



Rethink your relationship with tires

Ontario Tire Stewardship

Industry Consultation on New Incentives

FOLLOW-UP

November 26, 2015



Rethink your relationship with tires

Agenda

- A. Introduction
- B. Activities since October consultation
- C. Re-cap of original proposal with proposed changes for each of:
 - 1. Objectives, eligibility, claim processes
 - 2. New Manufactured Products (NMP) Incentive
 - 3. Value Added Product (VAP) Incentive
 - 4. Rubber-Modified Asphalt (RMA) Incentive
- D. Where to from here?

Appendices I, II, III: Forms



A.

Introduction

- Welcome!
- Today's objective

....to follow-up on our October consultation with you and to present our revised proposal



B.

Activities since October consultation

- Received feedback on October proposal, including through additional one-on-one consultations, as follows:
 - Sofsurfaces
 - Animat / Moose Creek
 - Multy
 - North West Rubber
 - Shercomm / Heffco Group
 - Presidium
 - Promat
 - Everplay
 - McAsphalt
- Began collecting data on existing RPM products for purposes of assigning Product Codes by Jan. 8, 2016



B.

Activities since October consultation (cont'd)

- Consulted with OTS staff on relevant claim, payment & systems implications of new incentives
 - Assessed system for capability to handle all claims online
- Created Product Application Form (Appendix I)
- Created Manual Claim Form and Manual Inventory Tracking Form for new incentive types (described in Appendices II & III)
- Began updating RPM Guidebook to include new incentive types
- **For the 3 new incentive types, enhanced eligibility and incentive rates as detailed under “proposed changes” in section C**



C.1

October re-cap: Objectives, Eligibility, Claim Processes

- Program objectives - *increase volume of OTS rubber & fiber used; increase value & diversity of products produced in Ontario*
- Process objectives - *be fair, equitable and transparent while avoiding unintended consequences*
- Must be registered as RPM to apply for new incentives
- Each product considered for incentives must be pre-approved by OTS through application process
- For products proposed as NMP, onus is on RPM to demonstrate potential for "significant improvement"
- All claim approvals based on proof of sale to eligible third parties, similar to requirements for existing MI
- Claims must be submitted to OTS monthly, with approved claims paid quarterly
- At its discretion, OTS will disallow some types of uses



C.1

November 26: proposed changes

Objectives, Eligibility, Claim Processes

- Refine Program objectives to focus on balanced view of value & volume
- Change terminology to improve understanding:
 - **MPI** = Manufacturing & Product Incentives, encompassing all 4 incentive types (MEC, NMEC, VAP, RMA)
 - **MEC** = the previous MI (Manufacturing Incentive)
 - **NMEC** = the incremental incentive on NMPs
 - **VAP** = Value Added Product
 - **RPM/U** = the previous RPM (i.e., U for User added to reflect that not all products are “manufactured”)
- Change payment frequency for 3 new incentives to monthly rather than quarterly
 - Due to implementation timeline constraints, first claim submission would be Apr. 1 for sales in Q1 2016
- Change the proposed manual claim process to a combination of online & manual claims; leave existing MEC (current MI) claim filing process unchanged

C.2

October re-cap:

NMP incentive as proposed – *incremental \$60 per tonne*

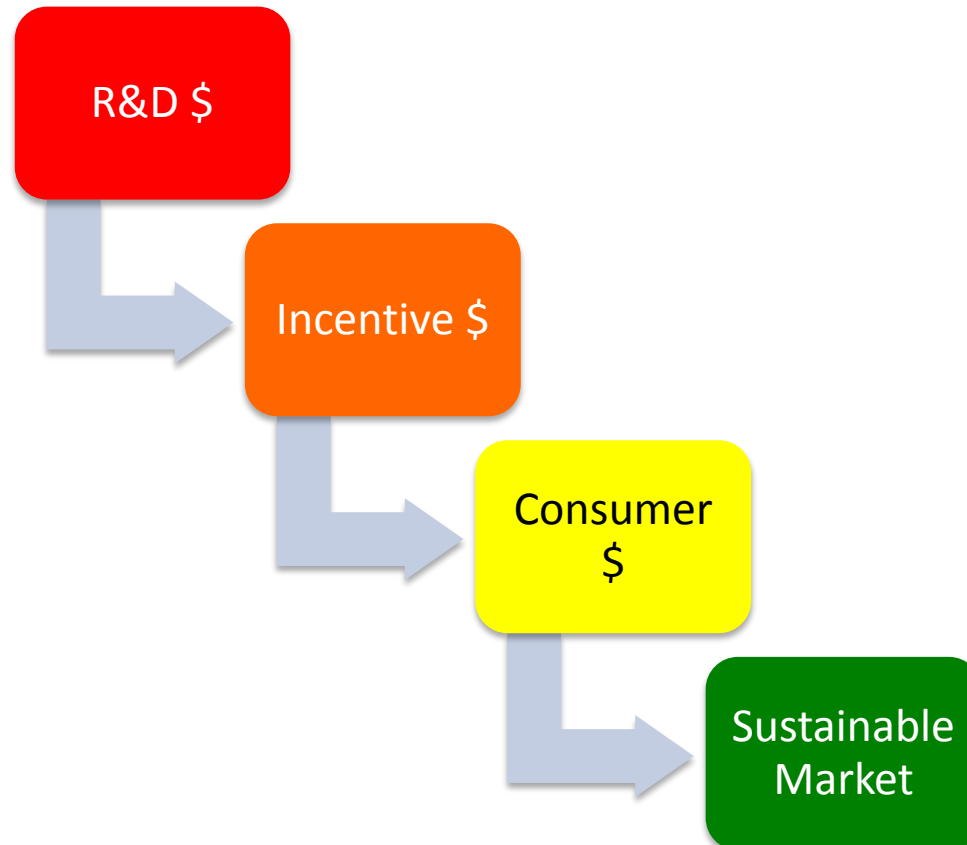
- Is in addition to the existing MI on a **product's Ontario sourced recycled rubber** component
- Must use **MEC** technology (Molded, Extruded or Calendered)
- Will be an ongoing incremental incentive after Jan. 1, 2016 – available to an RPM for more than one product
- Per product, is available for 18 up to 24 months depending on whether product is registered / sold in Q1-Q2 or Q3-Q4 of the appropriate year
- Annual OTS expense cap of \$2M; after 2016, annual budget/incentive rate could vary
- Is for **substantially new** products or products manufactured using a **substantially new** process as detailed in October presentation



C.2

Enhanced focus on Market Development

Moving into 2016 OTS is refocusing its efforts to develop markets that have the potential to be economically sustainable in the absence of incentives or tip / gate / disposal fees.



C.2

November 26: proposed changes: NMEC incentive – *now incremental \$100 per tonne*

- Apply rate for fiber in products based on the product type in which it is used (i.e., either MEC, NMEC rate or VAP rate)
- NMEC1 – apply category to products produced using a new manufacturing process
 - Providing significant improvements such as product costs, performance, profitability, environmental footprint
 - One year eligibility; rate of \$100 per tonne
- NMEC2 – apply category to new products that meet a market opportunity not previously met using a recycled rubber or fiber product by a Canadian manufacturer
 - Two years eligibility; rate of \$100 per tonne
- Implement NMEC eligibility timelines as follows:

Application: Date fully completed application received

Approval: 30 day target for decision

Eligibility Start Date (if approved): ≤ 60 days from Application Date

Eligibility to Claim Sales: ≥ Eligibility Start Date

Eligibility Expiry Date: end of the month 12 months (NMEC1) & 24 months (NMEC2) from Eligibility Start Date; MEC: no expiry



New Manufactured Products Incentive (NMPI) – Oct 22 scenarios

RPM/F re-formulates existing product with > 25% crumb added

	<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3 >></u>
Existing Product: 1000 tn/yr @\$80 (MI)	\$ 80,000			
New Product: 1250 tn/yr (MI on 1250 + NMPI on 250)		\$115,000	\$115,000	
New Product: 1250 tn/yr @\$80 (MI)				\$100,000

RPM/F makes new product, with (say) 10% rubber content

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3 >></u>
New Product: 1000 tn/yr @\$140 (MI + NMPI)	\$140,000	\$140,000	
New Product: 1000 tn/yr @\$80 (MI)			\$ 80,000

New Molded, Extruded, Calendared (NMEC) – *Nov 26 scenario*

RPM/U re-formulates existing product with > 25% crumb added

	<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3 >></u>
Existing Product: 1000 tn/yr @\$80 (MI)	\$ 80,000			
New Product: 1250 tn/yr (MI on 1250 + NMEC on 1250)		225,000	\$225,000	
New Product: 1250 tn/yr @\$80 (MI)				\$100,000

RPM/U makes new product, with (say) 10% rubber content

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3 >></u>
New Product: 1000 tn/yr @\$180 (MEC + NMEC)	\$180,000	\$180,000	
New Product: 1000 tn/yr @\$80 (MEC)			\$ 80,000

C.3

October re-cap:

VAP incentive as proposed – \$40 *per tonne*

- For **crumb** used in production of finished products which *do not* use MEC technology **AND**
- For **fiber** in finished products that *do or do not* use MEC technology (fiber must be integral component of product, not simply filler)
- Will be an ongoing incentive after Jan. 1, 2016 for pre-approved products upon proof of sale
- After 2016, annual budget/incentive rate could potentially vary
- Products expected to be crumb in in-situ “molding” or installation of walkways/driveways/pour-in-place playground surfaces; or in production of non-molded animal mattresses (as resilient filler inside casing); or inclusion of fiber in manufactured products
- Excludes rubber mulch and RMA



C.3

November 26: proposed changes VAP incentive – *now \$50 per tonne*

- Apply the incentive to products using Ontario crumb or fiber which are not MEC eligible
- Exclude any products where **crumb or fiber** is installed as *loose fill*
- Implement VAP eligibility timelines as follows:

Application: Date fully completed application received

Approval: 30 day target for decision

Eligibility Start Date (if approved): Date of Application

Eligibility to Claim Sales: \geq Eligibility Start Date

Eligibility Expiry Date: No expiry



C.4

October re-cap:

RMA incentive as proposed – *\$250 per tonne*

- Offers \$250 per tonne of crumb for 2016 – 2018; adjusts to \$150 per tonne in 2019
- Will be an ongoing incentive after Jan. 1, 2016, paid to registered producer of the Rubberized Asphalt Cement (RAC) upon proof of sale
- Intended to support the production of RMA in Ontario using Ontario crumb for Ontario projects



C.4

November 26: proposed changes: RMA incentive – *still \$250 per tonne, plus....*

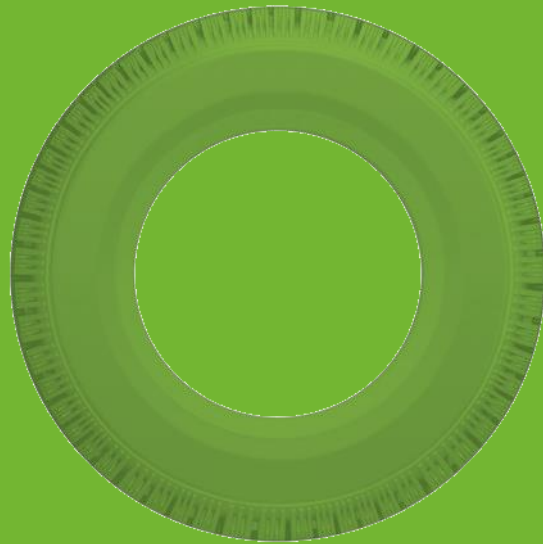
- Add an incentive for the Hot Mix Producer – details to be developed



D.

Where to from here?

- Provide any final comments on this proposal to OTS by Dec. 9, 2015
- Get your product identifier information to OTS by Dec 4
- OTS will publish the final:
 - Application for Product Eligibility by Dec. 18, 2015
 - For all applications received before Mar. 1, 2016, incentive eligibility start date will be retroactive to Jan. - except NMEC (discretionary)
 - Claims Processes by Jan. 8, 2016
 - Claims for first 3 months of 2016 will be filed together as of Apr. 1; subsequent claims will be filed monthly.
- More work to do on RMA – target completion Jan. 31, 2015
 - Application process for \$250 / tonne of crumb in RAC
 - Development of an incentive for HMA contractor



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Appendix I Product Eligibility Form: see handout

PDF version of form to be sent with this presentation.



Appendix II Manual Claim Form: Components

- Excel spreadsheet provided by OTS
 - Designed to auto-calculate eligible weights & incentives for each sales invoice entered by the RPM/U
 - Auto-calculates total claim amount, broken down by incentive type
- Claim form components to be completed by RPM/U
 - RPM/U's identification information
 - A line item for each sales invoice being claimed:
 - Invoice Date
 - Invoice Number
 - Scaled Weight & Scale Ticket Number
 - Pallet Weight (if applicable)
 - % crumb or fiber in product
 - OTS Product Code / Product Name
 - Customer & contact information



Appendix III Manual Inventory Tracking Form: Components

- Excel spreadsheet provided by OTS
 - Designed to auto-calculate total weights in each of the applicable form components below, based on entries made by the RPM/U
 - Auto-calculates total ending inventory by inventory type (crumb, fiber, residuals)
- Inventory form components to be completed by RPM/U
 - RPM/U's identification information
 - Opening inventory at previous month end (broken down by crumb, fiber & residuals)
 - Processed products received in current reporting month (by processor & product type – i.e., crumb, fiber)
 - Product sales during month (by product type – i.e., crumb, fiber)
 - Residual disposals during month including disposition details
 - Inventory adjustments for month (increases or decreases) including reasons

