FEE SETTING POLICY

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Date: April 1, 2024

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INTRODUCTION

The Alberta Recycling Management Authority (the "**Authority**") is a not-for profit corporation which the Province of Alberta appointed as the oversight body for the Extended Producer Responsibility system in Alberta ("**EPR System**") for Single-use Products, Packaging and Paper Products ("**PPP**") and Hazardous and Special Products ("**HSP**"), established pursuant to *Extended Producer Responsibility Regulation*, Alta Reg 194/2022 (the "**EPR Regulation**").

The Authority may establish regulatory fees to recover all direct and indirect costs, charges, and expenses which the Authority incurs overseeing the EPR system and fulfilling its obligations under the EPR Regulation ("**Oversight Costs**").

This Fee Setting Policy shall establish the regulatory fees which the Authority intends to levy on Registrants in the EPR System. "**Registrants**" include producers, processing facilities, and producer responsibility organizations ("**PROs**"). The Authority shall consider the objectives and principles in this policy when establishing, assessing, charging, and collecting regulatory fees.

FEE SETTING OBJECTIVES AND PRINCIPLES

The objectives of the Fee Setting Policy are:

1. Transparent fee setting process
   a. Clear legal authority
      i. The Authority has legal authority to establish, assess, charge and collect fees to recover the Oversight Costs.
   b. Transparency and consultation
      i. The Authority shall engage in open communication and transparent consultation with stakeholders on proposed fee setting methodologies and proposed fees.

2. Regulatory fees are reasonable and reflect costs incurred by the Authority
   a. Determine regulatory fees and fairly allocate costs:
      i. The Authority is guided by a set of overarching procedures that provide consistency in fee setting decisions.
      ii. The Authority shall establish, assess, charge or collect regulatory fees based on the recovery of the Oversight Costs.

iii. The Authority shall fairly and reasonably allocate its shared corporate costs between the regulatory oversight function under the EPR Regulation and the Authority's administration of stewardship programs[1].
iv. The Authority recovers costs from specific Registrant(s) where costs can be directly allocated to the activities of oversight of a specific Registrant(s) in an administratively feasible manner.
v. The Authority fairly and reasonably allocates the costs of EPR oversight that are not directly attributable to the oversight of specific Registrant(s) between Registrants under the PPP and HSP designated materials, as applicable.
vi. To the extent possible, the Authority shall design the regulatory fees to:
- minimize marketplace distortions;
- be reasonable and support the development of a sustainable marketplace; and
- be predictable, ascertainable, and easy to understand.

b. Continuous improvement
i. The Authority shall review and refine its business processes to promote both efficiency and effectiveness in executing its mandate. The Authority shall continually seek to refine its approach to cost allocation between designated materials over time as costs to support new designated materials become more stable and predictable.

c. Recognize equity considerations
i. The Authority aims to promote an equitable approach to determining regulatory fees which considers the impact of said levies on Registrants.

3. Long-term financial sustainability of the Authority
a. Regulatory fees should be sufficient to enable the Authority to effectively and efficiently oversee the EPR System and meet its obligations under the EPR Regulation.
b. The Authority shall also maintain prudent reserves to provide it with the operational agility to respond to liabilities, ongoing and emerging risks and priorities.

[1] The Authority also manages several waste diversion programs operating under the Designated Material Recycling and Management Regulation ("the Stewardship Regulation"). These stewardship programs for tires, paint, used oil products and electronics are funded using fees levied on the sale of eligible products, with revenue and costs separately tracked to ensure there is no cross over between the different waste diversion programs.

For clarity, any costs directly attributable to the stewardship programs the Authority operates are not subject to and do not form part of this Fee Setting Policy for the Authority's EPR oversight functions.

FEE STRUCTURE

1. The Authority may charge an annual fee to producers ("**Producer Annual Fee**") and PROs ("**PRO Annual Fee**") reflecting the Oversight Costs including:
    a. The costs of activities and infrastructure to support EPR registration, and
    b. Ongoing cumulative costs for general oversight of compliance of registered parties with the EPR Regulation.

    Additional details on the components of annual fees are included in 'Fee cost components' below.
2. The Authority may charge additional levies to a specific Registrant, apart from their annual fee or incorporated within their annual fee, for:
    a. All costs incurred by the Authority in relation to the Registrant's contravention of the bylaws or policies, including costs of investigations and enforcement. This is distinct from any administrative penalty payable by the Registrant for each incident of bylaw or policy contravention.
    b. All costs incurred by the Authority which are attributable to the specific Registrant's participation in the EPR System and not the oversight of the EPR System as a whole.

    (each a "**Cost Recovery Charge**").
3. The Authority may charge interest, penalties or other fees arising from a given Registrant's contravention of the bylaws or policies, and/or the Registrant's delays in meeting its requirements under the EPR Regulation and the Authority's bylaws or policies, including but not limited to requirements for registration, supply reporting, management reporting and payment of amounts owing to the Authority.

FEE COST COMPONENTS

1. The Authority shall use all collected regulatory fees exclusively to recover the Operating Costs. The Operating Costs include but are not limited to:
    - Administration costs, both costs which are directly attributable to the Authority's oversight of the EPR System and allocations of the Authority's shared corporate costs (shared corporate costs are those costs that cannot be

specifically identified to a division and are allocated on a reasonable basis, such as the cost of renting office space);

- Establishing a prudent operating reserve;
- Registration costs and support services for registered parties;
- Information technology infrastructure, maintenance and licensing fees to support registration and ongoing reporting;
- Management of information in the registry;
- Compliance and enforcement activities including inspections and investigations;
- Stakeholder engagement and communications; and
- Financing costs arising from the Authority's use of lending facilities to support EPR registration and oversight activities.

2. The Authority's costs incurred during the stand-up period for the EPR System shall be included in the Operating Cost, amortized to apportion costs over a multiple-year period. These stand-up costs shall be recovered as a component of Producer Annual Fees and PRO Annual Fees over the amortization period.

3. Within each designated material (PPP or HSP), should fees invoiced for any year not fully cover or exceed the costs of oversight of the material for that year, any resulting surplus or deficit may be utilized to reduce the outstanding amount of stand-up costs of the material (if applicable), to build reserve funds for the material, to be carried forward as an adjustment value into the fee setting calculations for subsequent year(s) for the material, or a combination thereof.

RULES FOR SETTING FEES

The following rules shall apply to setting the amount of regulatory fees:

1. There shall be no in-year adjustments to the Producer Annual Fee rates and PRO Annual Fee.
2. The Authority shall set separate annual fee rates for each designated material in accordance with the specific regulatory costs which the designated material incurs (e.g. a producer of HSP and PPP designated material shall pay two separate Producer Annual Fees)

FEE SETTING METHODOLOGY

Regulatory fees shall be established using the following steps:

1. The Authority shall establish an annual budget for each year.
2. The Authority shall establish a method to allocate shared corporate costs between the Authority's EPR oversight and stewardship mandates.
3. The Authority shall enumerate the costs of EPR oversight by:
    a. Identifying and tracking costs which are directly attributable to a Registrant and allocating them to the respective Registrant's account, where this identification and tracking can be done in an administratively feasible manner.
    b. Establishing shared costs for PPP and HSP designated materials by:
        - Tracking and allocating costs that are attributable to the specific regulatory oversight requirements of PPP or HSP designated materials, (e.g. registration requirements, measurement and reporting requirements, compliance and enforcement activities including inspections and investigations etc.) to the appropriate designated material where practical (i.e. PPP, HSP or specific material categories), and
        - Developing an allocation method to pro-rate costs that cannot be attributed directly in a practical manner to a specific registered party nor to a designated material across designated materials.

    c. Once costs are aggregated by the Authority for each designated material in the manner described above, fee rates shall be developed that may include fixed and/or scaled components.
4. Where the Authority proposes to scale all or a portion of regulatory fees, it shall establish a rationale for the method for scaling chosen in accordance with the principles and objectives of this policy.
5. The Authority shall provide transparent access to all registrants to documentation detailing the allocation model and fee setting options.
6. The Authority shall publish and maintain a record of all current and past regulatory fee rates on the Authority's website.

COLLECTION OF REGULATORY FEES

1. The Authority shall issue invoices for Cost Recovery Charges and Annual Fees to Producers and/or PROs. The Authority may accept payment of regulatory fees from invoiced registrants or any person whom the Registrant appointed as their delegate.
2. Each invoiced Registrant is responsible for ensuring that they have paid all outstanding regulatory fees to the Authority.

INTEREST AND OTHER CHARGES

1. The Authority shall establish a due date by which Registrants must remit regulatory fees on each invoice.
2. The Authority may apply interest fees on outstanding regulatory fees that are not paid in full prior to or on the due date on the relevant invoice.
3. Interest fees shall be based on a percentage rate established by the Authority, which may be amended from time to time.
4. The Authority may establish additional regulatory fees to cover the Operating Costs, subject to the consultation requirements outlined below.

CONSULTATION

1. Before the Authority establishes additional regulatory fees, the Authority shall:
    1. engage in consultation with impacted stakeholders;
    2. following such consultation, provide notice of the proposed regulatory fee on the Authority's website;
    3. receive comments on the proposed regulatory fee during a comment period of at least 45 days after the proposed regulatory fee is posted on the website;
    4. following the conclusion of the comment period, publish a final version of the regulatory fee on the Authority's website, along with a description of how comments received during the comment period were considered in determining the final version of the regulatory fee;
    5. put the regulatory fee into effect on a date specified by the Authority, which shall be not less than 30 days after the final version of the regulatory fee is published on the Authority's website.

2. Each regulatory fee that is or has been established, assessed, charged or collected by the Authority will be publicly available on the Authority's website, along with the effective date of the fee, even if that fee has been subsequently amended, repealed, subsumed or otherwise changed.

REVIEW

1. The Authority will periodically review this Fee Setting Policy to ensure that its regulatory fees reflect the Authority's actual direct and indirect costs, fees, and expenses incurred overseeing the EPR system and fulfilling its obligations under the EPR Regulation.