

ALLIANCE FOR RESPONSIBLE ATMOSPHERIC POLICY – REFRIGERANT IMPORTS COMMITTEE

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BACKGROUND

- U.S. companies submitted comments for the National Trade Estimate report on trade barriers regarding the EU's F-Gas Regulation.
- 2014 - Regulation caps, then reduces the quantity of HFCs placed on the EU market through a quota system.
- 2018 - Quota reduced to 63% of a 2009-2012 baseline.
- 2021 - Quota to be reduced to 45% effective January 1.
- Unfortunately, lack of effective enforcement has led to a significant increase of illegal imports of HFCs into the EU.
- "Open smuggling" - imports are reported but illegal because (a) importer is not a quota-holder or (b) imports exceed importer's quota allowance.
- "Traditional smuggling" - a) false customs documents, b) hidden or disguised shipments, or c) equipment containing HFCs.

MAGNITUDE OF ILLEGAL HFC IMPORTS INTO THE EU



- Analyses indicate a significant oversupply of HFCs – both reported and unreported.
- 2019 - reported imports exceeded quota by 16%.
- 2020 - reported imports exceeded quota by 33%.
- These figures do not account for unreported or invisible imports that enter the EU market through traditional smuggling.
- Indications – a) Chinese HFC export volumes exceeded EU import volumes by almost 19% of the quota; b) Chinese exports to EU neighbor countries increased 40% 2016-2018; and c) various reports found smuggled imports were 20 to 30% of the quota.

CONSEQUENCES OF ILLEGAL HFC IMPORTS INTO THE EU



- HFC prices in Europe have fallen.
- U.S. HFC exports have declined.
- Incentives for both HFC producers and purchasers to shift to substitutes reduced.
- Distributors/resellers of legitimate HFCs undercut and disadvantaged by illegal HFCs.
- Producers of HFCs sold legitimately have fewer funds to innovate.
- Increased risks to human health and equipment of legitimate purchasers/users.
- Organized crime profits from smuggling.
- Policy goal of reducing HFC use undermined.
- Policy goal of shifting to less harmful substitutes delayed.

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