Hall 9

CHILLVENTA

Chillventa Specialist Forums 2022
Chillventa Fachforen 2022

CONNECTING EXPERTS.

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F-GAS TRADING ISSUES

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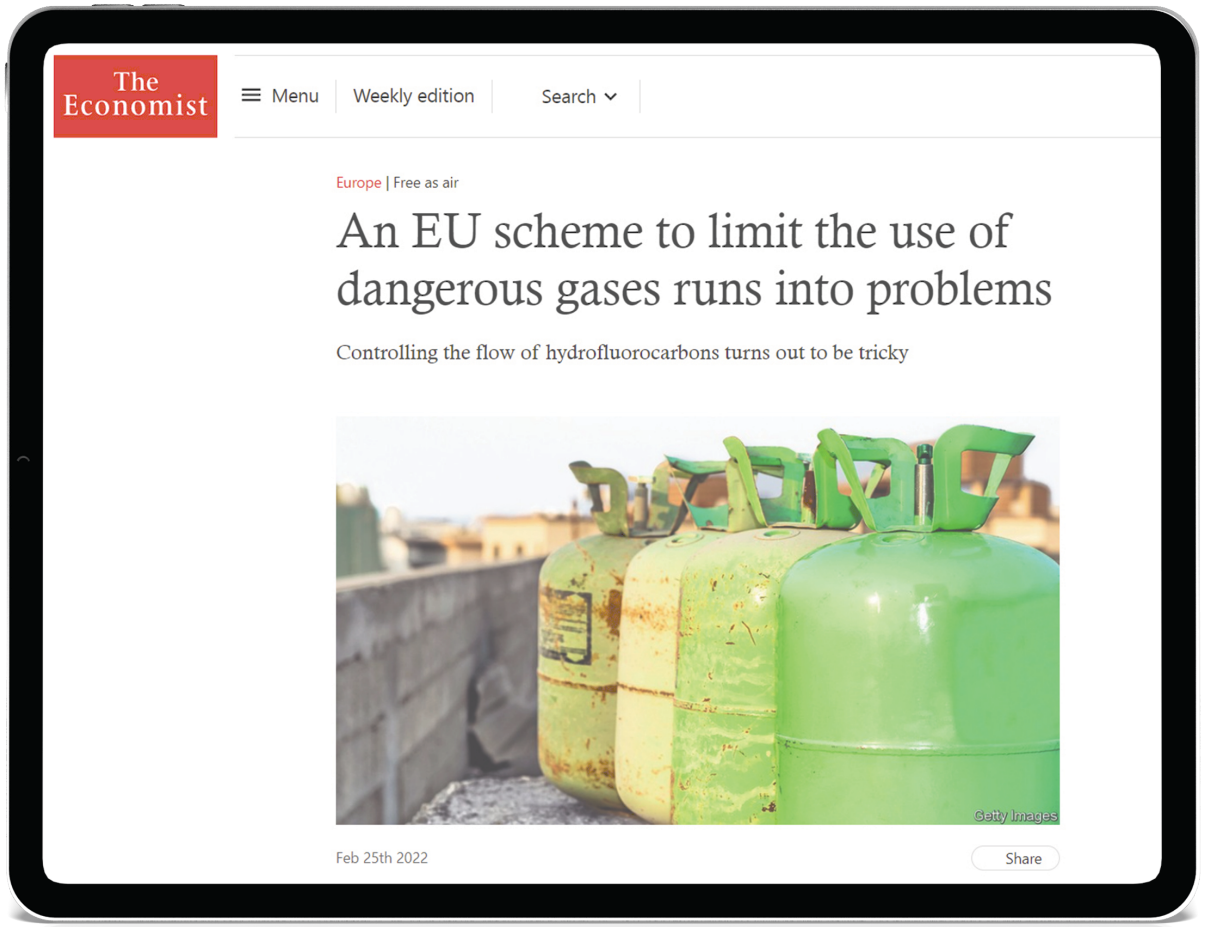
An Uncomfortable Truth

February the 26th 2022:



EU F-GAS Regulation (517/2014)

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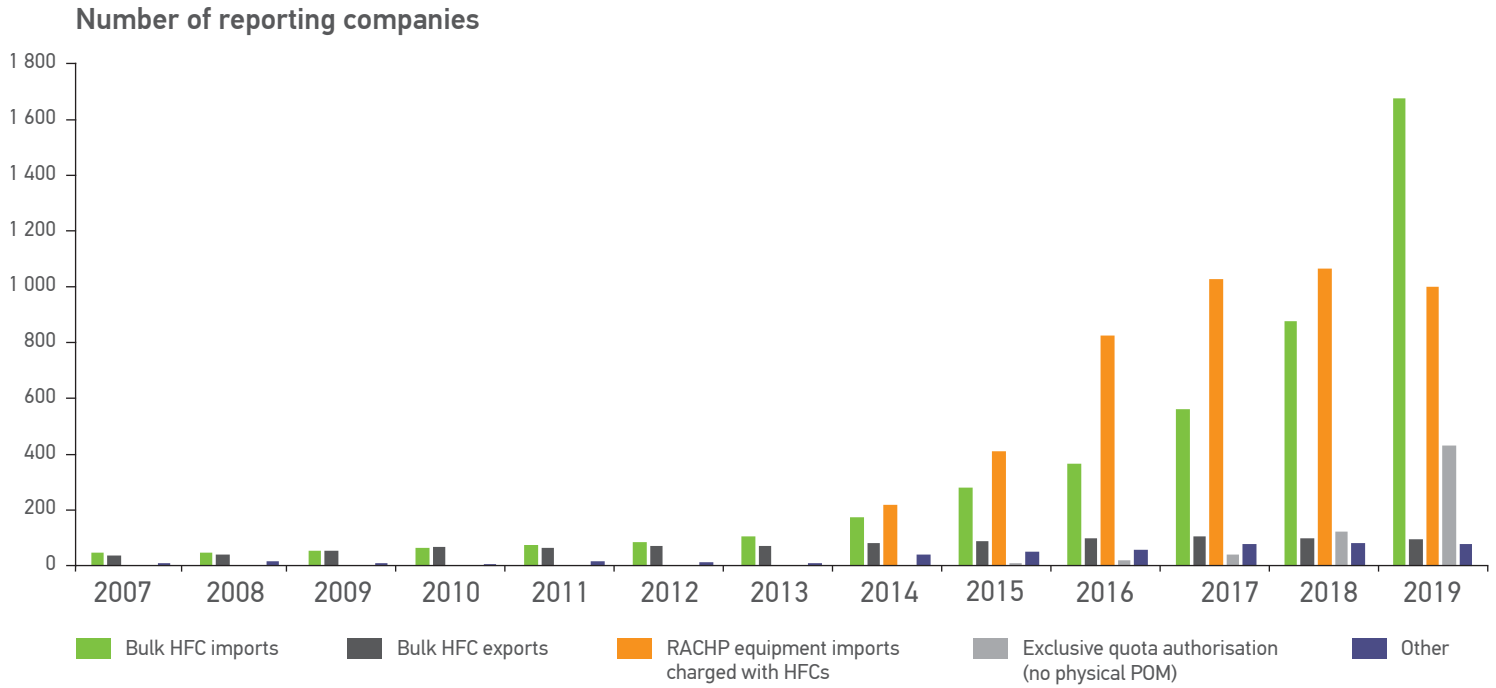


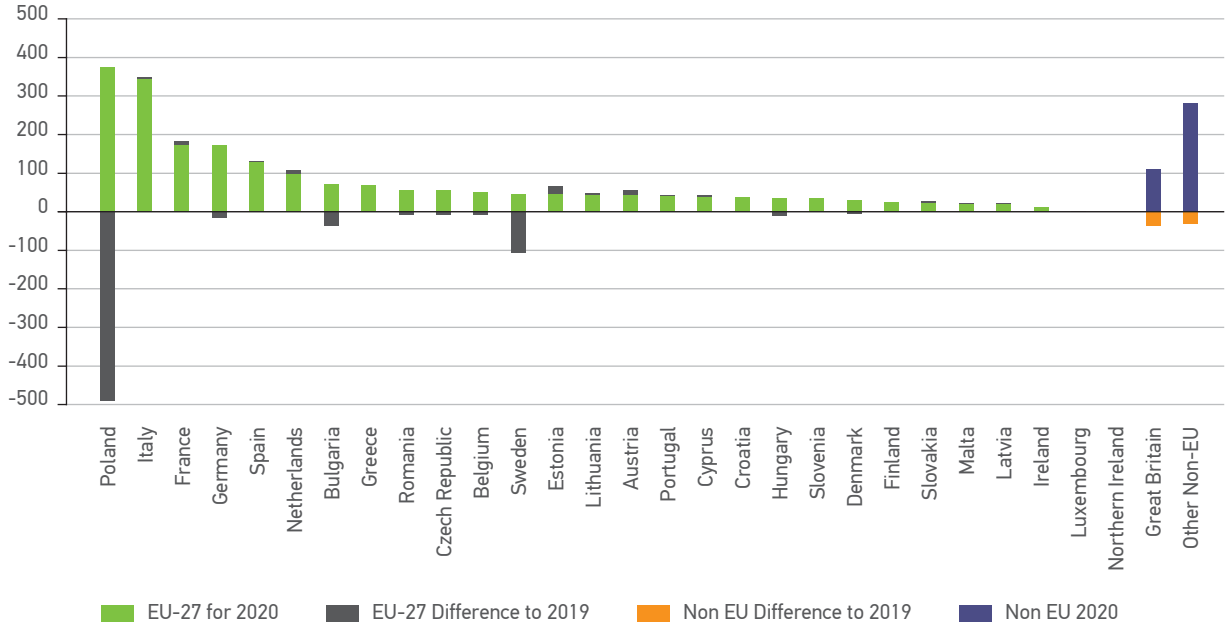
Note: POM, placing on the market. **Sources:** EC (2011, 2014); EEA (2019, 2020b).

Since 2014 the number of Reporting Companies has grown exponentially, with a **peak in 2019**

Non-EU Quota Holders

- UK + RoW ~ 400
- Must appoint an Only Representative in EU for reporting purposes
- Implementing Regulation(EU) 2022/661 sets strict conditions for non-EU based quota holders
- Potential Conflict with other EU Regulations (REACH)

Number of companies reporting on 2020 activities

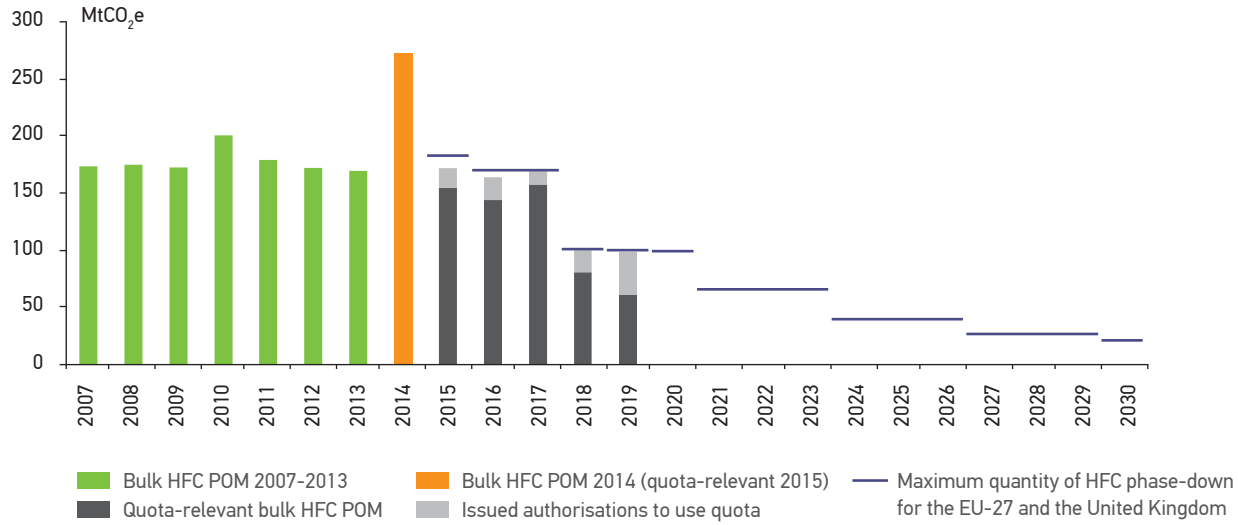


Note: Nil reports not included.
Other Non-EU countries: Brazil, British Virgin Islands, Canada, China, Egypt, Gibraltar, Hong Kong, India, Japan, Korea, Malaysia, Marshall Islands, Mexico, Monaco, Norway, Russia, Saudi Arabia, Serbia, Singapore, Switzerland, South Africa, Taiwan, Turkey, United States, United Arab Emirates.
Sources: EEA, 2021.

Illegal Trade - Enforcement takes off

- 2014 Stockpiling equivalent to 35% of demand
  - Depleted in 2015/16
- 2018: real squeeze started
  - Size of the authorisations suggest present of substantial illegal trade
- 2019 Enforcement actions started and revealed many Loopholes
  - 100 T CO_2eq exemption
  - Internet sales of non-reusable cylinders
- 2021: Year of the Truth
  - # of reporting companies declined in 2020
  - Customs code - Check on CO_2eq

Progress of the HFC phase-down under EU regulation

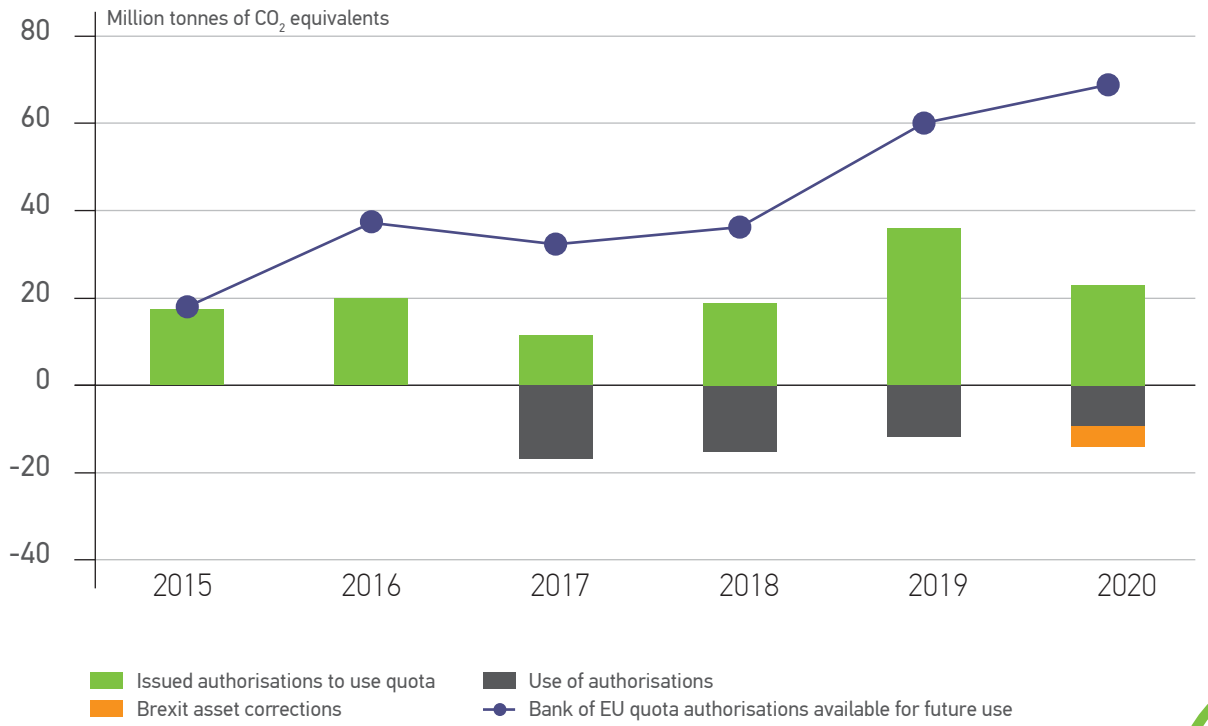


Notes: Values from 2007 to 2013 are based on the reporting obligations of the old F-gas Regulation (EC) No 842/2006 and are therefore not fully comparable with data from 2014 onwards (based on the obligations of the new F-gas Regulation (EU) No 517/2014). The geographical scope of presented POM data is the EU-28 except Croatia for the period 2007-2008 and the EU-28 for the period 2009-2019. The maximum quantities of the EU HFC phase-down shown for 2019 onwards are given for the EU-28. EU-27 maximum quantities for 2021 onwards will need to be recalculated for the period after the Brexit transition period.
Mt, million tonnes; POM, placing on the market.
Sources: EC (2011, 2014, 2020); EEA (2019, 2020b).

Bank of Authorisation

- Substantial Growth in 2019 and 2020
  - Equal to full Quota of 2021

Bank of authorisations for HFCs in RACHP equipment imports



Notes: RACHP: refrigeration, air conditioning and heat pumps.
The geographical scope of presented data is the EU-27+UK.
Sources: EC, 2020 and EEA, 2021.

Review of F-GAS Regulation

EU Commission published the amendment proposal on April 5th 2022

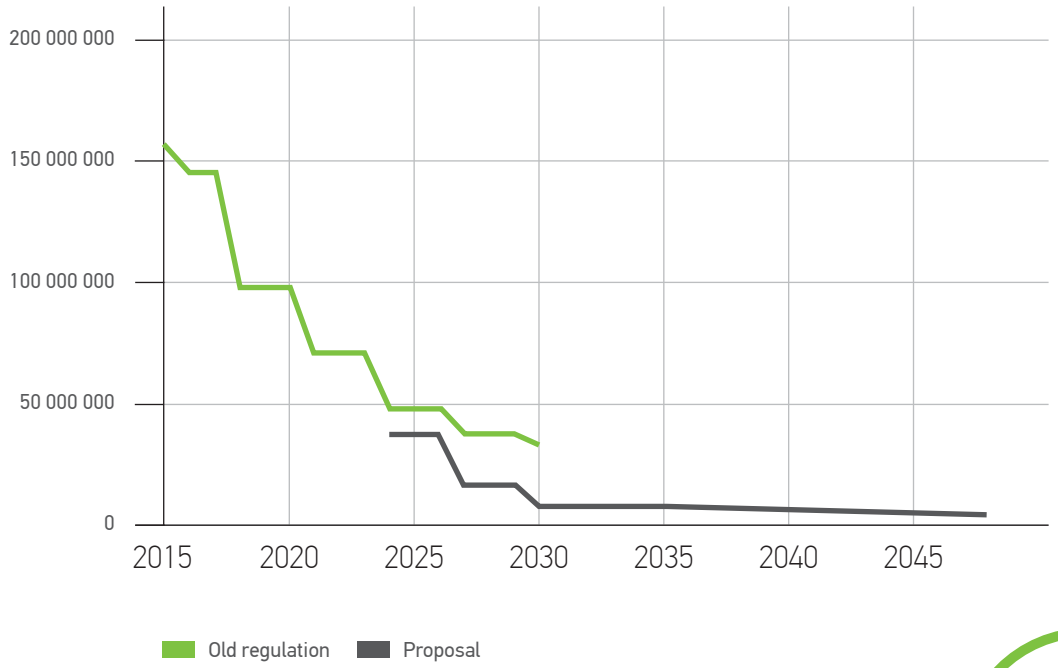
- Public and targeted stakeholder consultations in 2020/21

Goal: additional 40mln t CO_2eq avoided by 2030 (10% increase vs current Regulation)

Quota:

- Production of HFCs subject to rights issued by the EC
- Placing on the Market (PoM) Quotas allocated to Incumbents
- Fee for PoM Quotas @ 3€/t CO_2eq : cost of Quota for 1 kg of R134a = **4.29€**
- New Entrant Reserves unchanged @ 11%
- Only undertakings with at least three years experience eligible for PoM Quota

Current Regulation and Proposal PoM Quota in T CO_2-eq



Review of F-GAS Regulation

Other elements:

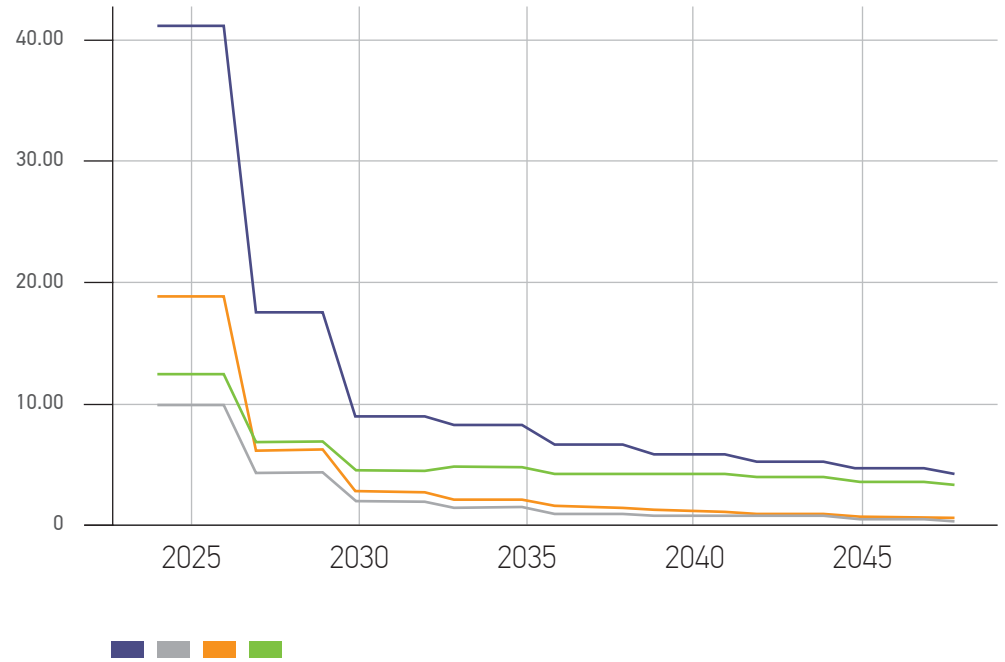
- MDI receive separate quota
- Bans for New Equipment
- GWP Limitations
- Alignment with Montreal Protocol Kigali Amendment

Enforcement:

- IoR must be an Undertaking registered on the EU HFC Registry
- Imported Refillable Containers must be subject to arrangements for the return

Final adoption in 2024

Quota, MDI, non-MDI and NER (mln T CO_2-eq)



EU F-GAS Regulation (517/2014)

Aspect	AS IS	TO BE
EU QUOTA	Free of charge	3€ / tCO_2eq
GWP	IV IPCC Assessment	IV IPCC Assessment [GWP for 20 years added for reference only]
2030 target	79% reduction vs 2015	89% reduction vs 2015
Bans	2022 HVAC-R	2024 / 2025 / 2026 / 2028 / 2030 HVAC-R more restrictive
MDI	exempt	Under Separate Quota System

REACH (*) Regulation (1907/2006)

No Data - No Market

- Producer and Importers of chemical substances must submit a registration Dossier
- NON-EU producers can appoint an OR (Only Representative) in the Union to fulfil the registration requirements

Importers can qualify as "Downstream Users" (DUs)

- Importers defined as "any natural or legal person established within the Union responsible for Import

  - Conflict with the EU F-GAS Regulation which requires non-EU Quota holders to be the IoR (Importer of Record) with a valid EU EORI number
  - Conflict with CCU (Customs Code of the Union) which also allows for Non-EU undertakings to act as IoR

OR must keep record of importers and quantities placed on the market (from 1MT up)

(*) Registration, Evaluation, Authorization and Restriction of Chemicals

REACH Non-Compliance is a major issue

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"The high non-compliance rate for Only Representatives' needs to be addressed [...]. Only Representatives have the highest non-compliance rate, which is twice the average rate for non-compliant companies. Only Representatives are often non-compliant not only due to missing registrations, but also due to the breach of Article 8 of REACH regarding the duties of Only Representatives."

"Enforcement of REACH registration obligations is - due to the complexity of the rules and the high number of various exemptions - an extremely demanding task for any National Enforcement Authority (NEA). Therefore, the complexity of the rules puts enforceability at stake as resources in NEAs are limited."

Source: Forum REACH-EN-FORCE 3 - Phase 1 Project Report 2014

PFASs - Per&Poly Fluor Alkyl Substances

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Original Concern - Persistence and Toxicity of long-chain fluorocarbons (PBT or vPvT)

2020 Initiative by five countries for a Risk Management Options Assessment (RMOA) for PFAS as a group

- Using an extremely broad definition: essentially any chemical with at least one perfluorinated methyl group (-CF_3) or at least one perfluorinated methylene group (-CF_2).
- This would include all HFCs and HFOs
- All commonly used HFCs and HFOs are not classified as PBT or vPvB

June 2022 - Proposal for Restrictions expected (Now delayed until January 2023)

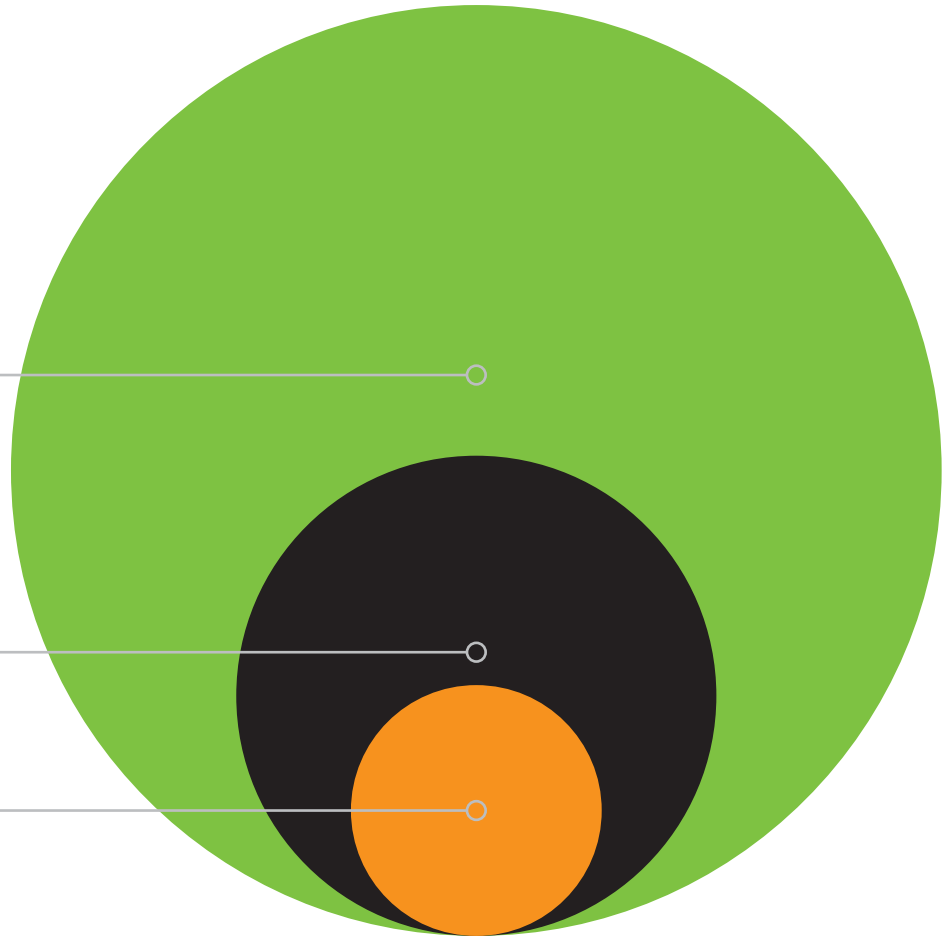
- Subject to Stakeholder Consultation

EFCTC is preparing a Socio-Economic Impact Assessment

- Downstream users are encouraged to provide data
- More information at https://www.fluorocarbons.org/environment/environmental-impact/per-and-polyfluoroalkyl-substances-pfas/

Note: PBT - Persistent, Bioaccumulative and Toxic; vPvT - very Persistent and very Toxic

The PFAS Universum



20 January 2022 - 15 April 2022 Public Consultation on "revision of REACH Regulation to help achieve a toxic-free environment".

- https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12959-Chemicals-legislation-revision-of-REACH-Regulation-to-help-achieve-a-toxic-free-environment_en

Shift from Risk-based approach to Hazard-based approach

Industry

- Focus on Enforceability (non-compliance is a major issue)
- Risk-based approach brings societal benefits and minimises environmental impact
- Could lead to off-shoring production

EU Customs Code & Taric DataBase

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Lays down the rules for international commerce

- Complete the shift to a paperless and fully electronic customs environment
- Reinforce swifter customs procedures for compliant and trustworthy economic operators

Basis is a Customs Declaration

- Single Administrative Document (SAD)
- Identifying goods (HS codes), quantity & value
- Plus any additional relevant information

  - For F-Gases and equipment containing F-Gases: CO_2eq tonnes *

Recognises that non-EU Economic Operators can make a Customs Declaration for Import into the EU

*COMMISSION IMPLEMENTING REGULATION (EU) 2021/1832 (OJ L 385, 2021)

THANK YOU

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