023

Webinar Date: 9 February, 2023



# Introduction

- RPRA is seeking feedback from producers of Hazardous and Special Products (HSP) materials on a revised proposal for 2023 HSP fees for material categories A and B
  - Category A includes: Oil filters, non-refillable pressurized containers
  - Category B includes: Refillable pressurized containers, antifreeze, oil containers, paints and coatings, solvents and pesticides
- In fall 2022, RPRA consulted on a [2023 fee proposal for all RRCEA programs](#) (Tires, Batteries, ITT/AV, Blue Box, Lighting, and HSP). Based on feedback received during the consultation and further analysis by RPRA staff, RPRA has revised the proposal for 2023 RRCEA Program Fees for HSP producers for material categories A and B only.
- The proposed 2023 fee model and fee rates for HSP Categories C (mercury containing devices), D (fertilizers), and E (refillable propane containers) materials are unchanged from the original proposal presented in the fall.
- 2023 fees for RPRA's [other RRCEA programs](#), and fees for the [Excess Soil Registry](#) and the [Hazardous Waste Program \(HWP\) Registry](#) were published in December 2022.

# Introduction cont'd

- This revised proposal for 2023 fees for HSP Categories A and B aims to better balance the fee burden among producers of different materials by apportioning the A and B cost recovery target between two groups of producers according to the number of producers expected to report supply of those materials in 2023.
- The two producer groups are:
  - Producers of oil containers, oil filters and/or antifreeze (collectively referred to in this proposal as automotive materials)
  - Producers of paints and coatings, solvents, pesticides and/or pressurized containers
- The overall [2023 Budget and Business Plan](#), cost allocation methodology, and 2023 cost recovery targets for all registry programs were approved in 2022 and remain unchanged.

# Process for feedback on the revised proposal

- RPRA is seeking feedback on the revised proposal for 2023 fees for HSP producers from **January 26 to March 13, 2023**.
- A webinar will be held on February 9, 2023, at 2 p.m. to present the proposal and answer questions.
  - Register for the webinar [here](#)
- Please contact [consultations@rpra.ca](mailto:consultations@rpra.ca) if you wish to discuss the proposal during the consultation period.
- You can send feedback to [consultations@rpra.ca](mailto:consultations@rpra.ca) **on or before March 13**.
- Feedback will be summarized in a report that will be posted to RPRA's website.
- The final **fees will be posted to the website** and stakeholders will be notified when they have been posted.
- For more information on the consultation process, visit our [website](#).

# Background on RPRA

- The Resource Productivity and Recovery Authority (RPRA) is a regulator mandated by the Ontario government to:
  1. Support the transition to a circular economy by winding up and transitioning legacy waste diversion programs under the [Waste Diversion Transition Act, 2016](#) (WDTA) and implementing the new extended producer responsibility (EPR) framework under the [Resource Recovery and Circular Economy Act, 2016](#) (RRCEA)
  2. Provide digital registration and reporting services (referred to as “registries” in RPRA communications) for the province’s Excess Soil and Hazardous Waste programs under the [Environmental Protection Act](#) (EPA), as directed by the Minister
- 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.

# Background on cost recovery

- The RRCEA and WDTA allow RPRA to set and collect fees to recover its costs. Fee revenues come from three sources:
  1. Annual fees from obligated parties required to register and report to RPRA under RRCEA EPR regulations.
    - RRCEA program fees cover RPRA's costs to develop and operate registry systems, carry out compliance and enforcement activities related to the RRCEA regulations, and provide support to registrants in complying with their regulatory obligations.
  2. Transaction fees from parties obligated to register and report through RPRA's Excess Soil and Hazardous Waste registries.
    - These fees cover RPRA's cost to build and operate registry systems for programs under the EPA and provide support to users on an ongoing basis. The Ministry of the Environment, Conservation and Parks is responsible for compliance activities related to these EPA programs.
  3. Monthly cost recovery charges to industry funding organizations (IFOs) and industry stewardship organizations (ISOs) under the WDTA.
    - WDTA monthly charges cover RPRA's costs to oversee the operation of legacy waste diversion programs, IFOs and ISOs, and the wind-up of IFOs.
- RPRA engaged the management consulting firm Optimus SBR to conduct a third-party review of its fees to identify any enhancements to reflect best practices in fee setting. The review was completed before 2022 RRCEA Program Fees were set. The review concluded that RPRA's cost allocation methodology and fee model were reasonable and consistent with RPRA's fee-setting principles (found in the [General Fee-Setting Policy](#)). The review also concluded that RPRA's fee-setting principles were consistent with best practices.
- [Optimus SBR's Executive Summary](#) of their review is available on our website.

# Approach to fee setting

- RPRA's proposed fees are guided by its [General Fee-Setting Policy](#), which is posted on RPRA's website.
- There are four main inputs into RPRA's fee proposal development process:
  1. The **annual budget**, which is set out in the annual business plan and consulted on with the Industry Advisory Council and Service Provider Advisory Council.
  2. RPRA's **Cost Allocation Methodology**, which guides the allocation of RPRA's costs to the different programs RPRA operates.
  3. **Fee model(s)** that determine how and what fee payers within each program are charged.
  4. Estimates of the **number of fee payers and the amount of material supplied or generated** for each program
- For information on inputs 1 and 2 above, and the initially proposed 2023 HSP fee model and rates, please see the [Consultation on Proposed 2023 RRCEA Program and Excess Soil Registry fees](#) posted to our website last fall.

# Revised Proposed 2023 Fee Model and Rates for producers of HSP Category A&B materials



# Initial proposed 2023 HSP fee model for Categories A and B

- During the fall 2022 fee consultation, RPRA proposed to continue using the same fee model approved in 2021 and 2022 for producers of HSP category A and B materials:
  - the cost recovery target would be collected from producers by setting a per-kg fee rate for producers reporting more than 10,000 Kg of HSP; and
  - producers supplying up to 10,000 Kg would pay a flat fee (\$75 in 2021 and 2022; proposed at \$85 for 2023).
- This initial proposed fee model aligns with the fee models for the other RRCEA programs. Like the other programs, it does not distinguish between the different material groups within the program.
- Within HSP, a large majority of producers in Categories A and B report supply of either paints, coatings and solvents ("paints"), or oil filters, oil containers and antifreeze ("automotive materials") to the registry.
- Under the initially proposed model, producers of paints would be assessed more than 85% of the total estimated cost of the 2023 HSP program, while producers of automotive materials would be assessed less than 15%. Paint producers have expressed concern that this distribution is driven in part by the fact that paint is relatively denser than other HSP materials (and thus weighs relatively more), and that this fee distribution does not reflect the relative significance of both of these major material groups within the program.

# Revised proposed 2023 HSP fee model for Categories A and B

RPRA is proposing a revised model that has two steps:

- 1) The A and B cost recovery target is apportioned to two groups of producers of different A and B materials based on the number of producers in each group expected to report supply in 2023.
- 2) Per-kg rates are assigned to each group based on predicted supply volume in 2023.

RPRA proposes to use the following two producer groupings:

1. Producers of paints, coatings and solvents; pressurized containers; and/or pesticides – approximately **128 producers**
2. Producers of automotive materials (oil filters, oil containers, antifreeze) – approximately **114 producers**

# Rationale for revised HSP fee model

- The proposed new approach more evenly balances the fee burden for producers of category A and B materials by allocating cost recovery targets for the two major material groups (paints on the one hand and automotive materials on the other) based on the number of producers in each group, and subsequently applying per-Kg rates for each group.
- The number of producers in each material group is proposed as a reasonable indicator of the extent of RPRA resources required for registry support and compliance.
- Compared to the original proposal, the new approach shifts more of the cost burden of the HSP program to automotive materials producers from paints and coatings producers. This reflects the significance of both paints *and* automotive materials within the program, in terms of both the number of producers within each group, and the amount of material that is obligated and available to be recycled at end-of-life.
- Retaining weight-based fee rates for the different material groups keeps the model consistent with RPRA's General Fee Setting Policy, the fee models for RPRA's other registry programs, the HSP regulation, and RPRA's fee-setting principles of equity and simplicity. Weight-based fees for HSP A and B producers will continue to ensure that producers of the same products face the same costs on a per-product basis, avoiding a competitive impact on consumer markets and continuing to protect small producers from undue burden.

# Initial vs. current fee proposal for HSP categories A and B

The below chart compares the fee burden among material groups in Categories A and B in the initial model and the new revised model, using estimates for supply volume in 2023.

			Initial fee proposal (fall 2022)			Current revised fee proposal				
HSP category A and B sub-material grouping	Weight supplied (2023 estimates) (KG)	% of A and B tonnage supplied	Estimated total fees to be paid under initial fee proposal	% Total fees under initial fee proposal	Previously proposed per Kg rate	Approx. Total # Producers	% of A and B producers	Estimated total fees under revised fee proposal	% Total fees under revised proposal	Revised proposed per KG rate after splitting recovery target based on producer numbers
Automotive Materials	17,100,000	14%	\$342,000	14%	\$0.02	114	47%	\$1,145,700	47%	\$0.067
Paints, Coatings, and Solvents	103,000,000	86%	\$2,060,000	86%	\$0.02	98	40%	\$1,236,000	53%	\$0.012
Pressurized Containers	300,000	less than 1%	\$6,000	Less than 1%	\$0.02	25	10%	\$3,600		
Pesticides	160,000	less than 1%	\$3,200	Less than 1%	\$0.02	5	2%	\$1,920		
<b>Totals:</b>	<b>120,560,000</b>		<b>\$2,411,200</b>			<b>242</b>		<b>\$2,433,300</b>		

# Revised proposed HSP fees

Material Group	Registrant	Proposed 2023 Fee
HSP automotive materials (oil filters, oil containers, anti-freeze)	Producer: up to 10,000 Kg	\$85 flat fee
	Producer > 10,000 Kg	\$0.067 per Kg
HSP paints, coatings, solvents and pressurized containers	Producer: up to 10,000 Kg	\$85 flat fee
	Producer > 10,000 Kg	\$0.012 per Kg
HSP Category C (mercury-containing products)	Producer	\$7,500 flat fee
HSP Category D (Fertilizer)	Producer	\$1,000 flat fee
HSP Category E (Refillable Propane Containers)	Producer	\$1,000 flat fee
Category C, D and E	Producer with annual revenue in Ontario < \$2 Million	\$85 flat fee

- Flat fee rates for producers of categories C, D and E with annual revenues in Ontario greater than \$2 Million are proposed to remain stable at 2022 rates. These material groups are treated differently because they have substantially fewer obligations than other RRCEA programs.
- The number of Kgs reported in 2023 will be the average of 2020, 2021 and 2022 Kgs supplied.
- The supply data used to calculate the proposed 2023 fee is the supply reported into the sectors identified for that material type in the 2021 rules for stewards under the Municipal Hazardous or Special Waste (MHSW) programs (consistent with the 2022 HSP fees)
- The supply data used to validate the revised proposed 2023 fee was the average of 2019, 2020 and 2021 Kgs supplied (reported to RPRA in 2022)
- Rolling average supply volumes of A&B materials predicted for 2023:
  - Small producers (up to 10,000 Kg): 427K Kg
  - Large producers (> 10,000 Kg): 120 M Kg

# Feedback

- If you have questions about the proposal or would like to discuss it in more detail, email us at [consultations@rpra.ca](mailto:consultations@rpra.ca)
- Email your feedback to [consultations@rpra.ca](mailto:consultations@rpra.ca) on or before **March 13, 2023**
- Attend our webinar on February 9, 2023 at 2 p.m.
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