

WEEE Program Consultation:

Nov 23, 2018

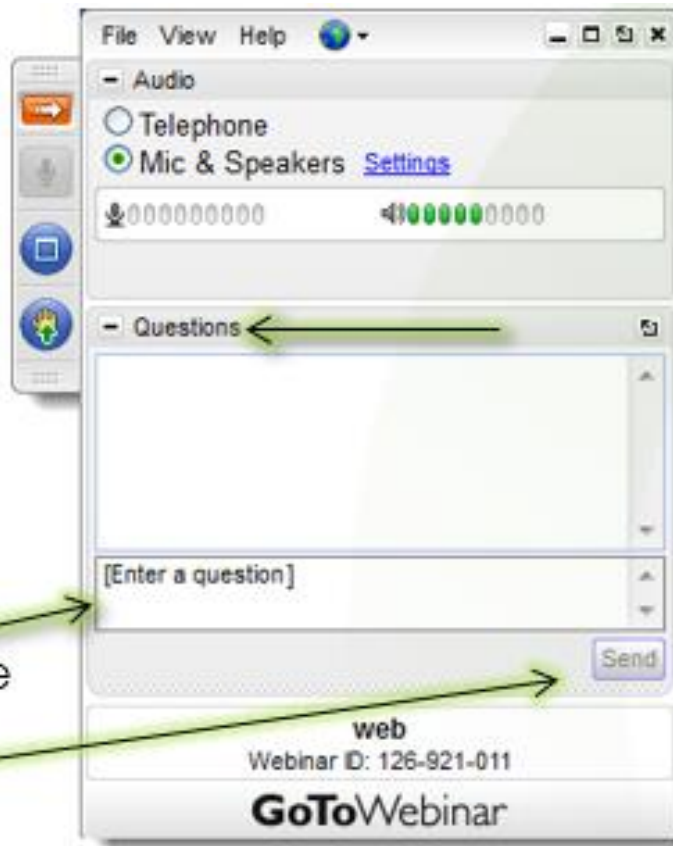
WEEE Wind Up Plan
EHF Update

How to Submit a Question or Send Feedback

Questions during the webinar are welcome and can be submitted:

Written feedback is also welcome and may be sent to:

OESWindUP@ontarioes.ca



Type your question here and click Send.



Environmental Handling Fee (EHF) Update

The Steward Fee for obligated **EEE** (electrical and electronic equipment) product put on market is commonly known as the EHF.

In earlier Wind Up consultations, participants were advised of the Ministerial direction:

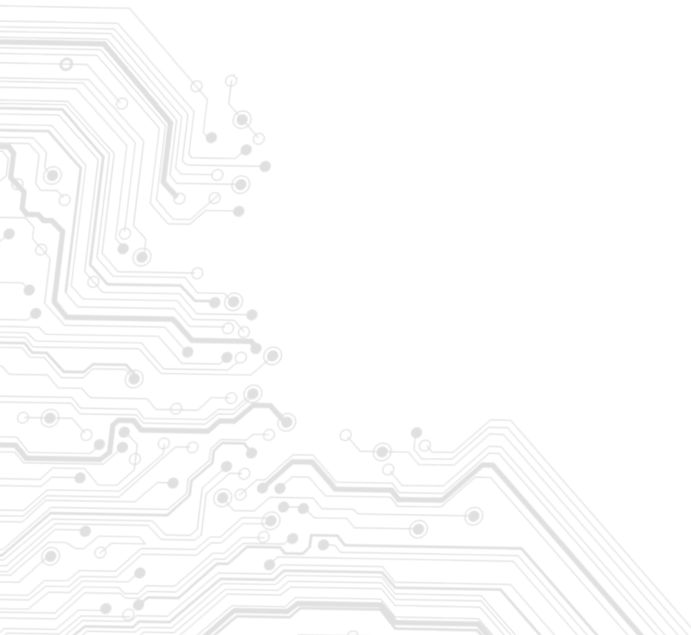
- Where possible, rules should eliminate **EEE** fees to minimize surplus funds
- OES reserve funds will enable a reduction of **EEE** Steward fees during the Wind Up period –
Implementation date subject to financial contingencies. ■
- OES anticipates an EHF reduction during 2019 based on the Ministers' direction to wind up by June 30 ,2020 and a refund of HST due to Input Tax Credit

Summary of the OES HST Input Tax Credit Refund

- Ontario Electronic Stewardship **provides a service** to stewards in managing the waste recycling program that the stewards are legally obligated to provide in Ontario.
- In managing the program, **OES collects and remits HST** on the fees charged to the stewards.
- In the early years of the program, the CRA ruled that the Ontario stewardship entities, including OES, **were not allowed to claim Input Tax Credits (ITCs)** for the HST they paid to third parties in operating the recycling programs.
- Stewardship Ontario and OES **filed an appeal** with the Tax Court of Canada to challenge this ruling.
- In April 2018, the **Tax Court of Canada overturned the ruling** for Stewardship Ontario. In June 2018, the CRA and Tax Court of Canada consented to overturn the ruling for OES--meaning ITCs were allowed for the HST which had been paid to the third parties.
- **As a result, OES received refunds for the previously denied ITCs, and is permitted to continue to claim ITCs** on a go forward basis. OES has received \$29.8M for prior periods in HST refund as a result. Additional refund may be forthcoming, however audits are underway and nothing further is finalized at this time.
- **This favourable outcome means that OES will be able to use the refunds to fully offset the fees chargeable to the stewards to manage the program. Given the contingency reserve now on hand, this means that no further fees will be charged to the stewards while the OES recycling program is being wound up.**

Result of HST Refund Received

- **OES is proposing an EHF rate change to \$0 effective February 1st, 2019**, based on sufficient funds now on hand to operate the program until OES termination.
- The OES program reserves the right to adjust the EHF should the financial outlook change and OES requires more funds to operate the program.



Forecast for OES to 2020

	OES	K\$	K\$	
	2017 Actual	2018 Forecast	2019 Forecast	2020 Forecast
Revenue:				
Steward Fees (EHF) & interest	55,961	50,101	3,872	250
EHF Refund for post Feb 1 inventory	-	29,844	(2,300)	-
Tax Refund	-	29,844	-	-
	55,961	79,945	1,572	250
Expenses:				
Direct Costs: Collection, Transportation, Processing	49,677	39,062	38,833	19,426
Other:				
Consumer awareness and communications	2,999	2,870	2,860	1,000
Administration and Wind Up Fees	3,202	3,181	5,600	5,300
RPRA fees	878	1,154	2,600	1,600
Indirect Costs	7,079	7,355	11,060	7,900
Total Cost	56,756	46,418	49,893	27,326
Excess (deficit) of revenue over expenses	(795)	33,528	(48,321)	(27,076)
Tonnage (metric tonnes)	52,712	47,097	45,684	22,271
Estimated Reserve:				
Closing reserve	\$ 43,603	\$ 77,131	\$ 28,810	\$ 1,733

Revenue:

Proposed 0\$ EHF effective February 1st, 2019.

EHF refund on steward inventory on hand February 1st for which EHF has been remitted.

The forecast is based on current information and the direction as provided by the MECP.

OES reserves the right to adjust the EHF should the financial outlook change and funds are required to complete the OES wind up.



Next Steps

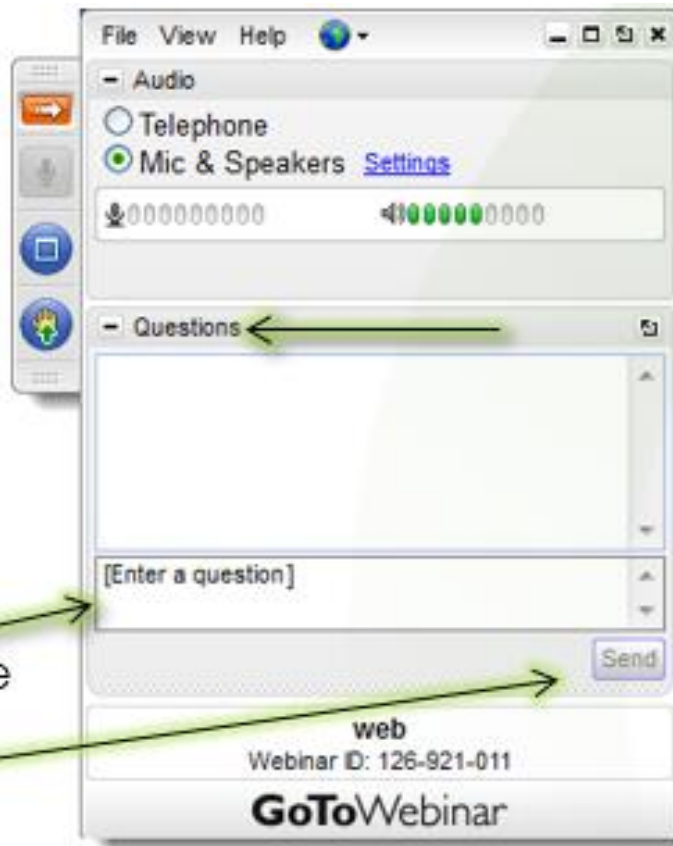
- OES has communicated the proposed EHF change to \$0 to RPRA (Resource Productivity and Recovery Authority).
- As the fee change to \$0 is considered by the MECP and RPRA as fee elimination and an aspect of the wind up, the **RPRA Board will review and consider for approval** the EHF proposal.
- If approved by RPRA, OES will announce the confirmation of the EHF change to \$0 to the Stewards through the standard Product Clarification process used for all EHF updates and rate changes. **Anticipated announcement date is December 1st, 2018 for the February 1st, 2019 elimination.**
- The EHF change to 0 will also be included in the Wind Up Plan document, which is due to RPRA by December 31st, 2018 and will be consulted upon by RPRA in 2019.
- OES Stewards **must continue to report put on market EEE units** to OES through to and including for the month of June 30th, 2020. Only the remittance amount would go to \$0.

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