



September 30, 2017

Dan Rude, CEO
Alberta Urban Municipalities Association (AUMA)

SENT VIA EMAIL

RE: Return Incentives Reduction

Dear Dan,

As part of the Alberta Used Oil Management Association's (AUOMA's) ongoing commitment to transparency and keeping our stakeholders informed, I am providing you with an update on our financial situation and the challenges we are facing.

In its 2017-2019 Business Plan, AUOMA's Board committed to balancing its budget by 2018. In 2016, 96.5 per cent of AUOMA's Environmental Handling Charge (EHC) revenue was paid out as return incentives (RI), with the balance of program expenses funded by drawing down its net assets. AUOMA's RIs are the financial recycling incentives paid out to eligible registered collectors and processors to stimulate the recycling of used oil materials. The current ratio of revenue to RI spending is not sustainable.

The Environmental Handling Charges (EHCs) AUOMA may collect to fund the collection and recycling of used oil materials are set in regulation —the Lubricating Oil Material Recycling and Management Regulation (AR 82/1997) and the Lubricating Oil Material Environmental Handling Charge Bylaw (AR 228/2002) —and have not increased in 20 years. The cost of recycling has obviously risen over that time. Consequently, over the past several years, we have been working diligently with the Government of Alberta to have the regulations amended and ensure AUOMA has the ability to increase the EHCs.

The provincial government has not yet moved forward with the needed regulatory changes. As a result, AUOMA needs to balance its 2018 budget to protect its working capital. We have consulted with used oil material collectors and processors, and continue to analyze the marketplace. Based on that input and our current financial situation, the Board of Directors has approved the following changes to the used oil materials recycling program:

1. The used oil Return Incentive or RI (i.e., the amount we pay collectors and processors to collect used oil) will be reduced by 15 per cent, effective January 1, 2018. The reduction will occur evenly across all zones in Alberta to minimize any distortion to the existing competitive dynamic of the marketplace.
2. Processors will be paid on processed weight as shipped to end users, rather than the current practice of paying on collected weight.



- Material collected prior to January 1, 2018 will be paid at current RI oil rates and based on collected weight.
 - Material collected after January 1, 2018 will be paid at the new rates and based on processed weight.
3. The RI on used oil plastic containers and filters will increase slightly to reflect the shift to paying only for the processed weight of materials. The amount of increase is still being determined and will be announced in November 2017.

The 15 per cent RI decrease combined with the shift to paying on processed weight will assist AUOMA in reducing our 2018 expenditures by approximately \$1 million. This will allow us to balance our budget while doing our best to maintain the integrity of the used oil materials recycling program in Alberta.

AUOMA recognizes this will be a challenging time for collectors and processors as they will have to find a way of funding their used oil material recycling activities and remain viable. It will also be challenging for municipalities that may experience a decrease in service or have costs passed on to them by collectors and processors. Regrettably, AUOMA's hands are tied until eco fees (i.e., the EHCs) are removed from regulation so they can be adjusted, as required, to effectively encourage Albertans, businesses, and municipalities to collect and recycle used oil materials.

For questions, concerns, or to express support for the changes needed to the regulations that govern the used oil materials recycling program, I encourage you to reach out to Rick Berkenbosch, Waste Management Specialist, Alberta Environment and Parks at rick.berkenbosch@gov.ab.ca.

AUOMA appreciates the support of our stakeholders. Together we can improve the program and provide Albertans with the assurance that Alberta's used oil materials are recycled into value-added products that benefit our province.



**Alberta Used Oil
Management
Association**

I will continue to keep you informed and as always, please let me know if you have any questions or concerns.

Sincerely,

Jodi Tomchyshyn London,
Executive Director, Alberta Used Oil Management Association

cc. Ronda Goulden, ADM Policy and Planning, Alberta Environment and Parks
cc. Rick Berkenbosch, Waste Management Specialist, Alberta Environment and Parks
cc. Rachel de Vos, Senior Director, Policy & Advocacy, AUMA
cc. Lee Wilkie, Chair, Alberta Used Oil Management Association