



ECRC-SIMEC JUSTIFICATION DOCUMENT AMENDED BOCF-RELATED FEES

MEMBERSHIP/REGISTRATION FEES & BULK OIL CARCO FEES

Abstract

This document outlines the amended Membership Fees for ECRC-SIMEC. It summarizes the revised Registration Fees and Bulk Oil Cargo Fee (BOCF) rates and provides the underlying financial and operational rationale supporting these adjustments.

Amended effective January 1, 2026

Contents

1.0	MEMBERSHIP FEES	2
1.1	Registration & Membership Fee.....	2
1.2	Bulk Oil Cargo Fee Rate (BOCF).....	2
2.0	SUPPORTING FINANCIAL INFORMATION – 2026.....	3
3.0	BASIS FOR CALCULATION OF MEMBERSHIP FEES.....	4
3.1	Registration/Membership Fee	4
3.2	Bulk Oil Cargo Fee (BOCF)	4
4.0	SUPPORTING FINANCIAL INFORMATION	4
4.1	2025 Review of results	4
4.2	2026 Financial Forecast.....	5
5.0	CONTACT FOR FURTHER INFORMATION.....	7

1.0 MEMBERSHIP FEES

Registration Fees are unchanged.

Consolidated Fee (BOCF): a single, consolidated BOCF rate replacing legacy Region-specific BOCF rates effective January 1, 2026.

1.1 Registration & Membership Fee

The Registration Fees have **not** been amended and are shown below for information purposes only.

APPLICABLE TO	ANNUAL FEE	COVERAGE
Member – Oil Handling Facility (OHF)	\$775 per OHF	Applicable to an oil handling facility within the Geographic Area of Response (GAR) of ECRC-SIMEC.
Member – Ship Bulk Oil and Ship Non-Bulk Oil	\$775 per Ship	Applicable to a ship that navigates or engages in a marine activity within a 500-kilometre radius from its home port and within the Geographic Area of Response (GAR) of ECRC-SIMEC.
Member – Ship Bulk Oil and Ship Non-Bulk Oil	\$1,050 per Ship	Applicable to a ship that navigates or engages in a marine activity: (a) Beyond a 500-kilometer radius from its home port, and within the Geographic Area of Response (GAR) of ECRC-SIMEC, ALERT or PTMS or; (b) From a port not within the Geographic Area of Response (GAR) of ECRC-SIMEC, ALERT, or PTMS.

1.2 Bulk Oil Cargo Fee Rate (BOCF)

Product/s	2026	2026
	Preliminary	Amended post-audit
	Estimated Effective January 1, 2026	Applicable Jan 1, 2026 - Dec 31, 2026
Oil other than asphalt	28.64 ¢ per tonne	23.88 ¢ per tonne
Asphalt	14.32 ¢ per tonne	11.94 ¢ per tonne

APPLICABLE REGION	PRODUCT/S	BOCF RATES
		January 1, 2025, to Dec 31, 2025
Great Lakes Region	Oil other than Asphalt	53.00 ¢ per tonne
	Asphalt	26.50 ¢ per tonne
Quebec/Maritime Region	Oil other than Asphalt	29.00 ¢ per tonne
	Asphalt	14.50 ¢ per tonne
Newfoundland Region	Oil other than Asphalt	15.30 ¢ per tonne
	Asphalt	7.65 ¢ per tonne
Consolidated Fee*	Oil other than Asphalt	24.43 ¢ per tonne*
	Asphalt	12.21 ¢ per tonne*

2025

* The Consolidated Fee (BOCF) has been added in 2025 for information and preplanning purposes; ECRC-SIMEC-SIMEC will begin applying the Consolidated Fee effective January 2026.

2.0 SUPPORTING FINANCIAL INFORMATION – 2026

Revenue BOCF-related (other than BOCF)		
Membership/Registration Fees	Note 1	\$ 2,000,000
Services revenue - net	Note 2	\$ 300,000
Total Revenue		<u>\$2,300,000</u>
Expenses		
Readiness and capability	Note 3	\$ 11,430,000
Training & exercise	Note 4	\$ 1,503,000
Material and Asset Management	Note 5	\$ 2,716,000
Total Expenses		<u>\$ 15,649,000</u>
Cost of Capital	Note 6	<u>\$ 1,566,000</u>
Provision for Taxes	Note 7	<u>\$ 292,000</u>
BOCF Revenue required		\$ 15,207,000
Deferred from prior year	Note 8	<u>\$ 3,205,000</u>
BOCF Revenue Required		
Under Current Fee Application		<u>\$ 12,002,000</u>
Tonnes under current fee application		
- Oil other than asphalt		50,000,000
- Asphalt		500,000
BOCF rate per tonne		
- Oil other than asphalt		0.2388
- Asphalt		0.1194

3.0 BASIS FOR CALCULATION OF MEMBERSHIP FEES

The basis for establishing the Registration Fee and the Bulk Oil Cargo Fee is shown below.

3.1 Registration/Membership Fee

- A fixed annual fee.
- Applicable to all members of ECRC-SIMEC
- Represent approximately 15% of total readiness cost of ECRC-SIMEC.

3.2 Bulk Oil Cargo Fee (BOCF)

- Cost per tonne.
- A Bulk Oil Cargo Fee Rate (BOCF) has been established in the Geographic Area of Response (GAR).
- The BOCF is calculated by multiplying the Bulk Oil Cargo Fee Rate (BOCF) by the applicable quantity of bulk oil cargo loaded or unloaded within the area.
- The BOCF for the area is calculated by dividing the forecast annual Net Expense¹ of the area by the forecast Annual Volume² of bulk oil cargo to be loaded or unloaded within the area.
- Net Expense = Debt servicing + operating costs including depreciation + return on equity less revenue from forecasted registration fees plus/minus excess/shortfall in bulk oil cargo fees advances collected in the previous year.
- Annual Volume = Total volume of bulk oil unloaded + total volume of bulk oil loaded for international destinations and North of 60 within the area.
- The above formula for the BOCF was endorsed by the participants at the Multi-Stakeholder Consultation Meeting held in Toronto, June 1 – 5, 1998
- The BOCF calculated by the above formula is applicable to all products except asphalt. The BOCF for asphalt is 50% of the rate for other products.

4.0 SUPPORTING FINANCIAL INFORMATION

4.1 2025 Review of results

- Total net revenues (other than BOCF) were **higher** than forecasted in the company's 2025 fee application. **This is the exception in 2025**; the variance is primarily driven by Service Revenue – Net rather than recurring annual revenue.
- Total operating expenses before interest and taxes were below the amounts forecasted in our fee application, primarily due to the deferral of certain regular activities and the organization's sustained focus on response efforts throughout most of the year.
- Annual volume levels used to set the 2025 BOCF were based on 2024 actuals combined with estimates provided, where applicable, by stakeholders at the beginning of the reporting period.

As prescribed by the fee setting formula excess/(shortfall) in BOCF advances collected in the previous year (2024) will be applied to the following year's (2025) estimate of fees.

4.2 2026 Financial Forecast

The financial information used in establishing the "2026" and "2027" BOCF is shown in Appendix 1. These notes are in reference to the financial information shown in Appendix 1.

Note 1 – Registration & Membership Fee

The Registration Fee is a one-time fee payable at the time of enrollment. The Membership Fee is an annual fee that covers both initial setup and yearly renewal.

Note 2 – Service revenue net forecast

This category includes all project revenue earned through the provision of marine oil spill response services and training services and is net of all direct costs incurred to earn the revenue. These costs include, where applicable, a provision for accelerated depreciation of equipment used for the project. Given the nature of this source of revenue, it is company policy to be conservative when forecasting future revenue streams (inherent limitations in attempting to forecast emergencies). Therefore, the forecast for this revenue stream was established without considering the potential for major spills occurring during the year. All revenues earned in this category are accounted for in the year earned.

Note 3 – Readiness and capability

- **Employee cost forecast**

This category includes wages & salaries, statutory benefits (including CPP, EI, QPP, QPIP / RQAP), non-statutory benefits (24% of salaries), as well as any direct employee expenses such as training, memberships, etc.

- **Travel & living forecast**

This category includes expenses incurred while employees are travelling outside their normal place of business. Expenses are those that correspond to the company's readiness mandate. All travel expenses resulting from the provision of spill response services or associated services are charged directly to the applicable project. All travel expenses are subject to company policies and procedures.

- **Building & Warehouse forecast**

This category includes all direct costs related to the operation and maintenance of its warehouse facilities. The company operates facilities in the following locations:

- Corunna, Ontario
- Verchères, Québec
- Québec, Québec
- Sept Iles, Québec
- Dartmouth, Nova Scotia
- Mount Pearl, Newfoundland and Labrador

- **Overhead expenses forecast**

This category includes all computers, communications, facilities, office rent (excluding rent on warehouse space) and general office expenses.

This category includes the portion of the corporate office expenses. A centralized corporate administrative management approach has been taken to realize cost efficiencies through the sharing of resources, providing a single point of contact for client service and facilitating spill management coordination.

The activities of the corporate office include general management, the Health and Safety program, IT, client contact and contracting, administration of an active database over 2500 members, spill management coordination, development and maintenance of a Spill Management System (ICS) and centralized accounting and administration as well as Federal and Provincial government relationships.

Note 4 – Training & exercise forecast

This category includes two main elements: the cost of training contractors and advisors and the cost of delivering the exercise program included in the company's certification response plan:

- Training – The Company maintains a complement of approximately 400 contractors and over 100 advisors trained annually.
- Exercises – The Company will conduct exercises, all as required under its response plan submitted to Transport Canada for certification purposes.
 - In 2026:
 - 19-Tiered exercises, and;
 - 28 Notification exercises

Please refer to the Training and Exercise section of ECRC-SIMEC's web site for further details on our training and exercise programs.

Note 5 – Material and Asset Management

Operation/rentals/maintenance forecast

This category includes costs related to the operation, rentals and maintenance of the company's marine equipment, vehicles and other spill equipment. The company maintains spill response equipment (refer to equipment specifications provided on ECRC-SIMEC's web site).

Comprehensive preventative maintenance programs have been developed to ensure adequate equipment readiness.

Depreciation and Amortization forecast

Capital assets are recorded at cost. Depreciation is provided for over the estimated useful service lives of capital assets, using the straight-line method.

Note 6 – Cost of capital

- **Interest on long term debt forecast**

This category includes all interest paid on debt owed to third parties. Long term debt is used to finance significant equipment purchases. The level and term of the debt financing is set proportionately with the company's ability to repay debt through annual depreciation charges as this is the only non-cash item available for this purpose. The outstanding long-term debt as of January 01, 2026.

- **Return on equity forecast**

This category includes the cost of providing the shareholders with a preset rate of return on actual capital. The rate of return on capital invested approved by the Board of Directors. The after-tax rate of return on common equity elevator calculated by the Canada Energy Regulator is used by Management as a guide for establishing the rate of return on equity.

Note 7 – Provision for taxes forecast

This category includes the provision for taxes payable as determined in accordance with the recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, Section 3465 - Income Taxes. An effective tax rate of 28% was used as a guide to calculate the provision for taxes.

Note 8 – Deferred from prior years

Consistent with agreed upon principles, this category represents the items brought forward from previous years that impact on the current year's fees. For the 2026 fee application, the excess / shortfall in bulk oil cargo fees advances collected in 2025 have been brought forward and applied against the 2026 bulk oil cargo fee requirement.

5.0 CONTACT FOR FURTHER INFORMATION

Further information with respect to this document can be obtained by contacting

Tanya Alvaro

President

Eastern Canada Response Corporation (ECRC-SIMEC)

1201-275 Slater St.,

Ottawa, ON K1P 5H9

Cell: 613-612-0506

Tel: (613) 230-7369 x 204

Fax: (613) 230-7344

Email: TAlvaro@ECRC-SIMEC.ca

Web: www.ECRC-SIMEC.ca