



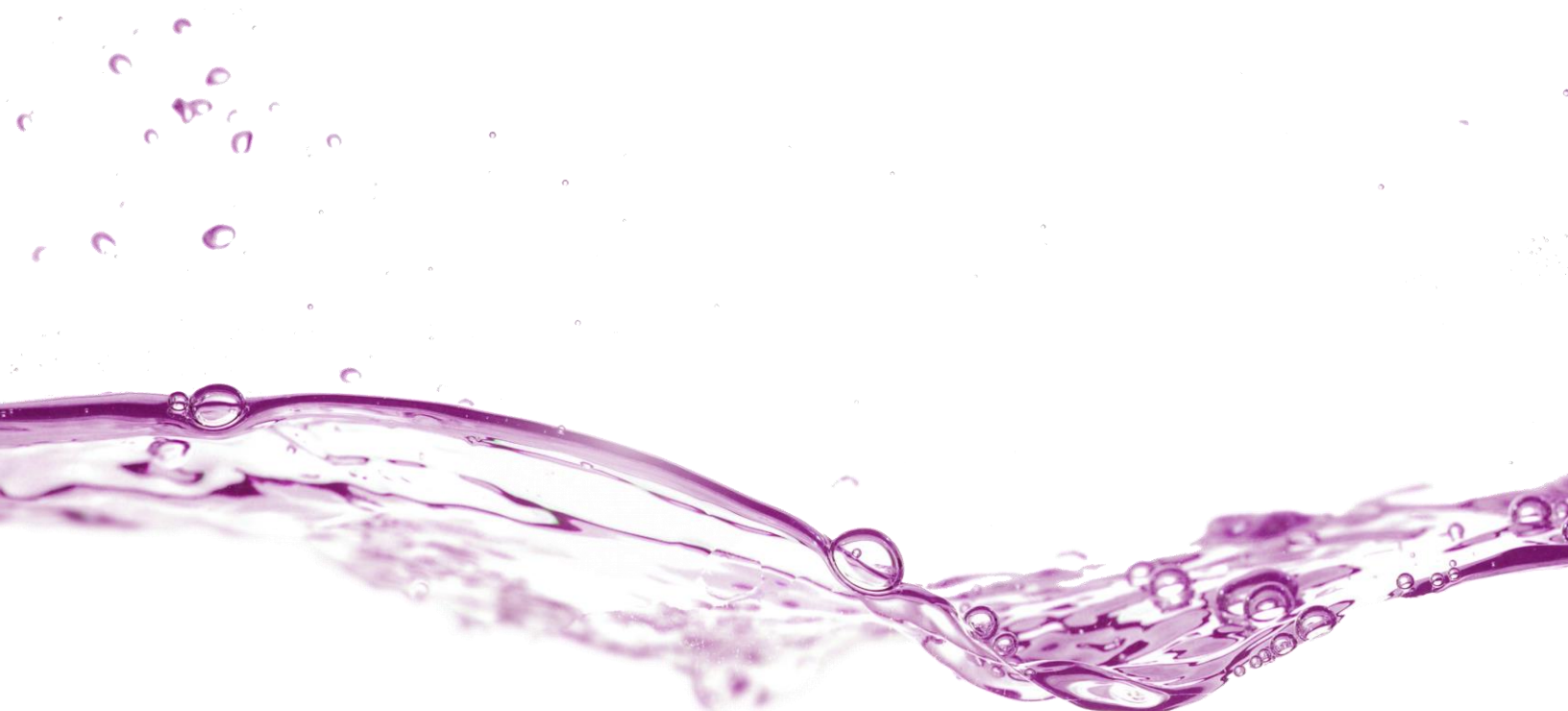
**Canadian Beverage Association**

**Association canadienne des boissons**

# Ontario's Beverage Sector Leading to a Circular Economy

**Canadian Beverage Association pre-budget submission 2024**

January 2024



For many Ontarians, recycling non-alcoholic beverage containers has only been at curbside collection. While the Province, municipal governments and the beverage sector has long supported a “blue box” system to collect more paper and packaging, Ontario’s beverage container recovery rate remains stalled at 50% recovery rate – far off from the target of 80% by 2030.

Now is the time to take bold steps to strengthen our recovery rates, create jobs, and incentivize consumers to return their beverage containers.

The Canadian Beverage Association’s 2024 budget submission outlines the beverage sector’s vision for an expanded deposit-return system (DRS) and how this government can work with producers to build a cost-effective system to meet our recovery targets and reincorporate recycled plastic, glass and aluminum into new beverage containers as recycled content.

## Recommendations:

To build the best system for Ontario, the CBA recommends that the Government of Ontario continue the timely consultation process through the Deposit-Return Stakeholder Working Group to implement a DRS for plastic, aluminum, and glass beverage containers.

The CBA is currently collecting data to develop a DRS modelling study that is being guided by five (5) core design principles. These include:

- High performance
  - Establish a deposit-return system (DRS) program that can achieve the highest beverage container collection and recycling rate.
- Cost-efficient
  - Design the DRS program to be cost-effective and efficient for consumers and stakeholders.
- Convenient collection
  - Provide Ontarians with convenient and accessible collection locations to support high levels of consumer participation.
- Effective implementation
  - Develop an implementation plan to establish the necessary collection network to meet the 2030 target of 80%.
- Evidence-Based Decision-Making:
  - Base decisions about developing a DRS on evidence, data, and beverage industry expertise.

## About CBA

The Canadian Beverage Association (CBA) is the national voice for more than 60 brands of non-alcoholic beverages. CBA is committed to supporting the leadership of non-alcoholic beverage producers in driving Canada's beverage container circular economy, meeting regulatory obligations through proactive stakeholder education and policy development (municipal, provincial, and federal), and collaborating with stakeholders to develop and operationalize extended producer responsibility organizations.

The non-alcoholic beverage sector is a significant economic driver, contributing over \$2.5 billion in GDP and directing over \$412 million in provincial tax revenue. In fact, according to the Conference Board of Canada between 2017 and 2021, Canada's overall investment in the non-alcoholic beverage sector amounted to more than \$500 million.

The beverage sector is also an engine of job creation across Ontario. The sector's economic activities supported 25,760 full-time-equivalent (FTE) jobs across Ontario in 2019. More than 46 percent of these jobs are in Ontario alone.

Most of the beverages sold by our members across the country are made and shipped within Canada. CBA members are committed to maintaining and growing their contributions to the Canadian economy and the communities in which they operate. For every production dollar we earn, 88 cents are retained in the Canadian economy, supporting local businesses, hardworking families – the majority of which are middle class – and the communities where they live and work.

## What is a DRS?

Deposit-return systems (DRS) for beverage containers work by adding a deposit to beverage containers – including glass bottles, aluminum cans, cartons and plastic bottles – which is refunded to the consumer when they return the empty drink container for recycling.



Adding a financial value to the used container motivates people to recycle and communicates that the materials also have value to society as a resource.

The reintegration of recycled PET into our members' packaging supports the broader development of a circular economy framework. It also ensures this valuable material is kept within Canada and continues to provide economic benefits. Recovering all used beverage containers is a significant priority for our sector.

## Which provinces have a deposit-return program in Canada?

As of 2021, nearly all provinces and territories have DRSs. In Ontario, only alcoholic beverage containers have a DRS operated by The Beer Store. In Manitoba, only beer containers participate in the scheme.

Deposits range from CAD\$0.05 to CAD\$0.40 per unit, depending on the material and size of the container and whether the container contains an alcoholic or non-alcoholic beverage.

In Canada, Deposit Return Systems are primarily depot-based, the only advanced model being Quebec, which has 1,200 obligated retail sites. DRS systems in Canada are achieving recovery rates of 78%, with PET bottles recovered at a 75% rate.



### Example 1: British Columbia

British Columbia is home to Canada's oldest DRS programs (launched in 1995) Return-It, which is operated by the Producer Responsibility Organization (PRO) Encorp Pacific.

The Return-It™ network consists of independently owned and operated depot collection facilities that have agreements with Return-It™, as well as corporately run express locations, both staffed and unstaffed. In recent years, the system also moved to a single deposit amount of 10¢ (from 5¢ and 20¢). This allowed Return-It to reduce the number of sorts required by depots to seven. The change to simplified sorts has facilitated the deployment of automation in some depots, including putting reverse vending machines and automated container-count technology in place.

### Example 2: Quebec

Under Quebec's current DRS, some beverage containers in Quebec carry a deposit. Beverage containers carrying a deposit are soft drinks, beer, kombucha, and energy drinks (aluminum cans, plastic bottles, or glass bottles).

Quebec's current and expanded DRS is based on a return-to-retail model. This means that retailers have the obligation accept ready-to-drink beverage containers back and refund their deposit. Retailers that sell and collect empties get \$0.02 per container – in handling fees. In Quebec, in 2022, this corresponds to more than 30 million returned per year to retailers for managing the return of empty containers.

The first phase of Quebec's modernized DRS rolled out on November 1, 2023. This approach standardized the price of most containers at \$0.10 by including all aluminum beverage cans. The second phase will begin in early 2025.

**The supply of recovered plastic beverage containers will increase in Quebec as the transition from the existing soft-drink deposit-return system operated by BGE proceeds, and the Quebec Beverage Container Recycling Association (QBCRA) implements an expanded deposit-return system for all beverage containers. This transition will take a few years to carry out as producers work toward a regulated target of 75% recovery rate by 2029 and 90% by 2034.**

## Why should Ontario adopt a deposit system?

There are several reasons why Ontario should adopt a DRS for non-alcoholic beverage containers. DRSs provide a mechanism for effectively capturing beverage containers to reduce litter and produce a high-quality material to feed into Ontario's circular economy.

### *Improved Collection Rates*

Ontario has the country's lowest beverage container recovery rate. Only about 50% of non-alcoholic beverage containers are collected in Ontario. Alberta's industry-managed DRS, by contrast, has achieved a beverage container recovery rate of 84%.

Without a beverage container recycling program in Ontario, the province will not meet the beverage container management targets of 75% by 2026 and 80% by 2030.

### *Job Creation*

Approximately 17 FTE direct jobs are created per 1,000 tonnes of beverage containers recovered from Alberta's deposit-return system (DRS) program. The job intensity of this program can be broken down into different stages across the recycling chain, including 13.8 FTE jobs associated with collection (such as the manual sorting of containers by depot staff), 0.5 FTE jobs for transportation, and 2.7 FTE jobs for sorting and processing.

The principal reason why DRSs create the most jobs among leading systems for beverage container recycling is that they recover more of the target material. Maximizing recovery rates ensures the most significant volume of containers moves through each stage of the recovery process (collection, transportation, processing, etc.) and gains the associated jobs. In addition, because the material collected via DRS is of much higher quality than that collected via curbside systems, there is a lower yield loss (contamination) to disposal, with fewer jobs.

Several factors beyond technology and automation at drop-off sites influence the number of jobs a DRS creates. These factors include the types of beverages and containers covered by the system, the number and accessibility of redemption points, the efficiency of recycling processes, and the deposit value. Research conducted by Tellus Institute and Sound Resource Management Group suggests that job creation rates vary across different materials.

The time is now for Ontario to join other Canadian jurisdictions and implement a highly effective and efficient, made in Ontario DRS. The province has the benefit of multiple models in various jurisdictions and can acquire best practices to ensure the most appropriate and successful system.

## Why do we need both curbside recycling and deposit return?

These systems complement each other in fighting waste and litter. To achieve a "circular economy," manufacturers need systems that retain material quality.

There are many examples where DRSs and household recycling achieve high collection rates, but no case of high rates where household recycling is the sole collection system. British Columbia, for example, achieves an 82% deposit container collection rate and 70% packaging/paper product collection (Source: 2019 Annual Report, Recycle BC).

## How to Ensure Success?

Ontario is consulting on the introduction of a DRS for non-alcoholic beverage containers and has launched a working group to look at its options. There are specific requirements to ensure that beverage containers are collected at high rates and recycled.

CBA has shared with government 14 regulatory framework principles for an expanded DRS that includes the management of both alcoholic and non-alcoholic beverage containers. These 14 principles include the following:

1. **Collection System and PRO:** Establish a single collection system for deposit beverage containers managed by a single, not-for-profit producer responsibility organization (PRO) that is created and governed by obligated beverage producers.
  - a. The PRO should have the sole responsibility for developing and submitting a DRS program plan to government for approval.
  - b. The PRO should manage the registration of beverage containers and producer reporting.
  - c. Ensure that the Board of Directors of the PRO only includes obligated producers with representation based on market share of the following sectors: soft drinks, beer, liquor, wine, dairy and other non-alcoholic beverages (e.g., water, juice, sports drinks, energy drinks).
2. **Designated Containers:** Include both alcoholic and non-alcoholic beverage containers and specify exempted containers in the DRS regulation, using the beverage container guidance developed by the Resource Productivity and Recovery Authority (RPR).<sup>1</sup>
  - a. Phase in the management of dairy beverage containers in the DRS later.
3. **Targets:** Introduce an ambitious collection target for designated deposit beverage containers and work with obligated producers and experts to define the right time frame for implementation.
  - a. To support achieving the beverage container collection target, introduce a disposal ban on recyclable beverage containers in Ontario to support achieving increased collection.
  - b. Support further collaboration with provinces and territories to transition to full beverage container EPR across Canada.
4. **Timing and Transition:** Ensure adequate time for successful implementation by
  - a. Providing a minimum two years for planning and preparation to move to an expanded DRS after the regulation has been filed.
5. **Obligated Producers:** Evaluate beverage producer definitions across Canada, the United States and Europe to identify best practices for obligating beverage producers under DRS regulations.
6. **Access to Materials:** Ensure the DRS PRO retains ownership of collected deposit containers and supports producers with fair access to materials to meet forthcoming recycled content standards.

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<sup>1</sup> Click on the [link](#) and select "What is a beverage container?"

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7. **Financial Model:** Establish a sustainable financial model for the DRS that uses commodity revenue, unredeemed deposits and container recycling fees (CRFs) for cost recovery.
    - a. Ensure that each material category (e.g., PET, HDPE, aluminum, glass, cartons) pays its proportionate share of system costs, and that there is no arbitrary cross subsidization between material categories.
  8. **Deposit Value:** Set the deposit value at 10 cents to harmonize with other provinces and ensure any deposit value increases are based on evidence and collaboration with the DRS PRO.
  9. **Retailer Obligation:** Require large-format retail locations to take back beverage containers while allowing small retail locations to voluntarily contract with the PRO to take back beverage containers.
    - a. Focus urban collection on return-to-retail while allowing for depot and bag-and-drop collection options in rural areas.
  10. **Handling Fees:** Introduce a handling-fee model that is built on accurate data to compensate for space, labour, equipment and operations.
    - a. Pay handling fees based on material type (i.e., aluminum, PET) and collection method (i.e., manual sorting or reverse vending machine compaction).
    - b. Ensure that the PRO has the flexibility to establish different handling fees for different types of collection, including return-to-retail, depot and bag-and-drop.
  11. **Blue Box Collection:** Allow the DRS PRO to commercially negotiate with Blue Box PROs regarding any compensation for the collection of deposit containers through the blue box collection system.
    - a. Ensure Blue Box PROs provide clear, transparent reporting of any deposit containers collected through the blue box system.
  12. **Traceability:** Ensure that collection and management performance tracking align with federal requirements for the national plastics registry.
    - a. Reform the 3Rs regulations and establish requirements for the industrial, commercial and institutional (IC&I) sector to report the collection and recycling of recyclable material, including beverage containers.
  13. **Promotion and Education:** Create outcomes-based promotion and education requirements that allow the PRO to harmonize promotion and education initiatives across Canada.
  14. **Support for Implementation:** Fund pilot projects during the DRS planning and preparation phase (2024 and 2025) to leverage new technologies and innovation for system launch.