



Environmental Registry of Ontario
ERO number 019-2579
December 3, 2020

Re: proposed regulation and proposed regulatory amendments to make producers responsible for operating blue box programs.

Thank you for the opportunity of commenting on the Blue Box draft regulations. PPEC is the national association representing the environmental interests of the Canadian paper packaging industry, an industry that has already established a circular economy for recovered paper in Ontario.

Paper is undeniably the success story of the Blue Box. More than two-thirds of all the paper that Ontario households generate is recovered through Old Blue. A couple of paper materials (corrugated boxes and telephone books) have recycling rates in the 80s and high 90s. And while the revenues for paper grades fluctuate and are currently somewhat subdued, they totalled some \$35.9 million in 2019, or 42.5% of total Blue Box revenues.

Most of this recovered paper is supplied to Ontario packaging mills that use it to produce [new 100% recycled content boxes and cartons](#). Ontario thus already has a home-grown circular economy where used paper is recycled over and over again. It is in nobody's interests to destabilise this situation by penalising the local paper industry even inadvertently.

We have two main concerns with the draft regulations: the waste diversion targets and the recycled content proposal.

1. Waste Diversion Targets

There are too many unknowns about how these targets were derived to be able to respond fully at this time. A study we have commissioned to look at the facts and to make predictions out to 2030 is still underway and will not meet your comment deadline of 3 December. However, we do intend to share it with you once it is complete, hopefully within a week.

- (a) It should be made very clear that these are *diversion* targets, not collection targets. Comparisons with British Columbia (which measures performance by collection at curbside and depots) should not be made. A sizable chunk of contaminated material is removed (at a material recycling facility or MRF) after collection, so diversion rates are always lower than collection rates. Comparisons between BC's collection targets and Ontario's proposed diversion targets are not 'apples to apples.'



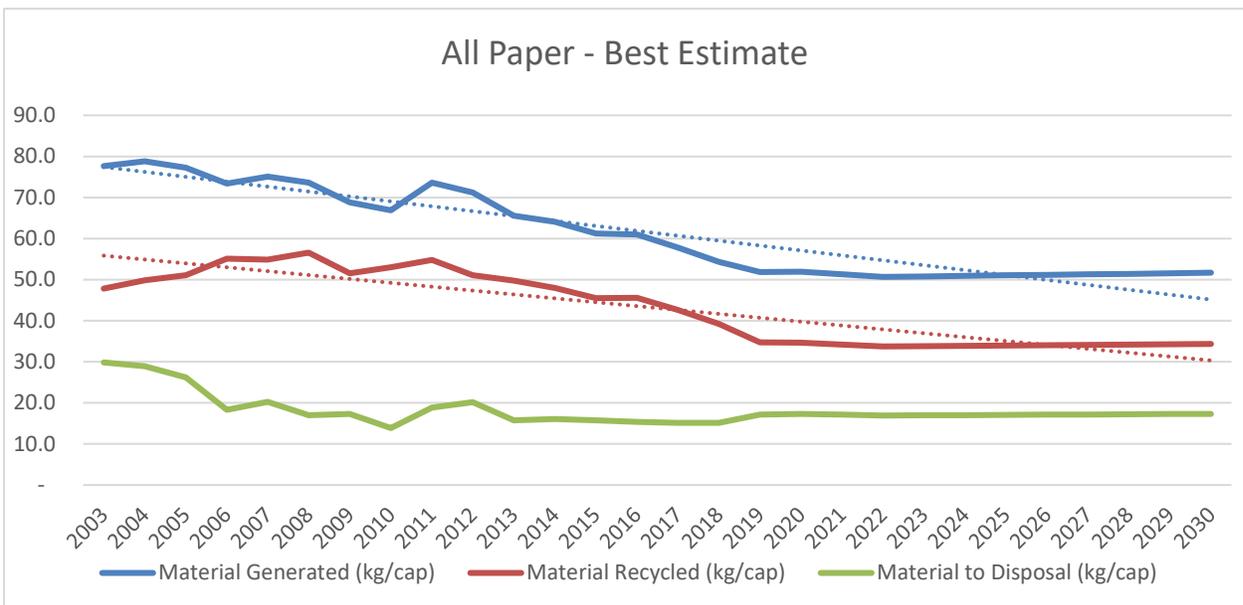
- (b) There are missing numbers that make estimating the reasonableness of these Ontario targets difficult. The ministry, for example, says it wants more Blue-Box material diverted from a wider range of sources. That's fine. But broadening the generation base automatically reduces the diversion rate because 100% of that new source material will not be collected. The province has offered no tonnage numbers for this new supply and yet it could have a significant effect on diversion rates.

For example, paper packaging's 2019 Blue Box diversion rate was 67.8%. If an extra 50,000 tonnes of paper packaging supply were to be sourced, then the industry would have to find a home for an additional 33,000 tonnes just to maintain its current diversion rate. If an extra 200,000 tonnes of new source supply were available, it would have to find a home for an extra 135,000 tonnes (before it could even begin to improve its diversion rate). The ministry is also silent on what types of material it expects this new supply to be (crucial in estimating its recyclability) and not very clear on where it can be located (which also impacts diversion rates).

- (c) The ministry is proposing targets by material group. As we understand it, the paper group broadly includes newspapers and other printed paper, corrugated boxes, boxboard cartons, and paper laminants. This needs to be clarified. (Aseptic cartons and gable-top cartons, we understand have been placed in the beverages target group). How these groups are established has a key bearing on their possible diversion rates.
- (d) Some of the materials in the paper group do not have room to really grow their diversion rate. Old corrugated containers (OCC) is currently at 98%. Other paper types are declining in generation, which means they provide little opportunity to contribute to overall paper diversion in future years, although they have contributed significantly in past years. This scenario applies to newspapers, magazines and telephone books. Combined, this makes reaching a 90% target even more difficult.



- (e) The graph below shows generation, recycling, and disposal per capita. With the downward trend in generation, even leveling off of generation rates, **the most likely scenario is that paper as a group will only achieve about 65% diversion in 2026 and 2030, nowhere close to the 90% target.** (This gets to the heart of what our study examines and what we would like to present to you). The likelihood of other paper categories, including other printed paper and boxboard making up the difference such that 90% is achieved is very low if not realistically impossible.



- (f) There is little opportunity for corrugated boxes to improve on their diversion rate. It's been at 98% for the last four years straight. This, in effect, penalises users of corrugated boxes because any increase in the paper group's overall diversion must come from the other paper materials. If the overall paper group does not meet its target, then corrugated box users will suffer along with the other paper materials (yet they are achieving a 98% diversion rate). This seems inherently unfair.
- (g) The issue of penalties, while not included in the draft regulations, is very important. There should be a graduated scale of penalties. It is not fair, for example, for members of the paper group to be fined the same amount for achieving an 89% diversion rate (one short of the proposed 90% target) as the plastic group falling one short of its 40% target. Maybe there should be a graduated scale with much higher penalties for those not meeting targets under 50% or 60% diversion.



2. Recycled Content

Recycled content is the key component in the creation of a circular economy. It keeps raw materials flowing within the economy longer, reduces the pressure to extract more virgin materials from the earth, and delays their eventual disposal as waste. Recovering more materials for further use also creates jobs. A circular economy is something that companies and governments say they want to encourage.

The strategies to encourage recycled content range from *voluntary* approaches through to government mandated minimums and the threat of banning product sales if those minimums are not met. With a *voluntary* strategy, the government adopts a hands-off approach, allowing the marketplace to determine what happens. In the Canadian province of Ontario, the paper packaging industry has gone from below 50% recycled content to all but one mill today producing 100% recycled content boxes and cartons. This is presumably the type of “circular economy” that Ontario wants. The ‘problem’ is that the approach is slow. It took some 25 years to get there.

The *mandatory* approach, on the other hand, is where the government regulates or legislates a framework of minimum recycled content targets, with fines or penalties or sales bans for non-achievement. One of the problems with government mandates, however, is that they apply only to that government’s jurisdiction. For example, an Ontario mandate would not apply to other provinces. There may also be international trade implications for material being shipped into Ontario. Another complication is that most design decisions on recycled content are not made in Ontario but rather at company head office (in the US or Europe) with packaging design undertaken at global not local (Ontario) scale.

Also, the last thing industry wants is provinces or states leapfrogging over themselves to set successively higher (and perhaps public relations inspired) targets for industry to achieve in different jurisdictions. A federal mandate would be preferable, but that would mean getting all provinces/states to agree (which may prove difficult and time-consuming).

Some governments have chosen to *mix voluntary and mandatory approaches* to increasing recycled content. They have done this by including incentives within regulated programs. The choice is voluntary and at a company’s own pace. An example of this is the current suggestion by the Ontario Ministry of Environment, Conservation and Parks (MECP) where companies are offered discounts on Blue Box diversion targets when they can prove use of Ontario Blue Box recycled content.

This approach does have several benefits. It gets the government out of the role of playing policeman and sorting out the technical issues of how to actually set specific recycled content targets for different materials that are sensible and fair. It also means the province does not need to enforce the achievement of these targets because they are voluntary. The onus is on the brand



owner/retailer/publisher to prove the claim, with the added expense of mandatory auditing of company reports.

Administratively challenging

The current Ontario proposal, however, is administratively challenging at best, and impossible at worst.

Let's follow the path of some recovered Ontario Blue Box paper. First it goes from a municipality or a service provider to either a broker or a MRF (processor). That first step is relatively easy to track. Then it gets complicated. Because the broker and the processor have other clients, other suppliers of recovered paper fibre. It could be Blue Box fibre from Quebec or Manitoba; it could be used boxes and office paper recovered from industrial, commercial and institutional (IC & I) sources within Ontario or maybe shipped in from Manitoba or Quebec or the United States. It could be pre-consumer clippings and cuttings from those same disparate sources (Manitoba, Ontario, Quebec, the US).

The same diversity of sources applies at the mill level when the recovered fibre gets there from the processor. The mill is interested in the quality of the different fibres it uses to make its product, not in placing a special watch-out for the fibres coming in specifically from Ontario's Blue Box program.

From all those different fibres, the mill (which may or may not be located in Ontario) makes board or paper that is shipped to converters who then turn it into the end-product (a newspaper, printing and writing paper, corrugated boxes, boxboard cartons and so on). These converters could be in Ontario or the US and they have other mills supplying them with other recovered fibre feedstock as well, making it very difficult to single out only those fibres coming from Ontario's Blue Box.

It gets more complicated. A corrugated box comprises two parts (linerboard and corrugating medium). Each of these can be made from recycled content but each could come from different mills and be blended at the same or different converting plants. So, the medium of the box could have a portion of Ontario Blue Box fibres in it but the linerboard none. However, it's all blended into one box for the customer. How do you keep track of that? And the customer (the brand owner/retailer) could be located in Canada, the US, Asia, Africa or Europe. And can ship the box anywhere in the world.

Tracing specific fibres such as from Ontario's Blue Box once they enter the regional and international fibre recovery streams is thus extremely problematic. And what about corrugated boxes shipped into Ontario from China? They might have recycled content in them (which is a good thing) but not Ontario-processed recycled content. What about old corrugated boxes that are collected through



the Blue Box in Ontario but shipped across the border to the US for recycling there? There is no credit for the use of that Ontario-derived recycled content.

There are possible ways around some of these complications. If a mill can create a paper trail linking say 25% of its annual feedstock to Ontario's Blue Box, then could 25% of its annual output be considered to be Ontario Blue-Box sourced? Could that 25% be pro-rated across all its customers? Or 25% allocated to those customers who are placing paper into the residential Ontario marketplace and therefore obligated under the Blue Box regulations?

Complete accuracy is not possible under the current proposal. And, as one insider has noted, it leaves lots of opportunity for fraud and gaming the system. Is there another way of looking at the problem?

How about a tax rebate or credit?

The current Ontario approach to recycled content seems unnecessarily complicated in a Blue Box program that is already highly complex. Recent research also indicates that EPR fees or adjustments for things like recycled content provide little incentive to brand owners to change packaging design or to influence consumer behaviour in purchasing.ⁱ

So why not look at an alternative approach that focusses on supporting Ontario recycling businesses, on creating Ontario jobs, on companies that use Ontario Blue Box material as feedstock? Encourage them to enhance Ontario's circular economy. Think globally but act locally.

The advantages are these:

- The credit/rebate focusses on one thing only: increasing the use of recycled content in Ontario. It does not get cluttered or distracted by other waste management objectives (see quotation from the Eunomia report to the EU Commission).
- It can apply beyond the Blue Box (bringing in the IC & I sector) so it is broader in scope and in line with the province's overall goal of a comprehensive waste management (and circular economy) policy.
- It retains a voluntary approach with incentives for companies to act.
- It applies to Ontario specifically but is transferable to other provinces (so could become national).
- It doesn't have to be in the current Blue Box regulation (greatly simplifying it).
- Depending on how the credit/rebate is structured, the people who are actually building the recycling infrastructure in Ontario could benefit (the paper, plastic, glass and metal plants) rather than a brand owner head office in the US or Europe. It would make local (Ontario) businesses more competitive in what are global markets for recycled materials.



PAPER AND PAPERBOARD PACKAGING ENVIRONMENTAL COUNCIL (PPEC)
CONSEIL DE L'ENVIRONNEMENT DES EMBALLAGES DE PAPIER ET DE CARTON (CEEPC)

- The credits could go to companies located in Ontario only (unless expanded across Canada). The system could therefore help keep existing industries in Ontario (meaning green jobs). For example, one paper packaging mill in Ontario (using 100% recycled content) recently closed.
- It will create jobs (by encouraging recyclers to stay in Ontario and to invest in recycling infrastructure here).
- It could have declining levels of tax credit (higher for sourcing from Ontario's Blue Box, lower for feedstock imported from other jurisdictions).
- It could be a joint governmental effort (Environment, Economic Development, Job Creation and Trade, Finance). Make Ontario the recycling hub of Canada or go for a national approach. A federal climate change project? We need to look beyond a narrow environmental approach, beyond our own provincial borders on this one. The idea needs work and it needs champions.

ⁱ From the [Eunomia report](#) for the Director General Environment for the European Commission: *"It is better to focus a policy instrument on doing one thing well, than on seeking to achieve multiple objectives. A tension can be created within an EPR scheme if it is seeking to do too many things. A focus on seeking to meet recycling targets in a way that is cost-effective and fair to different packaging formats gives a clear steer to the way in which an EPR scheme should use fee modulation. However, to also introduce an incentive for recycled content can disrupt the efficient operation of the price signals."* (Study to Support Preparation of the Commission's Guidance for EPR Schemes).

Thank you,

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