



EUROPEAN COMMISSION
IMPACT ASSESSMENT BOARD

Brussels, 25 May 2012
D(2012)

Opinion

Title **CLIMA - Impact Assessment on a proposal for a review of Regulation 842/2006 on certain fluorinated greenhouse gases**

(draft version of 25 April 2012)

(A) Context

Hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆), commonly called fluorinated gases or "F-Gases" are greenhouse gases with a high global warming potential, used in a large variety of products and equipment including refrigeration, air conditioning, insulation foams, electrical equipment, aerosols and fire protection. F-gases are subject to a Regulation focusing on preventing leakage during use and at end of life, and banning usage in narrowly defined niche application areas ("F-Gas Regulation"), as well as to a Directive, restricting the use F-Gases with high global warming potentials in air conditioning systems of new motor vehicles ("MAC Directive"). A 2011 Commission report assessing the application, effects and adequacy of the existing F-Gas Regulation concluded there is scope for further action to reduce F Gas emissions in the EU. The current proposal aims to revise the F-Gas Regulation to reduce usage of F-Gases and contribute to current and future climate change goals.

(B) Overall assessment

The report should be improved in several respects. Firstly, the report should situate the proposed measures more clearly within the wider policy context, demonstrating how the targets and associated costs for reducing the use of F Gases as presented in this report have been determined in the context of the 2050 climate change targets, and should clearly identify the existing substitution possibilities and the most affected interests. It should also clarify the international context and explain clearly where the EU stands in relation to other global players in adopting measures aimed at reducing the use of F gases. Secondly, the report should provide more specific, operational and measurable objectives that are more tightly linked to more concrete monitoring indicators. Thirdly, the report should further explain the content of each of the policy options, and explain how a 'phase down' in F-gases is to work in practice over time and how compliance will be assured. Fourthly, the report should better assess the impacts on sector competitiveness, SMEs, consumers, employment, and health and safety based upon a clearer identification of the affected market players as outlined above, including distributional and regional effects. Finally, the differing views of stakeholders should be systematically presented throughout the main report.

(C) Main recommendations for improvements

(1) Provide a clearer policy context and problem definition. The report should describe the market structure relating to F-gases clearly identifying the roles of the various players involved. It should also provide a brief outline of the main elements and scope of the F-gas Regulation and MAC Directive and more clearly identify the problems with the current legislative framework as highlighted by the 2011 Commission evaluation report. It should discuss in more depth the problems surrounding the containment of F gases and incomplete compliance with the current Regulation, as cited by the 2011 evaluation, and explain the reasons for these shortcomings. In particular it should elaborate on the reasons for poor compliance with containment provisions and training and certification requirements. The report should then better explain how the targets for reducing the use of fluorinated gases as presented in the report have been established and how they will contribute to the 2050 climate targets, and in particular provide further evidence to support the claim that the EU will risk missing the EU 2050 climate targets or be forced to implement more costly measures in other industrial sectors if reductions in F-Gas emissions are not made. It should also be more explicit in showing the methodology behind setting 50€/tn CO₂eq as a cost effective level for adopting alternative technologies. It should justify why this level was considered appropriate given that a more cost-efficient solution for reducing F-gas emissions to almost equivalent levels appears to be achievable at around half this cost level (fig. 7, p.21) and should perform a sensitivity analysis. The report should be clearer in situating this proposal within the wider context of international agreements, and discuss where the EU stands in relation to other global players in adopting measures aimed at reducing the use of fluorinated gases.

(2) Provide more specific, operational and measurable objectives. The report should present the objectives in more specific, operational and measurable terms. It should translate the emissions reduction targets of the 2050 Energy Roadmap into concrete F-gas reduction targets by 2050, which should be closely linked to more concrete monitoring indicators. The objectives should also be linked more tightly to the problems and policy options.

(3) Further explain the content of each of the policy options and describe how they are to work in practice. Based upon further specified objectives, the report should explain more clearly the criteria for discarding certain options, for instance, inclusion under the emissions trading scheme or dedicated tax schemes. It should provide more information on each of the policy options, clearly presenting the views of stakeholders and industry. The report should explain much more clearly in option D how a phase-down approach would be pursued in practice and should clarify whether the phase down schedule is based upon technologies which are already available to industry for uptake, or dependent upon technological innovation or future availability of cost efficient technologies. It should be clearer on whether imported hermetically sealed F gas appliances will come under the scope of the 'phase down' option. The report should also better explain how compliance of industry with the quotas set by the Commission is to be ensured in a cost-effective manner.

(4) Strengthen the analysis of impacts upon sector competitiveness, SMEs, consumers and employment. The report should clearly present the additional requirements, and respective costs, that will be placed on market players as a

consequence of the proposals. In particular the report should elaborate on the consumer impact given the assumption that costs can be passed on to consumers. It should also analyse the impacts upon the competitiveness of EU producers of F-Gas appliances, and on the commercial users of refrigeration and AC systems, in particular given the estimated 4.8% increase in costs under option D for centralised refrigeration. The report should also consistently monetize impacts for each sector analysed to enhance comparability. In relation to SMEs, the report should clarify the likely effects on service companies of the phasing out of F-gases. The report should elaborate on the varying impact of the proposals across different regions of the Union. In relation to the relative positions of the various market players, the report should provide a more detailed assessment of who will be affected by these measures, in what ways, and the extent of such impacts. The report should further develop the model showing market player business adaptations and shifts in response to the new legislation. Potential risks on health and safety and other unintended effects arising from alternative technologies should be clarified.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.

(D) Procedure and presentation

The report should be made more accessible to the reader in particular by better describing the wider context in the problem definition section and by better explaining in non-expert language how the current rules work. The differing views of stakeholders (including consumers, the scientific community) should be systematically presented throughout the main report.

(E) IAB scrutiny process

Reference number	CLIMA/2012/003
External expertise used	No
Date of Board Meeting	23 May 2012