

Société de gestion des huiles usagées (SOGHU)

A new used oils, oil or fluid containers and used filters recovery and reclamation system will become effective October 1, 2004 pursuant to the coming into force of the *Regulation respecting used oils, oil or fluid containers and used filters* (the “Regulation”).

The Société de gestion des huiles usagées (SOGHU) that was created to elaborate and implement a recovery and reclamation system for these products that meets the requirements of the Regulation wishes to provide you hereafter with certain information in the form of questions and answers pertaining to this new system.

QUESTIONS AND ANSWERS

What is the SOGHU?

SOGHU is the French acronym for Société de gestion des huiles usagées du Québec. The SOGHU is a non-profit association incorporated under Part III of the Quebec *Companies Act* with membership open to all brand owners or first suppliers or importers in Quebec of the materials designated by the Regulation.

SOGHU is managed by a sixteen-member board of directors. The Board and the general manager will receive the advice of an external advisory committee in the setting up and the follow up of the system.

Why is there concern for proper management of used oils, oil or fluid containers and used filters?

An important portion of the products designated by the Regulation are not recovered and are sent to waste disposal sites or are used in unregulated activities. The recovery and recycling of these products will contribute to the protection of the environment, to conservation of non-renewable resources and to sustainable development as contemplated in Québec Government’s residual materials management policy, the *Politique québécoise de gestion des matières résiduelles 1998-2008*.

Why was the SOGHU put in place?

The Regulation was published in the Gazette Officielle du Québec on March 24, 2004. In accordance with the Regulation, all brand owners or first distributors or importers of products designated by the Regulation in Quebec have two options: submit their own recovery system or join an association offering this service. The large majority of stakeholders have elected to choose the second alternative. As of this date, SOGHU is the sole organization meeting the Regulation’s requirements.

Is this the first industry stewardship program in place in Quebec?

There are presently in Quebec the tires and paint sectors that have provided for industry programs responsible for the recovery and recycling of these products and their funding.

Are there other management associations similar to SOGHU in Canada?

Yes. Similar oil, oil containers and used filters management associations presently exist in the four western provinces of British Columbia, Alberta, Saskatchewan and Manitoba. The SOGHU in Québec will be the fifth one to be set up while another one is in the process of being created in Ontario.

How will SOGHU represent me as a brand owner under the Quebec regulation?

RECYC-QUÉBEC, a government agency, has been mandated by the Ministry of the Environment to manage the certification of management associations created in accordance with the Regulation. The SOGHU will soon be certified by RECYC-QUÉBEC as a management association and a certification agreement will be signed as required by law. Therefore, all brand owners or first suppliers or importers in Québec who become members of the SOGHU by completing the membership application form and sending it with the appropriate fees to SOGHU will comply with the Regulation.

Who is required to participate in the program?

As mentioned hereinabove, the Regulation requires all brand owners or first suppliers or importers in Québec of the products designated by the Regulation, who do not notify the Ministry of the Environment that they will implement their own program must necessarily join a management association if they do not wish to be forced into creating such a program that will meet the regulatory requirements concerning its scope (number of collection points), recovery and reclamation objectives to be met, and consumer information obligations .

What will the SOGHU do?

The SOGHU's mandate is to implement, on behalf of its members, an integrated management program for the recovery and reclamation of used oils, oil or fluid containers and used filters designated by the Regulation, as well as for consumer awareness, thereby allowing its members to be exempted from the obligations that they would otherwise be held to meet under the Regulation.

What will happen on October 1, 2004?

SOGHU will officially start its operations on that date. All members who will have sent in their application form will have met their regulatory obligations. However, the Environmental Levies owed to the SOGHU will be calculated from December 1 and will have to be remitted to the SOGHU within 30 days of the end of each month for as long as they will remain a member of the SOGHU.

Will SOGHU assist brand owners in getting the message of change to their industrial, commercial and retail customers?

Yes, definitely. SOGHU will supply its members with brochures and point-of-sale material such as collars for one-litre containers and stickers for other containers. It will also set up a toll free 800-line to answer questions by its members and their customers.

Who will pay for the collection of used oils, oil or fluid containers and used filters from recovery centres and industrial and commercial customers?

SOGHU will gradually put in place a collection system for used oils, oil or fluid containers and used filters designated by the Regulation. This system will include financial incentives and will be funded by the environmental levies paid by SOGHU's members.

Is the Environmental Handling Charge (EHC) another government tax?

No. The EHC represents handling charges determined by SOGHU's board of directors and paid by members on the basis of their volume of sales. Information provided by members regarding their volume of sales is treated on a confidential basis. All amounts are used only for the management of the program. No sums will go to the government besides reasonable management fees required to be paid by law to RECYC-QUÉBEC.

Are the General Services Tax (GST) and the Quebec Sales Tax (QST) applicable to the EHC?

GST and QST are both applicable to the EHC.

Could the EHC be reduced or increased in the future?

Yes, it is possible that the EHC could be reduced or increased in the future. It will fluctuate in accordance with market variations for used products. Any such decision will be made by SOGHU members through its board of directors and in consultation with the other management associations in Canada.

What products are covered by the Regulation?

Lubricating oils are those of mineral, synthetic or vegetable origin marketed in containers of 50 litres or less or sold in bulk, as described in section 2 and schedule I of the **Regulation**.

Filters are those described in section 4 of the Regulation and which may be used for internal combustion engines, hydraulic systems and transmissions and antifreeze filters, diesel filters and filters for heating systems using light heating oils.

Containers with a capacity of 50 litres or less are those described in section 3 of the Regulation of a capacity.

What quantity of used oil products is available for recycling in Quebec?

According to recent estimates, 92 million litres of used oil, 41 million litres of capacity of containers and 12 million used filters are generated annually in Quebec.

What proportion of these used oil materials are presently recovered and recycled in Quebec?

Experts estimate that 60% of used oils, 20% of used filters and less than 1% of containers are presently recovered and recycled.

Why are return incentives needed?

Existing market economics do not support the collection and processing steps required in an integrated program. This is because the current value of the recycled material does not cover the costs of collection and processing. Also, it is expected that the return subsidies will incite collectors to collect used products from small generators and extend their territory to remote areas.

Who will be responsible for the payment of the Environmental Handling Charge (EHC)?

Normally it will be the brand owners. In cases where the brand owner has no domicile or establishment in Quebec, the responsibility will fall according to the Regulation on the first supplier or importer in Québec. The EHC can only be charged and collected once by the SOGHU for a same product from the brand owner or the first distributor or importer of the product in Quebec. Hence, for example, the SOGHU shall have the right to collect the EHC, for a given product, from its brand owner; it will not be allowed to also collect the same EHC from the client to whom the brand owner will have sold the said product.

How will SOGHU keep track of the collection of Environmental Handling Charge (EHC) and the payment of Return Incentives (RIs)?

A control and audit system will be put in place in order to insure that all companies to which the Regulation applies are properly registered and volumes are properly declared and are realistic. The collectors will be controlled in regards to the origin, volume and destination of the materials collected. Once again, the numbers provided to the SOGHU will be treated confidentially. It is furthermore noteworthy to underline that RECYC-QUÉBEC, as the government's agent to manage the undertaking and functioning of recovery and reclamation systems shall supervise and audit the systems and will have the power, as the case may be, to recommend that actions be taken against any offenders.

When will the Environment Handling Charge (EHC) be payable?

The EHC will be calculated starting December 1, 2004 and remitted monthly to SOGHU within thirty days of the end of each month. Therefore, the EHC for December 2004 will have to be paid to the SOGHU within the following 30 days (by January 30, 2005).

What will happen to the used materials recovered?

Presently in Québec, the most common recycling methods are either re-refining of used oils, use as a source of energy or manufacture of new finished products. SOGHU will insure that all end-uses meet regulatory compliance.

Who will negotiate contracts with collectors once the system is put in place?

It is not the SOGHU's intent to intervene in existing contractual relationships between collectors and its members or their clients. Be that as it may, the SOGHU will determine zones within Québec for the purposes of establishing and awarding return subsidies. As demonstrated in western Canada, market conditions and free enterprise will dictate the situation. However, we can anticipate that, once the zones and return subsidies have been established and rendered public, businesses or individuals using the services of collectors will obtain reductions for recovery costs of those products designated by the Regulation or even, depending on market conditions, a payment for these products.

Where can I obtain a list of available collection points?

The list of collection points will be published on SOGHU's website (www.soghu.com) and available through the toll-free information telephone line (1-877-98 SOGHU or 1-877-987-6448).

How does the Regulation apply to distributors of products it has designated?

If a distributor sells products under his own brand, he must comply with the Regulation since he is a brand owner or user. If the products distributed are imported from a

manufacturer that is neither domiciled nor established in Québec, then the distributor shall be considered the first distributor or importer of the products and will have to meet the Regulation's requirements, unless, in either case, the distributor becomes a member of the SOGHU. As to products distributed that are manufactured by members of the SOGHU under their own brand, those products will have been the object of appropriate declarations to the SOGHU by said members as well as of payment of the applicable EHC.

Will there be special containers available at collection points to recover oil or fluid containers and used filters?

SOGHU will install special containers or bins at selected municipal facilities, the list of which will be available on SOGHU's website and on the toll-free information line.

What happens if an equipment manufacturer sells to his clients oils under his brand that are designated by the Regulation?

The manufacturer in this case will become a brand owner and must comply with the Regulation, unless he chooses to be exempted from its application by becoming a member of an organization such as the SOGHU. The brand owner-manufacturer who sells his products to this manufacturer who in turn sells them under his brand name to his clients can possibly verify if they can contractually agree, without contravening the Regulation, that the initial brand owner will make the appropriate declarations regarding these products to the SOGHU and pay the required EHC on behalf of the manufacturer.