Individual Producer Responsibility (IPR)

Principle vs. Practical Implementation

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Presentation Outline

- EPR and IPR
- What is IPR?
- Why IPR?
- IPR practical implementation
- Characterization of IPR
- IPR in the current Ontario context?

EPR as a policy principle

"**Extended Producer Responsibility (EPR)** is a *policy principle* to promote *total life cycle* environmental improvements of product systems by *extending the responsibility of the manufacturers* of the product to various parts of the entire life cycle of the product, and especially to the take-back, recycling and final disposal of the product" (Lindhqvist 2000)

EPR is an environmental *policy approach* in which a producer's responsibility, physical and/or financial, for a product is extended to the post-consumer stage of a product's life cycle. There are two related features of EPR policy: 1. Shifting of responsibility (physical and/or economically; fully or partially) upstream to the producer and away from municipalities, and 2. to *provide incentives* to producers to incorporate environmental considerations in the design of their products. (OECD, 2001)

IPR in the context of EPR

IPR is a refinement of the EPR principle to enhance the financial incentives provided to producers to reduce the end-of-life costs and impacts through a strengthened economic feedback

Heightened development during the legal formulation of the WEEE Directive's financial mechanism in Article 8, Financing of WEEE from households

What is IPR?

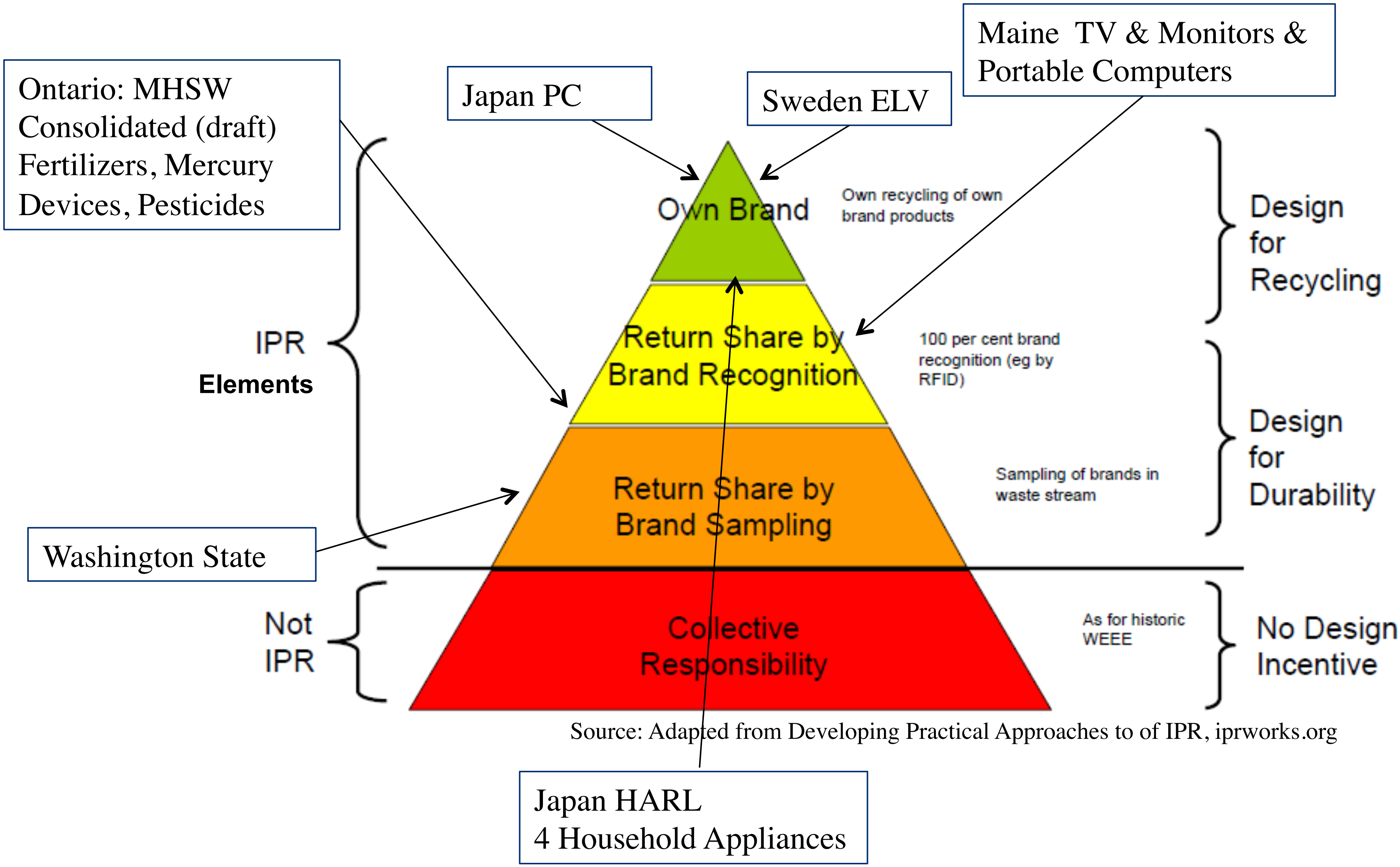
- A producer bears an *individual financial responsibility* when that producer pays for the end-of-life management of its own products

- Conversely, when a group of producers pay for the end-of-life management of their products proportioned to their current market share, their financial responsibility is collective

Why IPR?

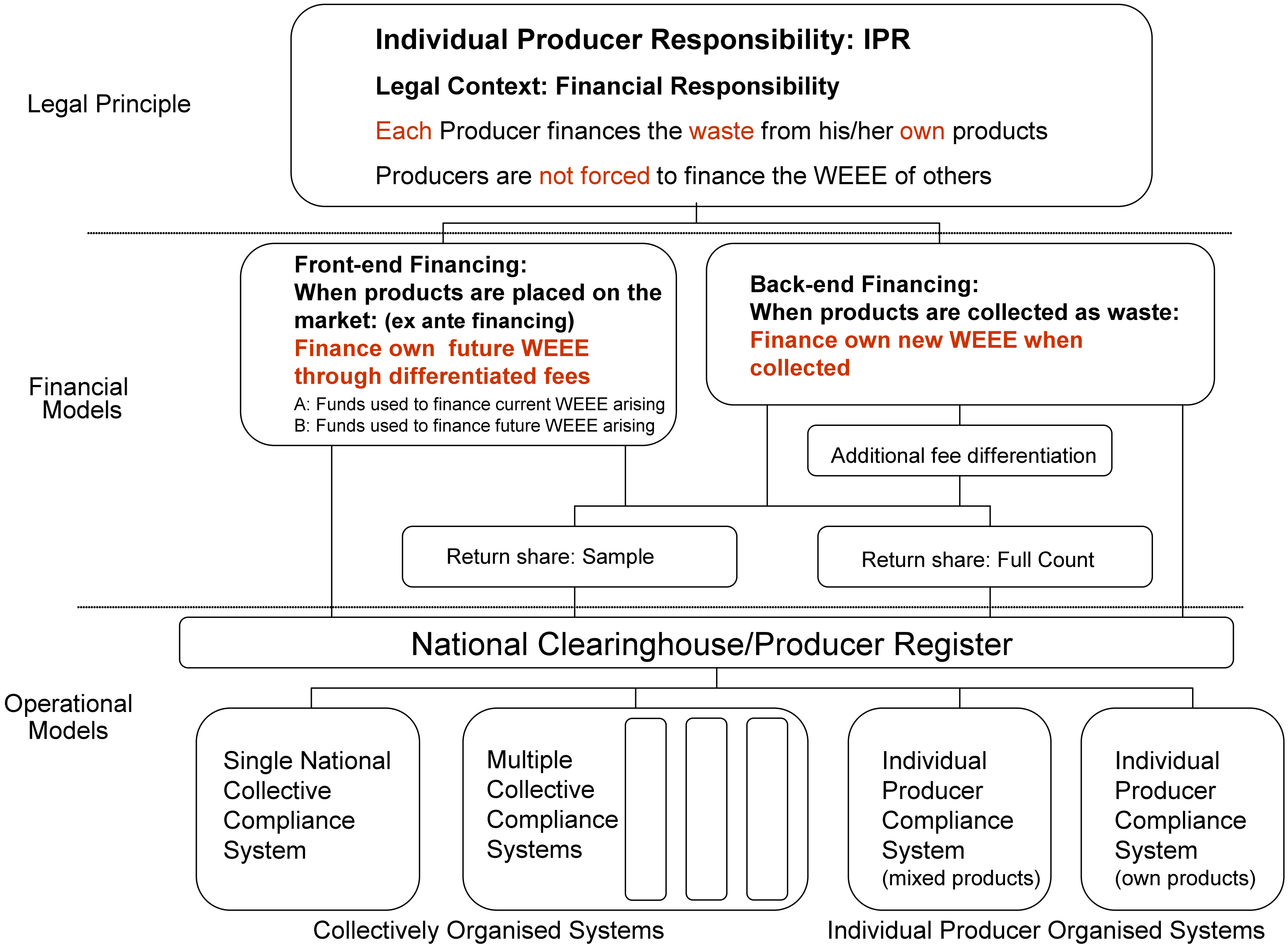
- Making each producer responsible for financing the end-of-life costs of their own products enables end-of-life costs to be fed back to the individual producer
- By modifications to the product design, the producer can directly influence the end of life cost
- Without IPR these incentives for design improvements *may* be lost.

EPR programs with elements of IPR implementation



Source: Adapted from Developing Practical Approaches to of IPR, iprworks.org

A Characterization of IPR Implementation



IPR – Legal Principle

Legal Context: Financial Responsibility

- Each Producer finances the waste from his own products
- Producers are not forced to finance the WEEE of other producers

Financial Models

Front-end Financing:

When products are placed on the market: (ex ante financing)

Finance own future WEEE through differentiated fees

A: Funds used to finance current WEEE arising
B: Funds used to finance future WEEE arising

Back-end Financing: When products are collected as waste:
Finance own new WEEE when collected

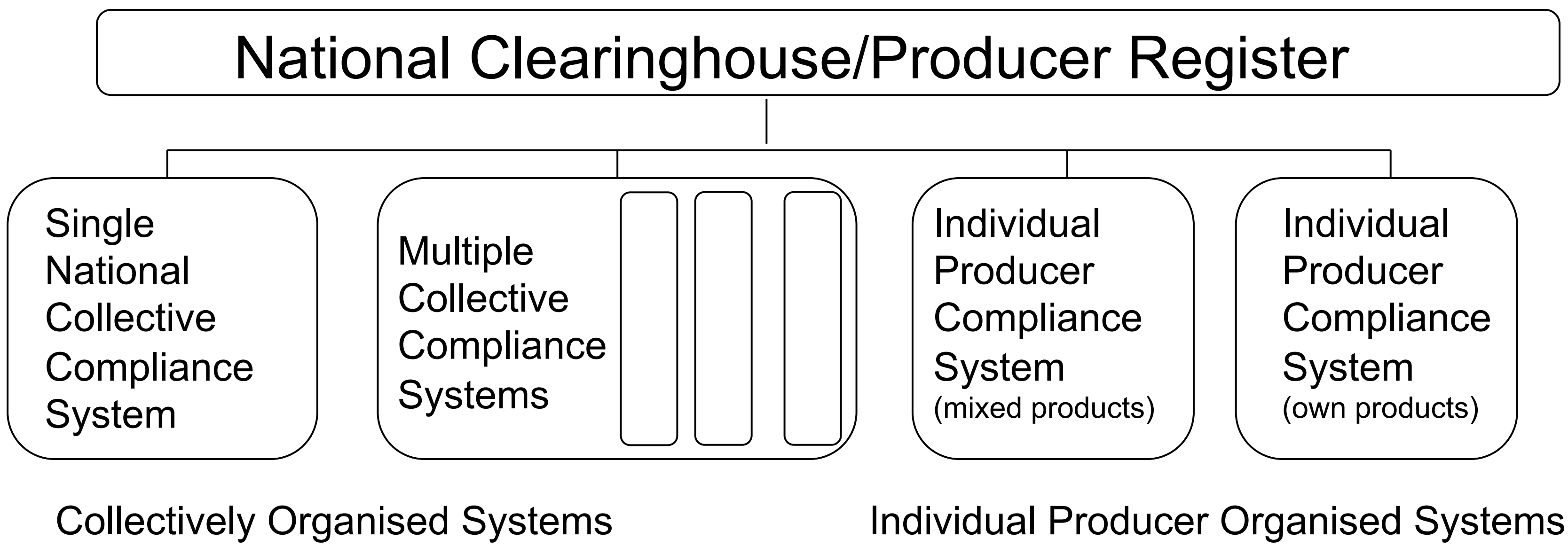
Additional fee differentiation

Return share: Sample

Return share: Full Count

	Front-end Financing	Back-end Financing
Strengths	• No Financial Guarantee Needed (Option A only) • No delay in financial incentive/disincentive to producers (designers) • No sorting/sampling required (Option A only) • Costs are spread over all products placed on the market regardless if collected or not	• Based on actual end-of-life costs • Financing is connected to actual producer's WEEE when arises – direct connection to costs • Can be differentiated based on product weight returned and other cost/environmental criteria • New entrants do not finance until WEEE returned
Weaknesses	• Difficult for stakeholders to agree on differentiating cost criteria • Only indirectly connected to producers own WEEE (as based on placed on the market) • Financial risk/equity with major technological changes (LCD display finances CRT) (Option A only) • Risk of over/under funding when fees calculated ex ante (Option B only))	• Financial Guarantee and possibly accruals needed • Delay in financial incentive to producers (designers) • Sorting/sampling required and associated administration costs • Potential disincentive for high collection rate

Operational Models



IPR can be implemented through both individual and collective recycling systems

Legal Producer Responsibility	***Recycling System***	
	Individual Recycling System	**Collective Recycling System**
Individual Producer Responsibility	*Possible*	*Possible*
Collective Producer Responsibility	*Possible*	*Possible*

Source: Sundberg, V. (2008) Electrolux

Challenges to implementing IPR

- Need for financial guarantees (financial
- Long-term accruals for future financial obligation
- Additional administrative costs of sampling/sorting to identify brand return share and monitoring
- Net present value of future savings in end-of-life costs may be too low to justify current design investments (delayed incentive)
- Risk of taxpayers financing free-riders and orphans when there are insignificant guarantees and provisions made under strict definition of IPR
- Unpredictability of estimating future costs (front-end financing model)

IPR in the Current Ontario Context

Waste Diversion Act

- Industry Funding Organization (IFO)
  - Stewardship Fees
- Industry Stewardship Plans (ISP)
  - Individual Producer Systems

IFO/ISP Development Process under the Waste Diversion Act

- Section 23 of the WDA: Minister may require WDO to develop a waste diversion program for a designated waste
- WDO required to develop the program in co-operation with an IFO, either existing or an IFO to be incorporated under Part III of the Corporations Act
- WDO works co-operatively with the IFO to undertake consultation with affected stakeholders and to develop the diversion program for the designated material.
- WDO Board Approves Plan and submits to Minister
- Posted on the EBR Registry
- Minister May Approve or Reject Program; if Approved, Designates the IFO WDO/IFO
- Implement and Operate the waste diversion program
- Section 34 of the Waste Diversion Act (WDA), on application, Waste Diversion Ontario (WDO) may approve a written ISP plan

Who Pays? - Steward definition in Minister's Program Request Letter (PRL)

- √ Blue Box – Addendum, point 5
- √ WEEE – Addendum point 12 (first), point 6 (final)
- √ Tires –Addendum, point 1
- √ MHSW – Addendum, point 5 (Phase 1) point 6 (Phases 2 & 3)

Consistent with the Waste Diversion Act, the proposed funding rules should designate and define as stewards under the Program, brand owners and/or first importers of products into Ontario, (and assemblers of non branded EEE for WEEE) that result in wastes

IFO - How much do Stewards pay?

Section 30 (1) the IFO may make rules

(b) ***setting the amount*** of the fees to be paid by stewards in respect of the designated waste

Section 30 (3) In making rules under clause (1) (b), the IFO shall have regard to the following principles:

1. The total amount of fees paid by stewards shall not exceed the sum of the following amounts:

    i. Costs of developing, implementing and operating the program

    ii. A reasonable share of costs not referred to in subparagraph i that are incurred by Waste Diversion Ontario in carrying out its responsibilities under the WDA

    iii. A reasonable share of costs incurred by the Ministry in administering the WDA

IFO - How much does *each* steward pay?….the Nexus Test

Section 30(3) 2.: The fee paid by a steward should *fairly reflect the proportion* of the sum referred to in paragraph 1 that is *attributable to the steward*.

What is a fair proportion of the costs?

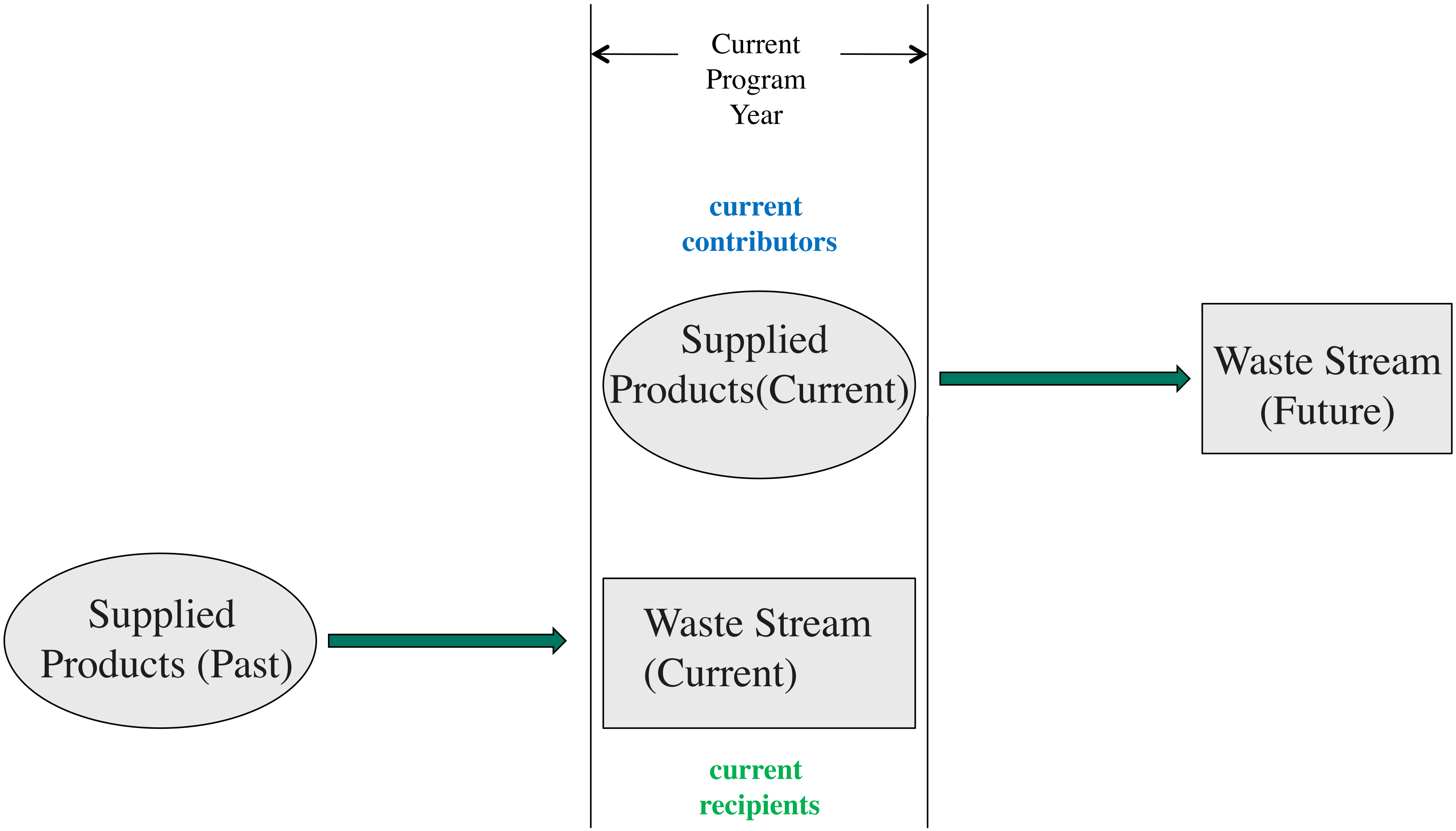
IFO - Proportion based on what?

- Weight/number of supplied products of each steward (market share)
- Weight/units of returned products (waste) attributed to each steward (return share)

All are used in WDO/IFO Diversion Programs Plans

* Cost to manage orphans and free riders proportioned to current financing year stewards either on market share or return share of each steward (only if considered non-material)

Pay As You Go refers to an unfunded system in which **current contributors** to the system pay the expenses for the current recipients. In a pure PAYG system, no reserves are accumulated and all contributions are paid out in the same period



IFO - Differentiated Steward Fees?

Further differentiation of fees (to cover total current year costs) that *each steward pays* based on the inherent properties of either:

– current waste managed in the diversion program (return share) or;

– products that are placed on the market today that become waste in the future (market share)

reflecting the actual or anticipated costs to manage the *individual stewards products* in the diversion program

Industry Stewardship Plans (ISPs)

Management of own brand products?

- Section 3: Guidelines for ISPs

  “On the principle that brand owners/first importers are responsible for the products they sell into the Ontario marketplace, the products sold into the Ontario marketplace by other stewards ***will not be considered in the evaluation of the performance of the ISP***”

- To be determined as ISPs are evaluated by the WDO Board as they are received

Thank you for your Attention

Questions?

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