

## **Briefing Paper: Progress of the EU HFC phase-down**

### **Quota allocation**

In 2017, reference values for the period 2018-2020 were calculated based on quantities lawfully placed on the market in the years 2015 and 2016. 399 companies were assigned a reference value by Commission Implementing Decision (EU) 2017/1984<sup>1</sup>. Quotas for 2018 were allocated based on these reference values as well as on declarations for (additional) need made in the application period April-May 2017. As a result 1086 companies were allocated a quota for 2018.

The phase-down step in 2018 foresees a reduction of quota to 63% of the baseline period. Since 2017, pre-charged equipment must also be accounted for within the quota system. In preparation, equipment importers have stocked up on authorisations in previous years to a degree that there are currently enough unused authorisations available to cover over 18 months of equipment imports, without the need to acquire new authorisations. The 63% will therefore be mostly available for the import and EU production of bulk gases. In comparison, the quota used in 2016 for the import and production of bulk gases was only 77% of the baseline period<sup>2</sup>. Consequently the 2018 reduction step may actually be less steep than feared by some stakeholders.

### **Company reporting and environmental impact**

The EEA has published a comprehensive report on the data reported under the F-gas Regulation for 2016 transactions.<sup>3</sup> The data submitted confirms that most companies seem to comply well with the allocated quota. As a result the phase-down reduction step was achieved for the second year running (2015 and 2016). The supply of bulk HFCs to the EU market measured in CO<sub>2</sub>eq declined by over 5% from 2015.<sup>3</sup> There are also clear indications of a shift towards more climate friendly gases both in imports and production of HFCs, as well as rising imports of HFOs.<sup>3</sup> Reclamation of HFCs has doubled since 2015<sup>3</sup>, yet still at a low level.

---

<sup>1</sup> [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2017.287.01.0004.01.ENG](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.287.01.0004.01.ENG)

<sup>2</sup> 82% in 2015, no data available for 2017 yet

<sup>3</sup> <https://www.eea.europa.eu/publications/fluorinated-greenhouse-gases-2017>

The EU is also well on track as regards its compliance obligations under the Kigali Amendment of the Montreal Protocol. HFC consumption in 2016 was already 14% below the allowed amount for 2019, when the global phase-down starts.<sup>3</sup>

Finally, 2015 has been the first year-on-year decline in *emissions* of fluorinated gases in the EU in fifteen years.<sup>4</sup> This is a clear indication that EU fluorinated gas policies, which started in 2007 with the first F-gas Regulation, are working.

### **Gas and Authorisation Prices**

The Commission is monitoring, on a quarterly basis, price developments in the sector. Prices for bulk gas were relatively stable until mid-2015. In the course of last year prices have however increased substantially. This increase was first apparent in the selling price set by producers, but has now reached also the prices that OEMs<sup>5</sup> and service companies have to pay. The price increases are clearly related to the GWP of the substances, i.e. a substance with a high GWP such as R404A had the strongest price increases. The developments therefore largely reflect what was expected to be the impact of the phase-down mechanism where successive quota reductions increasingly favour the use of low GWP HFC as well as non-HFC gases. Gas prices have reached levels of 20€/tCO<sub>2</sub>e which is fully within the range that was considered to be a proportionate contribution by this sector to the 2050 roadmap.<sup>6</sup> The existing price signal is clearly a good incentive for stakeholders to switch to low GWP technologies wherever and whenever possible, to prevent leakage and to reclaim gases.

While a general collection of data on authorisation prices was not attempted, it appears from anecdotal evidence that prices of authorisations have risen alongside, and to a similar degree as the bulk gas prices. As pointed out above, many equipment importers have been able to acquire authorisations in 2015 and 2016 when these were still quite affordable. The rise in authorisation prices is important to assure an equal treatment of importers and of EU manufacturers of equipment, as the latter are exposed to high prices of the bulk gases on the EU market.

### **Study on illegal trade**

In order to follow up on claims of illegal trade of HFCs, DG CLIMA tasked an external contractor to examine available import data from the F-gas company reporting, the ECHA (REACH agency), EUROSTAT, UN COMTRADE as well as Chinese export data. The study

---

<sup>4</sup> EEA greenhouse gas data viewer. <http://www.eea.europa.eu/data-and-maps/data/data-viewers/greenhouse-gases-viewer>

<sup>5</sup> Original Equipment Manufacturers

<sup>6</sup> COM(2012) 643 final: IMPACT ASSESSMENT Review of Regulation (EC) No 842/2006 on certain fluorinated greenhouse gases

investigated the limits and usefulness of these different data sets as well as trying to determine if indications of illegal trade could be found. The contractors concluded that large-scale illegal HFC imports did not seem to have taken place in 2015 and 2016 as this would have been evident from the examined data. Variations between data sets could largely be explained by the different accounting scopes (e.g. customs procedures included, destination country) and date effects (year-end carryover). The contractors proposed to repeat this exercise in a 2-3 year timeframe when longer time-series of better granularity should be available.

### **Possible Implications of the UK withdrawal**

The withdrawal of the UK may necessitate a separation of the UK portion of the market from the EU quota system. To prepare for this scenario a data collection exercise is currently being carried out by the European Commission to prepare for running the EU HFC quota system once the UK leaves the EU. Reference values held by UK-based companies need to be adjusted to exclude quantities placed on the UK market. The data gathering exercise is therefore aimed at determining what the remaining EU27 market share amounts to. The adjusted reference value would allow UK-based companies to continue placing hydrofluorocarbons on the EU27 market after the UK's withdrawal from the EU and would ensure the corresponding supply of HFCs to the EU27 market. This approach is consistent with that for companies from other non-EU countries which currently hold a reference value. The new reference values would permit the proper functioning of the EU HFC quota system and phase-down measure as foreseen in Chapter IV as well as Annexes V and VI of the F-gas Regulation.