



**Encorp Pacific (Canada)
Public Consultation Information Brief**

**Proposed Amendments to Encorp's Program Targets in Approved
Stewardship Plan under Section 6 of the Recycling Regulation**

Background

Encorp Pacific (Canada) is the not-for-profit stewardship agency appointed by producers of packaged ready-to-drink beverages to fulfill their obligations under the Recycling Regulation, Schedule 1, Beverage Container Product Category (BC Reg. 449/2004). Encorp was established in 1994 to set up and operate a province-wide collection system to manage used beverage containers. The stewardship plan covers all containers for ready-to-drink beverages sold in British Columbia, except refillable beer bottles and beer aluminum cans. This includes soft drinks, juice, water, wine, coolers and spirits among other drink categories.

Plan History

The BC Ministry of Environment approved Encorp's first five year stewardship plan in 2007. Our second plan, covering 2013-2017, was approved in 2014. In 2017 Encorp applied to the Director and was approved to continue operating under the current plan with no changes except to update program performance targets and to address certain policy items that have been introduced since the approval of the current plan. The 2018-2022 program targets presented in this document will be submitted for approval after public consultation has been completed and any resulting changes are incorporated into this document.

Consultation and Submission Timeline

Public consultation on the updated performance targets will begin May 8, 2018 and will be open for comment and input for forty five days. All input will be compiled and a final summary with revisions (if any) to the proposed targets will be publicly posted. The new performance targets will then be submitted to the BC Ministry of Environment for approval August 10, 2018.

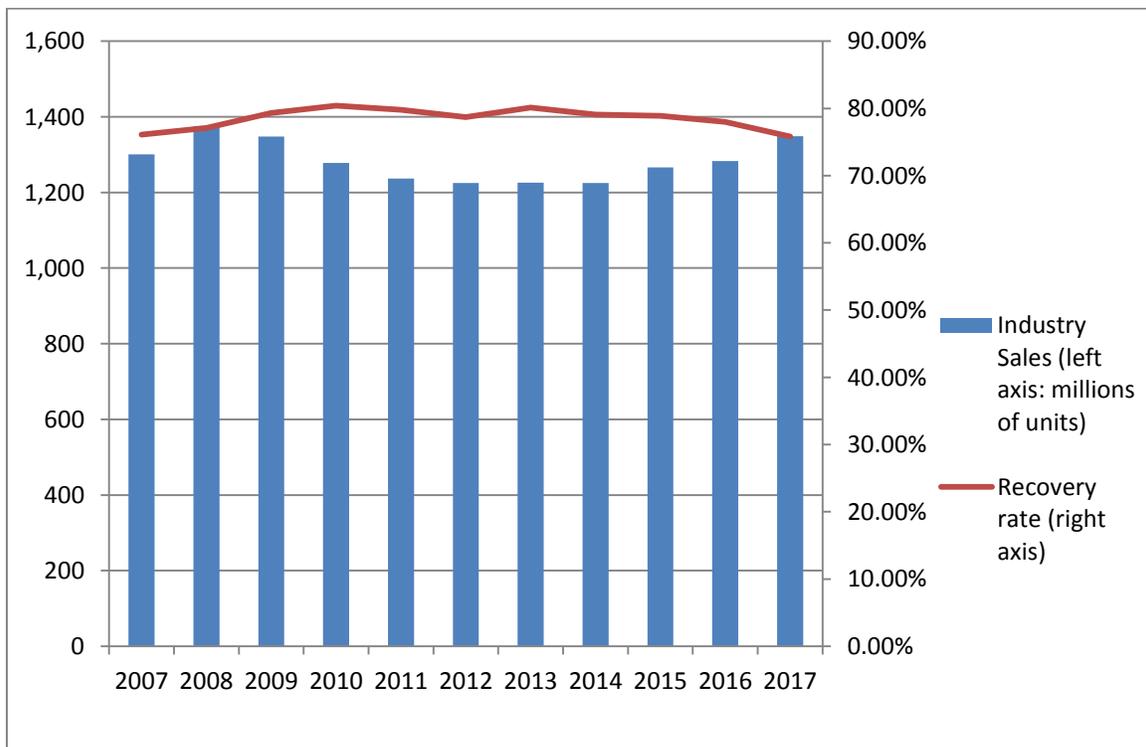
Program Performance

Performance Criteria	Regulated Requirement	Stewardship Plan 2017 Target	Actual 2017
Consumer Awareness	No target regulated	95%	99%
Consumer Access	Reasonable and free consumer access to collection facilities	97%	99.4%
Environmental Impacts	Efforts taken to reduce environmental impacts	Benchmark and report measurements	103,800 tonnes avoided vs. 97,300 tonnes in 2012
Recovery Rate	75%	81.5%	75.8%

Encorp's recovery rate has declined since the beginning of our last plan approval period in 2012, even though the total number of units collected and recycled has increased by over 50 million units since then.

The following chart provides a ten year perspective on recovery rate performance relative to industry sales.

Industry Sales and Recovery Rate



Following a drop during the recession starting in 2008, industry sales have rapidly increased since 2013. Our recovery rate increased from 2007 to 2010, but declined on average over the period since then. 2017 was a difficult year overall, in part due to very poor recovery early in the year when collection was impaired by snowy and icy conditions in the Lower Mainland and southern Vancouver Island.

Recovery Rate by Package Type – Plan review years 2007-2017

	% of sales mix (2017)	2007	2012	2017
Aluminum	33.4%	80.2%	82.1%	80.4%
Plastic	39.6%	72.7%	75.3%	71.2%
Non-refillable glass	17.6%	96.2%	94.0%	87.5%
Drink Boxes	7.4%	53.2%	55.8%	56.6%
Gable Top	0.9%	60.4%	63.7%	69.3%
Bag-in-box	0.3%	53.0%	46.3%	48.1%
Bi-Metal	0.4%	53.6%	61.0%	81.0%
Pouches	0.5%	37.0%	49.3%	31.2%
Total	100.0	76.1%	78.7%	75.8%

This table shows that over both a five year (current plan) and ten year period we have made strides to increase recovery in some underperforming categories. We will continue to focus, as described in our stewardship plan, to bring underperforming container categories above the regulated minimum through initiatives targeted at consumers of those package types.

Aluminum and plastic containers account for almost three-quarters of all containers in the market and therefore drive our overall recovery rate. Our analysis suggests that the decline in the recovery rate for plastic containers since 2013 is primarily linked to the strong economy in B.C. In particular, our research shows that recycling of containers from drinks consumed away-from-home is significantly lower than for those consumed at home, and plastic is the container most associated with away-from-home consumption.

During strong economic periods “away-from-home” consumption in restaurants, malls, events, offices and so on tends to rise. Further, more tourists visit the province, and they are both high consumers of packaged beverages and much less likely to recycle their containers.

For these reasons we have emphasized public spaces, streetscape and large venue and event programs to increase capture of away-from-home containers, and we will continue to invest in these important initiatives.

Our proposed five year targets take into account these matters as well as the cyclical nature of the economy.

Environmental Impact

Encorp contributes to GHG emissions directly (through office electrical use and employee use of cars, for example) and indirectly (by contracting depots, transporters and processors who themselves contribute). At the same time, our recycling activities help avoid GHG emissions by reducing the extraction, transport and processing of raw materials (for example, recycling an aluminum can into a new can uses only 5% of the energy compared to producing a new can from virgin materials).

Overall the GHG equivalent avoided due to the efforts of Encorp far exceed emissions being produced directly and indirectly. This table shows generated and avoided GHG emissions over the past five years:

	2012	2017
GHG (tonnes co2e) emissions	10,174	9,086
<i>Per tonne recovered</i>	.115	0.096
GHG (tonnes co2e) avoided	94,316	103,800
<i>Per tonne recovered</i>	1.07	1.10

Proposed Performance Targets – 2018-2022

Consumer Awareness – continue to exceed a 95% awareness level as measured by a province-wide, statistically-valid survey.

Consumer Access – maintain our over 99% provincial coverage through free and convenient access to depot and return-to-retail collection facilities.

Environmental Impacts – (1) Over the five year period of the plan reduce the total (direct and indirect) GHG CO₂e on a per tonne collected basis. (2) Continue to report the annual net contribution to GHG CO₂e reduction from our recycling activities using the EPA WARM model.

Recovery Rate Targets - Encorp develops recovery targets based on the commodity categories of beverage containers collected:

	% of sales mix	2017 Actual	2018	2019	2020	2021	2022
Aluminum	33.4%	80.4%	80.7%	80.9%	81.2%	81.4%	81.5%
Glass	17.6%	87.5%	87.7%	87.9%	88.1%	88.3%	88.5%
Plastic	39.6%	71.2%	71.4%	71.6%	71.8%	72.0%	72.3%
Polycoat *	8.2%	58.0%	58.2%	58.7%	59.0%	59.2%	59.4%
Other **	1.2%	57.8%	58.2%	58.6%	59.3%	59.7%	60.0%
Overall rate		75.8%	76.2%	76.4%	76.7%	76.9%	77.1%

* Polycoat includes drink boxes (tetrapak) and gable top containers

** Other includes bi-metal, bag-in-box and multi-laminate pouches

We believe that over the five years of this plan, the target of 77.1% is realistic and attainable. In particular, as outlined above, maintaining or increasing recovery rates during periods of strong economic growth is very challenging. The current forecast is for B.C. to experience continued strong growth for at least several years, but we believe that as we move through the economic cycle and continue to invest in known areas of under-recovery we will be able to meet the five-year target set above.

Our goal is for continuous improvement in our recovery rate and we have set targets to reflect this based on our current achievements. Moving from 75.8% to 77.1% will require focus and investment. We aspire to reach and build upon the 82% target set in our prior plan. However, given the current environment we believe the five year goal of 77.1% is attainable and would be a meaningful and measurable turnaround in our recovery rate performance over the term of this plan.

Other Plan Amendments

Targets not related to performance

There are two items listed in the current plan which are not formally considered by the Ministry of Environment and Climate Change Strategy to be performance targets. These are “Cooperation with other stewardship agencies” and “Depot capabilities.” While Encorp stands by these commitments and they remain part of our stewardship plan, they will not be reported on as performance metrics.

Processes for setting fees

The Ministry of Environment and Climate Change Strategy has also developed guidelines regarding their expectations for data gathering, analysis and consultation with licensees, contractors and other members of supply chains to ensure the costs associated with EPR programs are being covered. The following outlines how Encorp addresses these guidelines.

Most Encorp operations, such as transportation and processing, are carried out by third party businesses that operate in competitive business environments. Encorp either directly negotiates appropriate rates or issues competitive Requests for Proposals, all to maintain market costs.

Encorp negotiates depot handling fees every five years. The setting of handling fees involves a nearly year-long process, which was followed both in 2010 and in the most recent negotiation. This process provides the basis for future fee setting, although we expect with varying commercial conditions it will evolve over time. The key elements of the process include:

- A series of 10 meetings over a period of 14 months that allowed for both in-person attendance and web/conference call attendance by all Return-It depots in the province. These were carried out from January 2016 through March 2017. Every meeting was open to all depots.
- Encorp collected and distributed to Return-It system participants information on factors that influence costs, such as local inflation rates, changes to minimum wage, fees paid in other provinces and occupancy costs. These were presented and discussed by participants. Depots were invited to put forward any additional metrics that they believed were relevant to the negotiations.
- Additionally, Encorp contracted an independent third party to study the average costs borne by depots in order to meet the program requirements. The study reviewed actual financial, labour and space costs for a representative sample of depots and allocated the revenues and costs to the Encorp program and other programs operating within the

depots. The consultants collected relevant data from participating depots, carried out site visits and interviewed participating depots. This allowed the consultant to develop a portrait of the relative profitability of the Return-It beverage container program in an average depot. It also allowed them to view the relative profit generated to depots through the Encorp program compared to other revenue generating activity in the depots. The results were shared with all participants. The authors presented the results, carried out a Q&A with depots and also made themselves available for individual depot inquiries.

- Encorp made an offer to depots for new handling fees which was subsequently revised based on further discussion with depots. As of April 2017 all Return-It depots had signed new agreements for the offered fee increase.
- The resulting fees are the highest paid to depots by any container deposit system operator in Canada.

All Encorp depot contracts include dispute resolution terms that provide for, on notice of a dispute being filed by either party, a mandatory meeting to negotiate a resolution and, in the absence of resolution, mediation through a mutually appointed mediator or, failing that, arbitration.

Summary

Encorp has delivered the best known and most used EPR program in British Columbia for over 20 years and will continue to invest to improve our program.

The updated performance targets laid out in this document have been based on historical data, future trends, planned initiatives and forecasts. While they will be challenging to meet, they are attainable and Encorp is proud to have continuously exceeded the regulated requirements for recovery rate, consumer access and consumer awareness for many years.

All residents of BC contribute to the success and can be proud of this model program. Further information can be found at www.returnit.ca.

Please provide all comments and input by completing the online input form at www.returnit.ca/consultation2018 before June 22, 2018. All inquiries can be directed to consultation2018@returnit.ca.