



AUOMA

Business Plan 2017 - 2019

Just one litre of used oil can contaminate one million litres of water.

Alberta Used Oil Management Association

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ACCOUNTABILITY STATEMENT

The Alberta Used Oil Management Association (“AUOMA”) business plan and budget for the period January 1, 2017 through December 31, 2019 is prepared in accordance with the requirements of the *Lubricating Oil Material Recycling and Management Regulation*, as amended, which was enacted under the *Environmental Protection and Enhancement Act*. AUOMA’s business plan is modeled after the Auditor General’s *Framework for Accountability*. All of AUOMA’s policy decisions as of December 1st, 2016, accountability obligations, and relationships are reflected in this business plan and budget. The Government of Alberta’s Strategic Plan and Department of Environment and Park’s Business Plan and priorities were considered in the development of AUOMA’s Business Plan 2017 - 2019.

AUOMA is committed to achieving the outcomes presented in this business plan and budget.

Approved by the Board of Directors,

Alberta Used Oil Management Association

November 25th, 2016

A handwritten signature in black ink, appearing to read "Lee Wilkie". The signature is written in a cursive, flowing style.

Lee Wilkie

Chair

PLAN HIGHLIGHT: AUOMA'S FINANCIAL VIABILITY IS AT RISK

AUOMA's financial viability is at significant risk. Its revenue continues to fall short of its recycling expenditures, which are imperative to maintain high recycling rates. Its revenue consists of regulated fees charged to first sellers and importers of oil materials in Alberta. Drastic changes to program financing are necessary to ensure the program remains financially viable. In the absence of regulatory changes to increase program revenue, AUOMA must lower its recycling expenditures (called return incentives or RIs) to balance its budget. AUOMA is extremely concerned that reducing RIs will cause an additional financial stress to recyclers on top of operating within an economic downturn. The most likely results of reducing RIs are a substantial decline in the recycling rates of used oil materials and the number of drop-off locations, especially in northern and rural areas of the province. AUOMA's Business Plan 2017 – 2019 provides a detailed explanation of AUOMA's financial status and its plan to balance its budget by 2018.

VISION

AUOMA is a renowned industry-driven organization facilitating the recycling of designated waste materials, and a recognized leader in supporting industry best practices that achieve optimal recycling of materials and sound environmental outcomes for the benefit of all Albertans.

MISSION

AUOMA manages effective and efficient used oil materials waste minimization and recycling programs in Alberta, in keeping with Alberta Environment and Parks' mission, to ensure effective stewardship of environmental systems that enable a sustained high quality of life in Alberta.

AUOMA will fulfill its mission and realize its vision through sound policies and good governance, supporting and supported by engaged stakeholders, effective communication, and full accountability.

LEGISLATIVE MANDATE AND PROGRAM OVERVIEW

AUOMA is an Alberta-based, not-for-profit association established under the *Environmental Protection and Enhancement Act, 2000* (EPEA) and the *Lubricating Oil Material Recycling and Management Regulation* (AR 82/1997, "the Regulation") to deliver programs and initiatives that facilitate the collection and recycling of used oil materials for the benefit of Albertans. AUOMA is also bound by the regulated *Lubricating Oil Material Recycling and Management Bylaw* (AR 227/2002), which appoints it the administrator of a recycling fund to incent waste minimization and recycling of used oil materials. The fund supports activities to advance waste

minimization and recycling practices, including communication, education, and research and development. The recycling fund's revenue is made up of environmental handling charges (EHCs), which are regulated fees remitted by oil product manufactures and primary suppliers of lubricating oil products, as set in the *Lubricating Oil Material Environmental Handling Charge Bylaw* (AR 228/2002).

AUOMA is directly accountable to the Minister of Environment and Parks to carry out its mandate. It is also accountable to its members and the Alberta public for the appropriate and transparent management of its fund, and to ensure sound environmental outcomes as a result of fund expenditures. Its members are the manufacturers and primary suppliers of lubricating oil and oil products in Alberta. Its annual operating revenue consists of the EHCs remitted by its members and depends on the amount of lubricating oil, oil containers, and oil filters they sell or import into Alberta.

In accordance with its mandate as a delegated administrative organization of the Government of Alberta (GoA), AUOMA ensures that its goals, strategies, and activities are consistent with the GoA's vision and goals, Alberta Environment and Parks' (AEP) goals and strategies, and the Minister's mandate under EPEA. As the government's vision, goals, and strategies shift over time, so must AUOMA's.

The following is a summary of the government's relevant goals and strategies, and an explanation of how AUOMA's business plan supports them.

Government of Alberta's 2016-2019 Strategic Plan

AUOMA's vision, goals, and strategies support the following GoA strategic priorities:

Strategic Priority One: A diversified economy that creates jobs and opportunities for all Albertans.

- "Government is committed to fostering an environment where private sector innovators and job creators can succeed. This involves government and Alberta businesses working together to ensure policies, programs and services are in place that support businesses in commercializing new products or processes, attracting investment capital and capitalizing on export opportunities. An economic growth and diversification plan for Alberta will lay the foundation for building knowledge-intensive industries in Alberta and providing opportunities for skilled workers."

Strategic Priority Two: Demonstrated leadership on climate change.

- "Addressing climate change is a top priority for government..."
- Performance measure linked to this strategic priority: Municipal solid waste to landfills: kilograms of municipal solid waste per capita disposed in public and private landfills.

AUOMA's program contributes to a **diversified and greener economy**. It relies on a large network of collection facilities, registered collectors that transport materials to processors, and registered processors that undertake primary recycling of used oil materials. In 2016, AUOMA surveyed its network and determined that its program funding supports approximately 300 direct jobs and many more indirect jobs.

AUOMA's program also contributes to **greenhouse gas (GHG) savings**. The effect of recycling on GHGs has been studied extensively in Canada, and it's readily accepted that recycling programs result in GHG savings. For example, the Ontario Waste Management Association (2015)¹ completed an assessment of the effects of Ontario's recycling on GHGs and stated:

"When materials are diverted from landfills for reuse or recycling, greenhouse gas emissions are affected in three important ways... First, as with food and yard wastes, if the material is methanogenic, landfill methane emissions are eliminated, offset by a reduction in landfill carbon sequestration. Second, some materials require a relatively large amount of energy to manufacture (e.g. paper, metals, plastics, glass, steel), but can also be made from recycled inputs with much less energy than is required to make them from virgin inputs. For these materials, reducing, reusing or recycling has the effect of reducing the energy use of the industries that manufacture them, and therefore also reducing greenhouse gas emissions. And finally, recycling and reducing of cardboard and paper products reduces the requirement for fresh wood to be harvested, which results in greater forest carbon storage."

AUOMA's counterpart in British Columbia (BC), the British Columbia Used Oil Management Association, completed a GHG study on its program and determined that the program saved 117 million kilograms of CO₂ equivalent in 2009 from recycling used oil, oil filters, and oil containers². While AUOMA hasn't yet completed a similar study, the BC data is an effective proxy for our program's potential annual contribution to GHG savings.

Note: A more accurate Alberta-specific GHG savings calculation would require adjustments for our provincial energy mix and the relative ratio of end-fates of used oil materials recycled by our program.

¹ Ontario Waste Management Association, 2015, GHG Emissions and the Ontario Waste Management Industry, available at: http://www.owma.org/Portals/2/Cover_Page_Image/OWMA%20GHG%20Report%20December%202015.pdf . (Last visited October 19, 2016).

² Conestoga-Rovers & Associates, 2010, 2009 Greenhouse Gas (GHG) Savings Study Report. Prepared for the British Columbia Used Oil Management Association.

Alberta Environment and Parks 2016-2019 Business Plan and Too Good to Waste Strategy

AUOMA's vision, goals, and strategies support the following AEP desired outcomes and objectives:

- 2016-2019 Business Plan Desired Outcome One: Environment and ecosystem health and integrity.
 - Key performance measure: 1.a., Municipal solid waste to landfills: Kilograms of municipal solid waste per capita disposed of in public and private landfills.

- *Too Good to Waste Strategy*³ objectives:
 - Albertans take responsibility for resource conservation and waste minimization.
 - Waste management systems are integrated to provide the capacity for processing and/or recovery of materials that would otherwise be disposed of as wastes.
 - Facilities and practices to manage secondary materials and wastes are protective of air, land, water and human health.
 - Key action: Reduce municipal solid waste to landfills, and develop sustainable resource recovery infrastructure.

AUOMA's program **diverts municipal solid waste from landfills and prevents contamination of our natural environment and waterways**. In 2017, the program will celebrate 20 years of operation and success. In its first 19 years, AUOMA facilitated the recovery of over 1.4 billion litres of used oil, as well as over 123 million used oil filters, and over 30 million kilograms of used oil containers. By the end of 2016, AUOMA is projecting:

Used Oil Material	Projected 2016 quantities
Oil	87,915,053 litres
Filters	7,357,695 filters
Containers	2,180,155 kilograms

AUOMA's program also contributes to **environment and ecosystem health and integrity**. Program funding supports investment in activities and infrastructure that promote responsible stewardship of used oil materials.

³ Environment and Parks, Too Good to Waste: Making Conservation a Priority, <http://aep.alberta.ca/waste/too-good-to-waste.aspx>, last visited October 19, 2016)

OPERATING PRINCIPLES

In delivering its program, AUOMA follows key principles, which guide its policies, day-to-day operations, relationships with stakeholders, and decision-making activities:

Environmental protection: AUOMA should encourage used oil material recycling activities that achieve optimal and measurable environmental outcomes.

Accountability: AUOMA is accountable to the Minister, its members, and Albertans, and carries out its activities in an open, transparent and fair manner.

Innovation: AUOMA encourages innovation and best practices in its business and networks.

Partner and stakeholder involvement: AUOMA collaborates with its partners and stakeholders in developing its program and strives to create a level playing field for businesses involved in used oil material recycling.

Responsible financial management: AUOMA is committed to managing its financial resources to ensure a sustainable program that facilitates environmentally sound recycling, while aiming to minimally affect the used oil recycling market.

ENVIRONMENTAL SCAN

AUOMA's Financial Viability is at Significant Risk

AUOMA depends on EHCs as its sole revenue stream. In 2016, its revenue declined more than 12 per cent, corresponding to the drop in the sales of new oil products. At the same time, its primary expenditure, its Return Incentives (RIs), continue to be paid out to incent high recycling rates. With the exception of 2014, its seen year-over-year deficits for the past eight years. The effect of declining revenues coupled with the cost of incenting high recycling rates has resulted in a sharp decline in its net assets and presents a significant financial risk.

To present specific details, AUOMA collects EHCs on the sale and importation of new oil materials into Alberta. Its EHCs have remained the same since 1997, and are no longer sufficient to cover the actual cost of recycling. It uses EHC revenues to fund its operations. It relies on RIs as its key financial tool to encourage recycling and public access to used oil materials collection sites across Alberta. Its RIs are the lowest in the country amongst regulated programs. Its administrative expenses are lean – at 4.5 per cent of its total revenues.

With declining EHCs and increasing costs, AUOMA is projecting a financial loss of \$729,000 for 2016. Up until this point, AUOMA has relied on prudent management and high returns on its investments to buffer its risk. However, its net assets are at a critical low; this translates to tough decisions in 2017 to significantly reduce expenditures by 2018. The most likely effects of

these decisions are a substantial decline in the recycling rates of used oil materials and the number of drop-off locations, especially in northern and rural areas of the province.

A summary of key issues affecting AUOMA's financial viability include:

- Alberta's economy continues to be slow, and sales of oil materials are down. In 2016, AUOMA's EHCs revenue from the sale of new oil materials is down 12 per cent.
- Regulated EHCs, which are specified in the *Lubricating Oil Material Recycling and Management Bylaw (AR 227/2002)*, have not been increased since the program began in 1997. The decades-old EHCs are insufficient to cover the cost of recycling standard plastic oil containers. Further, oil products and packaging continue to evolve (including a move to new multi-material oil containers and filters), and AUOMA is unable to alter EHCs to ensure that these new materials can be sustainably collected and recycled.
- AUOMA cannot collect EHCs to fund the cost of recycling the other automotive plastic fluid containers that are deposited into AUOMA's collection system (e.g., diesel exhaust fluid, windshield washer, and antifreeze containers). These additional containers are estimated to make up between 17 and 20 per cent of all the plastic containers managed by the program. AUOMA has collected and recycled these containers for several good reasons:
 - Albertans are voluntarily depositing them into the collection system;
 - The containers are 100 per cent recyclable in the oil container stream;
 - The containers are economically unfeasible and practically impossible to sort out prior to recycling; and
 - Recycling these containers provides environmental benefits to Albertans.
- AUOMA's financial risks prevents it from increasing RIs to reflect current collection and recycling costs and encourage better environmental outcomes.

Net Assets are Approaching a Critical Low

The effect of declining EHCs revenue, no additional revenues streams, and increasing costs to operate is that AUOMA's net assets (i.e., cash, accounts receivable, fixed assets and investments) are declining. If AUOMA does not take action to balance its budget, it will be unable to fund its expenses by mid-2019.

AUOMA must maintain net assets of approximately \$3.5 million to continue operations, assuming no unforeseen expenditures (as below).

In dollars (\$)	2015 Actual	2016 Projected	2017 Budget	2018 Budget	2019 Budget
Beginning balance net assets	8,100,000	7,500,000	6,700,000	5,600,000	4,500,000
Actual/forecasted deficit	(600,000*)	(700,000)	(1,100,000)	(1,100,000)	(1,100,000)
Ending balance net assets	7,500,000	6,700,000	5,600,000	4,500,000	3,400,000
Minimum required net assets	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000

*Actual 2015 has been rounded for comparison purposes. The 2015 actual was \$598,552.

Alberta's Program is Falling Behind Other Provincial Programs

Alberta is the only regulated used oil recycling program without compatible automotive materials as part of its recycling program. These materials include antifreeze and antifreeze containers. Some other provinces collect and recycle even more containers, such as diesel exhaust fluid, brake cleaner fluid, and lubricant aerosol containers (Figure 1). Even without formal support to recycle these containers, the number and types of automotive containers that enter Alberta's recycling streams are growing rapidly.

Several years ago, AUOMA approached the Government of Alberta with a business case to support adding other automotive containers to its program. If anything, the strength of this case has only increased over time. AUOMA has not presented a business case to collect antifreeze nor does it have the mandate or funding required to build it. Regardless, AUOMA is confident a business case exists. Antifreeze is a toxic material often dumped at used oil collection sites across Alberta. In addition, there is a strong belief that significant volumes of antifreeze are disposed in deep oil wells. Further, every other province with a regulated used oil material recycling program includes it as part of their programs. These provinces have demonstrated that antifreeze is reusable (i.e., it can be reconditioned and reused as a like-new product). A fledgling antifreeze recycling industry exists in Alberta; however, it is struggling because the cost of disposal is cheaper than the cost of recycling.

Collected & Recycled	AB	BC	MB	SK	QU	NB	PEI
Lubricating Oil	√	√	√	√	√	√	√
Oil Containers HDPE or Metal	√	√	√	√	√	√	√
Oil Containers Other	-	√	√	√	√	√	√
Filters	√	√	√	√	√	√	√
Antifreeze	-	√	√	√	√	√	√
Antifreeze Container	-	√	√	√	√	√	√
Diesel Exhaust Fluid Container	-	-	-	√	-	-	-
Brake Cleaner Aerosol Container	-	-	-	-	√	√	√
Lubricant Aerosol Container	-	-	-	-	√	√	√

Figure 1: Used Oil Materials collected and recycled by regulated used oil materials recycling programs.

There is No Timeline to Update Regulations

In 2015, AEP announced key elements of a proposed regulation to replace AUOMA's existing governing regulations, including:

- ✓ Remove the EHCs from regulation and enable a fee-setting mechanism responsive to market conditions, which would provide AUOMA with the ability to prevent financial planning shortfalls and excessive surpluses, and improve the transparency of its financial planning by making fee-setting subject to stakeholder review.
- ✓ Add antifreeze and diesel exhaust fluid containers to the regulated program so that EHCs can be collected to fund recycling.
- ✓ Remove prescribed day-to-day business operations, and instead set regulated outcomes AUOMA must achieve.

These proposed changes would have a significant, positive effect on AUOMA's revenue and it would expand the amount of material its program can collect and recycle.

However, government's proposed changes do not address two of AUOMA's key requests:

- × Add antifreeze to AUOMA's program;
- × Add windshield washer, brake fluid, and lubricant aerosol containers to AUOMA's program.

These continue to be priorities for AUOMA, where antifreeze collection will advance Alberta's position as an environmental steward, and the other automotive containers are frequently added to AUOMA's recycling stream, impossible to sort out of the stream, and unfunded within the current program.

The new regulation was anticipated in 2016. However, there is no clear timeline for its announcement or implementation.

Effect of World Crude Oil Price on Program Finances

Used oil material processors are incented to collect and recycle used oil materials by two main sources of revenue:

1. The commodity price of processed used oil materials; and
2. AUOMA's program RIs.

The commodity prices for new oil products and used oil products remain low. The price of used oil follows the crude oil price. Oil prices began dropping in June 2014, from \$115 per barrel down to a low of \$45 per barrel in December 2014. For two years, the price has hovered around \$45 to \$50 per barrel. Oil prices are not projected to increase appreciably over the next several years. Lower sales of new oil products directly correlate to the sale of used oil materials, with some market delay.

AUOMA's program revenue is tied to the collection of EHCs on the sale of new oil products; lower sales of new oil materials directly reduce AUOMA's revenues. Lower revenue also hinders AUOMA's ability to raise RIs to address market shortfalls and demand for used oil materials.

Alberta Collection Sites are Closing

Low commodity prices, coupled with AUOMA's already low RIs, result in insufficient system-wide revenue to ensure free, province-wide recycling opportunities for Albertans. There is a growing tendency for registered collectors to pay nothing, charge collection sites for material pick-ups, or refuse to collect from some northern, rural, and low-volume collection sites (e.g., due to population). The result is a growing number of collection sites finding it uneconomic to remain open and/or collect material from the public for free. Since, 2014 Alberta lost 134 collection sites across the province; a loss of 32 per cent.

The collection site closures are leaving a growing number of Alberta's do-it-yourselfers, farmers, and First Nations without ready access to recycling opportunities. In some cases, entire communities are without convenient used oil material collection sites. In the City of Red Deer, there is no free public drop-off site for used oil materials. In the City of Calgary, residents are encouraged, via the City's website, to dispose of used oil containers in their garbage. Albertans left without free or ready access to collection sites are likely disposing of these materials

improperly. AUOMA does not have the revenue necessary to provide financial incentives to reverse this trend or improve local collection site capacity.

Opportunities to Improve Environmental Outcomes

AUOMA's program began 20 years ago; it was amongst the first generation of product stewardship/recycling programs. When the program began, it was highly effective, recognized as a leader in Canada and around the world for its environmental outcomes, and modeled the way by shifting the costs of recycling from general taxpayers to the producer/users of the products. The program successfully created a market for the collection and recycling of used oil materials at a time when there were limited options.

Road oiling for dust suppression was prevalent in Alberta when the program began, and the program's high recovery rate over the past 20 years shows that most of Alberta's oil is now collected and recycled. Every jurisdiction in Canada, with the exception of Alberta,⁴ now prohibits this activity and, with the price of used oil now at an all-time low, AUOMA has been made aware that the practice of road oiling is re-emerging in some areas of the province, yet it has no legal authority to discourage this practice.

Over the last several years, AUOMA has been taking small steps to assess the environmental effects of its program, including considering the relative lifecycle effects of different end-uses. From environmental impact assessments conducted in various jurisdictions, it's evident that a hierarchy of environmental outcomes for recycling exists. For example, re-refining used oil results in a better environmental outcome than consuming it as fuel; clean/steam-washed and pelletized used oil container plastics applications are ranked higher than using semi- or unwashed shredded plastic oily flake. However, the relative environmental benefits of some alternate applications of materials are not well understood. For example, processing used oil through heavy oil upgraders or processing container plastics into plastic lumber. It is clear that additional research is required to better understand the environmental effects of Alberta-specific end uses. However, regardless of environmental valuations, market demand for recycled used oil materials have a significant bearing on actual end-uses.

AUOMA will continue to monitor and conduct environmental research on used oil materials to better understand the relative environmental effect of various end uses. Based on these analyses, potential strategies can be developed to encourage better environmental outcomes, such as reduced greenhouse gas emissions. AUOMA's Board of Directors can then determine if these strategies are justified within the parameters of sound market economics. However,

⁴ Environment Canada, Follow-up Report on a PSL1 Substance for Which There Was Insufficient Information to Conclude Whether the Substance Constitutes a Danger to the Environment - Waste/Used Crankcase Oils. Last updated September 30, 2013. <http://www.ec.gc.ca/lcpe-cepa/default.asp?lang=En&n=1C2AADCD-1&offset=9>. Last visited October 20, 2016.

AUOMA's current budget limits its ability to investigate and consider options to encourage better environmental outcomes.

Future Goal: Circular Economy is the New Gold Standard

In the last five years or so, the conversation about the purpose and goals of environmental stewardship programs, including AUOMA, has evolved nationally and internationally. In the early days, a goal of diverting material to another single end-use was considered laudable; little consideration was given to the end fate of the secondary products. In recent years, there is more attention given to the lifespan and environmental effect of secondary products, and whether they are providing the best value environmentally and economically.

With the new attention on secondary products, the conversation has shifted to the benefits of a circular economy, where materials are perpetually recycled and available to provide the most value to the economy⁵. Ontario recently passed the first circular economy legislation in Canada, and is transitioning its existing recycling/stewardship programs to this model⁶. Europe also adopted a circular economy package in June 2016 and has developed a proposed directive on waste under this package⁷.

Material flow modelling is emerging as an important tool to track the flow of materials/products from the point of first manufacturing to the first end-life and beyond (cradle-to-cradle material flow tracking). Programs are now adopting new environmental performance indicators that measure the environmental effect of the entire recycling process, such as greenhouse gas emissions, carbon footprint, water use, and substance releases. Lifecycle assessment is becoming an important tool for helping businesses, governments, and program operators assess their performance against these indicators and implement improvements.

Future Challenge: Managing the Evolving Tonne

There are new environmental challenges with the potential to increasingly affect AUOMA's environmental performance. Used oil material recycling programs across Canada are facing an 'evolving tonne of material' in the recycling streams. This means that new oil containers and oil filters are coming onto the market that are not compatible with the current recycling system, and, as a result, are not recycled. For example, containers such as 'bladder boxes', a cardboard

⁵ Ellen MacArthur Foundation. <https://www.ellenmacarthurfoundation.org/circular-economy>. Last visited October 20, 2016.

⁶ Government of Ontario. Ontario Passes New Waste-Free Ontario Act. Last visited: October 20, 2016.

<https://news.ontario.ca/ene/en/2016/06/ontario-passes-new-waste-free-ontario-act.html>

⁷European Commission. Circular Economy Strategy. http://ec.europa.eu/environment/circular-economy/index_en.htm. Last visited: October 20, 2016.

box with a multi-material liner, are now available. These boxes cannot be recycled with the existing plastic container recycling stream. New filters are also emerging that contain a growing amount of synthetic material, which cannot be recycled in the metal filter stream. Other provincial programs in Canada have raised the EHCs on these materials to discourage their use and pay for the cost of their disposal. This solution will elude AUOMA until it has the freedom to adjust the EHCs charged on these materials.

Future Opportunity: Improve Service to Northern, Remote, and First Nations Communities

The Canadian Council of Ministers for the Environment (CCME) has encouraged regulated recycling programs across Canada to look at opportunities to provide every citizen reasonable access to recycle regulated materials. In 2015, attendees of a CCME session on “Extended Producer Responsibility in the North,” identified some of the access barriers of northern and First Nations communities. In response, some of the provincial used oil recycling programs in Canada began to work with and develop opportunities for these communities, sometimes in partnership with other regulated programs for different materials operating in the same province. This is an area for future consideration and work for AUOMA.

GOALS, STRATEGIES AND PERFORMANCE MEASURES

AUOMA is continuing to build on its goals and measures of the past. However, with its financial risk, its 2017 focus must be a balanced budget. AUOMA will pursue a balanced budget while doing its best to maintain the collection and recycling of used oil materials in the province.

AUOMA sees two options to balance its budget:

1. Increase revenues;
2. Decrease spending.

Increasing revenues is currently out of AUOMA’s control; to do this it requires the GoA to pass regulatory amendments that allow adjustments to regulated EHCs. As a result, a reduction in spending is the only immediate option in AUOMA’s control.

If GoA passes new regulatory amendments that address AUOMA’s financial position, AUOMA will revisit its approach. Improved regulation, program operations, and recycling measurement are critical to return AUOMA to a position of environmental leadership.

CORE BUSINESS ONE – PROGRAM AND FUND MANAGEMENT

GOAL 1: Financial Sustainability

Ensuring Alberta's used oil material recycling program is financially stable is AUOMA's first and most important goal, and has been for more than five years. It will remain AUOMA's number one goal until new revenue capability is established, or until AUOMA's Board of Directors and the GoA decide on another course of action.

Strategies, Actions, Performance Measures, and Targets

1-A. Reduce expenditures to balance the budget.

Actions:

- Review the RIs program pursuant to EHCs revenue; define options to reduce the RIs on used oil materials to balance the budget by 2018.
- Consult with collectors and processors, government, and other stakeholders to determine the effects of the various options.
- Determine and announce the method that will be used to balance the budget while minimizing the effect on the used oil material recycling industry. Provide the industry with as much notice as possible of the coming changes.
- Adjust consultation and financial planning if new regulations are passed that would materially affect AUOMA's financial position, including the addition of new materials.

Performance measure: Balanced budget

Targets:

Metric	2017	2018	2019
Annual net revenue (deficit) ¹	(\$1.1 million)	\$0	\$0
Report is issued detailing the effects of reducing RIs to balance the budget.	n/a	n/a	Complete

1. Annual net revenue (deficit) is calculated as total revenues less total expenditures.

1-B. Continue the responsible management of AUOMA’s finances, including its investments.

Actions:

- Monitor the effects of lower EHCs revenue, due to lower oil material sales, on the relative ratio of administrative expenses/revenue.
- Review AUOMA’s investment management strategy to ensure it properly reflects current economic conditions.
- Develop a plan to balance the budget by September 2017.
- Implement plan to balance the budget by 2018.
- Issue a report on the effects of the plan in 2019.

Performance measures:

- Annual net revenue (deficit)
- Net assets
- Investment balance
- Administrative expenses

Targets:

Metric	Projected 2016	Target 2017	Target 2018	Target 2019
Annual net revenue (deficit)	(\$730,000)	(\$1.1 million)	(\$0)	(\$0)
Net assets ¹	\$6.7 million	\$5.6 million	\$4.5 million	\$4.5 million
Investments balance ²	\$3,9 million	\$2.7 million	\$2.7 million	\$2.7 million
Administrative expenses ³	4.5 %	4.6 %	4.8 %	4.9 %

Explanatory notes:

1. In 2016 dollars, a minimum \$3.5 million is needed to meet expenses, barring new, increased or unforeseen costs.

2. Investment balance targets for 2018 and 2019 could require adjustment once the plan to balance the budget is approved. A minimum \$2.5 million in investments is needed as collateral to protect AUOMA’s access to a line of credit; below that threshold investments will need to be divested to provide ready access to working capital.

3. Administrative expenses are a product of administrative cost/total revenues. The administrative expense ratio is expected to rise slightly due to decreasing revenues.

4. Annual surplus/deficit is calculated as an excess of revenue over expenditures; assumptions include:

Growth/Change		2016 Projection	2017 Budget
Oil	EHC	-13.7%	-5.0%
	RI	-10.4%	-7.9%
Filters	EHC	-9.2%	-4.0%
	RI	-18.5%	-4.7%
Containers	EHC	-8.2%	-5.0%
	RI	-6.7%	-7.0%

1-C. Work in collaboration with Used Oil Management Associations (UOMAs) in western Canada on conducting EHCs compliance reviews to ensure all EHCs revenue is collected and all members are paying their share.

Actions:

- Each year, an EHCs compliance plan is agreed to by all UOMAs by February.
- Each year, undertake EHCs compliance reviews between March and October.
- In 2017, review the list of Original Equipment Manufacturers (OEMs) required to pay EHCs, to ensure it is complete.
- Collect unpaid EHCs.

Performance measure: Collection of EHCs owed

Targets:

Metric	Target 2017	Target 2018	Target 2019
Outstanding EHCs identified from EHC compliance review are collected.	100 %	100 %	100 %
Outstanding EHCs identified from OEM review are collected.	n/a	100 %	100 %

GOAL 2: An Effective Alberta Recycling Network for Used Oil Materials

Alberta's program should provide reasonable access for all Albertans to recycle used oil materials. The recycling network consists of processors, collectors, and collection sites. AUOMA pays RIs to processors based on the amount of material they process; processors pay collectors competitive rates to ensure their access to materials. In 2016, Alberta registered several new processors and collectors, which is a sign of a competitive market system. The health of the processor and collector network needs to be monitored to ensure any issues are caught early that could hinder the collection and recycling of used oil materials, and to ensure the validity of processors' RIs claims.

However, while the collector and processor network seems to have remained competitive, Alberta lost approximately 130 collection sites between 2015 and 2016; the effect of this loss is undetermined. Research and data are needed to determine whether pockets of Alberta are un-serviced; if so, a plan must be created to correct this gap.

Strategies, Actions, Performance Measures, and Targets

2-A. Each year, monitor the RI compliance system and develop new compliance measures for processors and collectors, as required.

Action:

- Each year, undertake field reviews of 50 per cent of registered collectors, processors, and processor sites to assess compliance with RIs claims submission requirements.

Performance measures:

- Per cent of collectors, processors, and processor sites reviewed per year.
- A field review of every registered collector, processor, and processing site that enters or exits the market in the year of entry/exit.

Targets:

- 50 per cent of collectors, processors, and processor sites undergo field reviews every year.
- 100 per cent of collectors, processors, and processor sites that enter or exit the market are surveyed in the year of entry/exit.

2-B. Identify gaps in collection coverage and develop a plan to correct any gaps.

Actions:

- In 2017, in collaboration with UOMAs in western Canada, complete the implementation of the new eClaims system.
 - The eClaims system enables AUOMA to receive real time, geo-located data on when and where material is collected and processed.
 - The eClaims system (or compatible alternative) will be mandatory for all collectors that represent more than three per cent of AUOMA's total annual Return Incentives (RIs) claim payments (by dollar value.)
- In 2018, review the eClaims implementation, assess whether there is value in extending the requirement for eClaims to all collectors regardless of their total contribution to AUOMA's annual Return Incentives claim payments.
- In 2017, consult with the Alberta Association of Municipal Districts and Counties, Alberta Urban Municipalities Association, Recycling Council of Alberta, Alberta Care, and others to identify gaps in collection sites, and develop a plan.
- In 2018, implement a plan to fill gaps in the collection site network.

Performance measures:

- Per cent of used oil materials recovered against previous recovery rates as an indicator of gaps in collection coverage.
- Community travel distance to oil collection infrastructure.
- Number of collection sites.

Targets:

Material Recycled	2015 Actual (%)	2016 Projected (%)	2017** Target (%)	2018** Target (%)	2019** Target (%)
Used Oil	85.5	91	90	90	90
Used Oil Filters	86.5	87	87	87	87
Used Containers*	90.3	94	93	93	93

Explanatory notes:

Methodology: Material recycled is calculated as the amount of material recovered divided by the amount of material available for collection. The quantity of material available for collection equates to the sale of new oil material for which an EHC was paid to AUOMA, except for oil which includes an adjustment for the amount of oil consumed during use.

* In addition to used oil containers, the used containers category includes other used plastic automotive fluid containers (i.e., antifreeze, windshield washer, and diesel exhaust fluid containers) for which AUOMA does not receive an EHC, but does provide RI payments. Based on studies, these other automotive containers are estimated to make up 17 – 20 per cent of the volumes recovered.

**Rationale for 2018-2019 targets: AUOMA's primary aim in this 2017-2019 Business Plan is to balance its budget by 2018. In the absence of regulatory amendments that increase revenue (i.e., EHCs), AUOMA must reduce its expenditures (i.e., RIs). Two market drivers encourage the collection and recycling of used oil material in Alberta, and in provinces with regulated programs across Canada, including the:

- market value of the processed material, and
- RIs.

The market value of processed used oil materials has declined in recent years corresponding with the downturn in the economy. Given current market economics, AUOMA expects reducing RIs will cause some processors and collectors to find it uneconomic to continue to collect all used oil materials from all areas of the province, especially northern and rural areas. As a result, AUOMA's 2018 and 2019 targets to maintain collection and recycling rates are ambitious, and will need to be re-visited pending the Board's decision on how RI expenditures will be reduced (e.g., reduce RIs for containers by 40 per cent, spread RI reductions across all materials, or other).

- Community distance to oil collection infrastructure: establish a baseline in 2017 based on best practices in Alberta and other jurisdictions; set targets for 2018, 2019.
- Number of collection sites: establish a baseline in 2017 based on the acceptable distance to used oil collection infrastructure (previous target); set targets for 2018, 2019.

2-C. Undertake communications activities that educate Albertans on the purpose and successes of the program, and support their ability to find the information they need to recycle used oil materials.

Actions:

- Create and implement an effective web-based communications plan to educate and engage Albertans on the recycling of used oil materials.
- Update the collection site list on the website to ensure it remains accurate.
- Establish a 2017 baseline figure for the number of calls AUOMA receives requesting information on the website, and create and implement a plan to reduce those calls (#calls/capita).

Performance measures:

- Number of website visits.
- Number of GoogleAd “pay per clicks”. Number of calls AUOMA receives requesting information on website, such as the collection site network, as an evidence of the website’s effectiveness.

Targets:

Metric	2015 Actual	2016 Projected	2017 Target	2018 Target	2019 Target
Website visits (#)	16,331	20,000	22,000	+ 10%	+ 10%
GoogleAd pay-per- clicks (#)	2025	11,000	22,000	+ 10%	+ 10%
Calls about web info (#/capita)	n/a	n/a	set baseline	<	<

GOAL 3: Improved Environmental Outcomes

AUOMA is committed to achieving the best environmental outcomes for Albertans, within the economies available. The RIs program is AUOMA's key financial mechanism to encourage program outcomes. The RIs program could be adjusted to incent better measurement and achievement of optimal environmental outcomes. Non-financial tools used in other jurisdictions might also be available to encourage better environmental outcomes (e.g., environmental compliance audits) and should be explored.

Strategies, Actions, Performance Measures, and Targets

3-A. Review options to adjust RIs program to encourage better environmental outcomes from used oil materials recycling processes.

Actions:

- In 2017, as part of the RI compliance monitoring program, work with registered processors to identify improved tools or measures to track the flow and ultimate disposition of materials.
- In 2018, review recycling industry best practices and relative Alberta used oil material industry practices, and tracking of material to final end-uses.
- By 2019, review RIs program and prepare a report to AUOMA's Board of Directors with options to use the RIs system to drive better environmental outcomes.

Performance measure: Completion of RIs system options report

Targets:

Metric	2017 Target	2018 Target	2019 Target
Per cent of processors consulted on options to track material flow from processing to final disposition.	100%	100%	100%
A report to the Board outlining options to better track material flow to final disposition exists.	n/a	Complete	n/a
Industry best practices review is complete.	n/a	Complete	n/a
A final report is delivered to the Board with options to drive better environmental outcomes.	n/a	n/a	Complete

CORE BUSINESS TWO – GOVERNANCE AND ACCOUNTABILITY

GOAL 4: Accountability and Transparency

AUOMA is accountable to the Minister of Environment and Parks, its members, and Albertans, and will carry out its business in an open, transparent and fair manner. It will maintain and be governed by its policies and procedures, which are set out in its Governance Manual. It will continue to work cooperatively with AEP to develop clear expectations for used oil material collection and recycling, and will continue to report on performance through its Annual Report.

Strategies, Actions, Performance Measures, and Targets

4-A. Ensure up-to-date contracts are in place for all core service providers.

Actions:

- In 2017, review arrangements with core service providers, and tender anew as appropriate.
- Create contracts or agreements with all new service providers to clarify and ensure the mutual benefits of the service.

Performance Measure: Completion of contracts.

Target: 100 per cent of the core service provider contracts are reviewed and updated, as appropriate.

4-B. Ensure Governance Manual continues to meet required standards.

Action: In 2017, Directors will review the Governance Manual to ensure governance and operations standards remain high and AUOMA's Board of Directors and staff are fulfilling their obligations

Performance Measure: Government reporting requirements are met.

Targets:

Metric	Actual 2015	Projected 2016	Target 2017	Target 2018	Target 2019
All reporting requirements are met (business plan, annual report, regular financial reports)	Completed	Completed	Completed	Completed	Completed
Annual board evaluation and assessment is conducted	Completed	Completed	Completed	Completed	Completed
Annual executive director assessment is completed	Completed	Delayed*	Completed	Completed	Completed

Review and update service agreements tri-annually	n/a	Delayed*	Completed	n/a	n/a
Full governance review	n/a	Delayed	Completed	n/a	n/a

*Previous Executive Director (ED) retired in August 2016, and the new ED began oversight of program operations at the same time. The Board decided there was little value in assessing an outgoing ED, or a new ED prior to a full year's performance. Likewise, the Board decided it would not tender the administrative services contract in 2016, to retain corporate memory during the transition to a new ED. A new contract will be tendered in 2017.

BUDGET 2017 – 2019

The following budget is presented using three scenarios for maximum transparency:

Scenario 1: A status quo budget.

This scenario illustrates projections if AUOMA is unsuccessful in making changes to balance its budget by 2018 and there is no change to the governing regulations. The annual deficits in this budget clearly illustrate the level of cuts that will be needed to balance the budget. Scenario 1 is presented in full below.

Scenario 2: Illustrates projections if AUOMA reduces RIs to balance its budget.

Scenario 2 amends scenario 1 by reducing plastic container RIs by 40 per cent. However, other RI reduction scenarios could be implemented to achieve the same result, such as spreading the RIs reductions over all used oil materials.

Note: AUOMA expects that reducing RIs will reduce the amount of used oil material collected and recycled in Alberta.

Scenario 3: Illustrates the projections if government amends the regulations to harmonize Alberta's program with those in other provinces with regulated used oil material recycling programs.

Scenario 3 amends scenario 1 by increasing the per container EHCs to that which is collected in other provinces and adding antifreeze, antifreeze containers and diesel exhaust fluid containers to the program.

This scenario is based on the following assumptions:

- Container revenue increases (used oil, antifreeze, and diesel exhaust fluid containers).
 - The container EHCs is increased from 5 cents to 10 cents per container litre.
 - Antifreeze containers are added to the program, and these containers make up 12 per cent of the container plastic collected.

- Diesel exhaust fluid containers are added to the program, and these containers make up 5.2 per cent of the container plastic collected.
- RI rates increase to equal the average national UOMA RIs rates.
 - Oil – 20 per cent increase to 10 cents per litre.
 - Filters – 16 per cent increase to \$1.00 per kilogram.
 - Containers – 22 per cent increase to \$1.98 per kilogram.
- Antifreeze is added to the program, 42 per cent of the amount sold is available for collection, AUOMA achieves a 40 per cent recycling rate in the first year of adding it to the program (i.e., 40 per cent of the antifreeze available for collection is recycled), and the antifreeze EHC is 40 cents per litre⁸.
- Additional costs related to communication and roll out of regulation and program changes.

⁸ 40 cents per litre is the average EHC collected by UOMA programs across the country to support an RI that is effective at encouraging antifreeze recycling.

Budget Scenario 1: Status quo budget (no changes made to balance the budget)

(AUOMA's fiscal year-end is December 31st)

	2016 Projection	2017 Budget	2018 Budget	2019 Budget
Revenue				
Environmental handling charges	\$ 14,421,765	\$ 13,748,464	\$ 13,427,690	\$ 13,427,690
EHC compliance reviews	92,900	-	-	-
Investment income	269,211	-	-	-
Interest & other income	13,500	10,000	10,000	10,000
Registration fees	1,600	2,000	2,000	2,000
Total Revenues	14,798,976	13,760,464	13,439,690	13,439,690
Expenditures				
Program costs				
Return incentives	14,440,598	13,727,817	13,403,856	13,403,856
Communications	134,265	135,000	135,000	135,000
Management and administrative contracts	95,258	93,304	95,876	98,551
Consulting	101,859	190,000	150,000	150,000
Legal	60,000	50,000	50,000	50,000
EHC compliance reviews	52,300	50,000	50,000	50,000
Program related travel	7,976	10,000	10,500	11,000
Bad debt	(6,500)	5,000	5,000	5,000
Total Program costs	14,885,756	14,261,121	13,900,232	13,903,407
Administrative costs				
Management and administrative contracts	381,034	373,216	383,505	394,205
Board expenses	40,000	35,000	35,000	35,000
Office and general expenses	87,593	94,300	87,800	89,800
Audit	33,075	34,650	36,330	38,220
Rent	48,000	48,000	48,000	49,000
Legal	50,000	50,000	50,000	50,000
Amortization	2,225	2,500	2,500	2,500
Total Administrative costs	641,927	637,666	643,135	658,725
Total Expenditures	15,527,683	14,898,787	14,543,366	14,562,132
Deficiency of revenue over expenditures	\$ (728,706)	\$ (1,138,323)	\$ (1,103,676)	\$ (1,122,442)
Administrative costs as per cent of revenue	4.5%	4.6%	4.8%	4.9%

Budget Scenario 2: Board balances the budget by 2018, no change to regulation

	2016 Projection	2017 Budget	2018 Budget	2019 Budget
Revenue	\$ 14,798,976	\$13,760,464	\$13,439,690	\$13,439,690
Expenditures	15,527,683	14,898,787	13,263,200	13,281,966
Deficiency of revenue over expenditures	\$(728,706)	\$(1,138,323)	\$176,490	\$157,724

Budget Scenario 3: Government amends the regulation effective January 1, 2018

	2016 Projection	2017 Budget	2018 Budget	2019 Budget
Revenue	\$14,798,976	\$13,760,464	\$19,126,389	\$19,126,389
Expenditures	15,5527,683	14,898,787	18,787,987	18,806,753
Deficiency of revenue over expenditures	\$(728,706)	\$(1,138,323)	\$338,402	\$319,636

APPENDIX: ACRONYMS LIST

AEP	Alberta Environment and Parks
AUOMA	Alberta Used Oil Management Association
ED	Executive Director
EHC	Environmental Handling Charge (A levy regulated by government that provides AUOMA's revenue.)
GoA	Government of Alberta
GHG	Greenhouse Gas
LOC	Line of Credit
RI	Return Incentives (Recycling incentives paid by AUOMA to processors of used oil materials to incent their recycling.)
UOMA	Used Oil Management Associations (A generic name representing the regulated used oil management programs in other provinces that work cooperatively with AUOMA to maximize the efficiency and effectiveness of program operations -e.g., nationally harmonized EHC audits of the regulated community.)