EFCTC: Illegal Imports HFCs

COP12/MOP32 - SIDE EVENT

TRACKING, TRAINING, TRACING: TRADE ENFORCEMENT ON ILLEGAL HFC IMPORTS

ALLIANCE FOR RESPONSIBLE ATMOSPHERIC POLICY – REFRIGERANT IMPORTS COMMITTEE

23 November 2020
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About us

The European FluoroCarbons Technical Committee is a sector group of the European Chemical Industry Council (Cefic) and represents the companies Arkema, Chemours, Daikin Refrigerants, Honeywell and Koura.
Outline

1. HFCs in the EU
2. What has happened?
3. Illegal Imports HFCs Project
4. Some good news!
5. Contacts
1. HFCs in the EU
HFCs are safe and energy-efficient, but can have a high Global Warming Potential (GWP)
2. What has happened?
The beginning of illegal trade of HFCs
Evolution of prices of refrigerants in the EU

Illegal Trade?
Phase Down vs Illegal Imports

Estimation of illegal HFCs that could be on the market

The impact of illegal trade of HFCs

**ECONOMY**
Illegal trade has a serious **negative impact on both Member States’ tax revenues** and the economic viability of legitimate businesses who comply with the regulation.

**INDUSTRIAL AND CONSUMER SAFETY**
HFCs are liquefied gases under pressure, which are safe when handled with care. Illegal refrigerants can pose a serious risk to the health and safety of installers, users and the general public.

**R&D AND INNOVATION**
Companies across the whole supply chain have invested significant resources to achieve the objectives of the F-gas Regulation. The uncertainty surrounding the enforcement of the F-gas Regulation, however, **may discourage private sector innovation and resources** for developing new technologies for new substances with lower Global Warming Potential.

**CLIMATE ACTION OBJECTIVES**
Illegal trade results in additional HFC emissions that are associated with global warming and ultimately **undermines the objectives of the F-gas Regulation and EU’s climate goals**.
Potential trade routes of illegal trade of HFCs
Type of Illegal imports of HFCs

- Illegal and banned products
- Smuggling
- Intellectual property and trademark infringement
- Counterfeit material
- Non F-Gas Quota compliant
- Mislabeled products
- Non-compliant with “Kigali licence”
3. Illegal Import project
**Private Investigations – Data Analysis**

**KROLL INVESTIGATION**
- Active since early 2019
- ACTION LINE active

→ **Enforcement (11):** investigations completed but pending enforcement action

→ **Active (5):** ongoing investigations, including test purchase operations

→ **On hold (23):** where investigations have commenced and evidence prepared, but pending further action

→ **Not Started (11):** targets identified but not qualified and no investigation commenced

- 50 evidence packs have been sent to Law Enforcement
- Law enforcement action in Bulgaria, Germany, Italy, Netherlands and Romania

**OXERA – DATA ANALYSIS**
- Import into NCs* (Eurostat, Chinese export data, Comtrade)
- EU-intra trade (Eurostat)
- Change in EU-intra trade flows over 2015–18 period

→ **substantial increase in HFC imports** (in tonnes) to NCs in 2016–18

→ **sharp increase in imports** (in tonnes) to NCs in 2018, which coincides with the reduction of HFC quotas

→ From 2017 to 2018, imports into NCs increased by 41%.

→ Possible explanation: products are illegally imported into the EU market following the tightening of the F-Gas Regulation quota in 2018.

→ **2019 data – calculation on going**

*NCs=neighbouring countries

[https://efctc.integrityline.org/](https://efctc.integrityline.org/)
• Raise awareness at custom agency level
  → +16 webinars in the local language
  → OLAF participation
  → help from DG TAXUD and DG CLIMA

On our list:
• Turkey – October 2020
• Malta - October 2020
• Belgium - October 2020
• Spain – November 2020
• Latvia - November 2020
• Estonia - November 2020
• Italy – November 2020
• Czech Republic – December 2020
• Slovakia – December 2020
• Romania – January 2020
• Slovenia - January 2020

10 more will be scheduled between Jan and Mar 2020

PUBLIC AFFAIRS
→ EU Commission: DG Trade, DG Clima, DG TAXUD, OLAF…
→ EU Parliament
→ Member States: Italy, Germany, Latvia, Estonia, Spain, Greece, Romania…

PUBLIC RELATIONS and COMMUNICATION
→ PR Campaign
→ Microsite - https://stopillegalcooling.eu/
→ Pledge - https://stopillegalcooling.eu/pledge/
4. Some good news!
Examples of successful seizures

**BULGARIA**
- 2018: 78 cases - 2,114 kg (R134a, R404A)
- May 2019: 13.6 kg - 2 cylinders (R134a)
- Dec 2019: 634.5 kg – 60 cylinders
- Jan 2020: 12,977 kg (R134a)
- May 2020: 490 kg (R134a, R404A)

**ITALY**
- Sept 2019: 11 cylinders (R22, R134a, R410A, R404A)
- Feb 2020: 10 t - 38 cylinders (Photos suggest some of it was R404A)
- Sept 2020: 3.7 t (R32, R404A, R410A R22)

**POLAND**
- 2018: 414 cases - 10,676 kg
- April 2019: 25 t (R134a, R404A, R410A)
- Sept 2019: 13,768 kg - 1,202 cylinders (R404A)

**GREECE**
- 2018: 5 cases – 432 kg (R134a, R404A, R410A, R407C)
- Sept 2019: 23 t – 1,939 cylinders (R407C, R404A)

**CROATIA**
- 2018: 25 cases - 1,941.8 kg - 102 cylinders (R134a, R410A, R404A, R407C)

**THE NETHERLANDS**
- July 2020: 1,150 cylinders or 14t (R410A, R32, R404A)
- August 2020: 300 HFC aerosol cans (130 tons of CO2e)

**SPAIN**
- April 2019: 10 t (R22)
- Aug 2019: 255 Cylinders
- Sept 2020: 1 885 cylinders - 19 t HFCs

**ROMANIA**
- July 2019: 95 cylinders
- July 2019: 86 Kg (R134a, R404A, R32)
- July 2020: 76 t
Moving forward …

- **EU Commission:**
  - F-Gas Regulation as opportunity to help the fight against the Illegal Imports
  - Single Window Implementation
- **Members States:**
  - Law enforcement
  - Penalties increase (fines must be much higher than the product cost)
  - Resource increase at custom level
- **Collaboration: Industry, MS, Institutions**
  - Information exchange is key
  - Continue raise awareness – whole value chain
5. Contacts
Useful Contacts

EFCTC – European Fluorocarbons Technical Committee

Cefic – The European Chemical Industry Council
- Rue Belliard 40, Box 15
  B-1040 Brussels, Belgium
  EU Transparency Register no. 64879142323-90

EFCTC Secretariat
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DG CLIMA website

OLAF website

F-Gas National contact points

fluorocarbons.org
stopillegalcooling.eu
Questions?
Thank you!