

MEMORANDUM: Overview of the Proposed Rule for HCFC Allowances in 2015-2019

EPA regulates the production and import of hydrochlorofluorocarbons (HCFCs) under the authority of Title VI of the Clean Air Act. This proposed rule, titled “Adjustments to the Allowance System for Controlling HCFC Production, Import, and Export,” covers the years 2015-2019. In addition to establishing allowances, the agency is highlighting certain statutory and regulatory provisions that are already in place, but which take effect on January 1, 2015:

- Products containing or manufactured with HCFCs must be labeled (for more information, see www.epa.gov/ozone/title6/labeling).
- HCFCs cannot be used or introduced into interstate commerce unless the HCFC has been used, recovered, and recycled; is used and entirely consumed (except for trace quantities) in the production of other chemicals; is used as a refrigerant in certain appliances; or is listed as acceptable for use as a fire suppression agent for nonresidential applications in accordance with the Significant New Alternatives Policy (SNAP) program.
- Also starting in 2015, the U.S. must reduce production and consumption of all HCFCs to less than 10 percent of our historic baseline, but may allow an additional amount of production for export to developing (“Article 5”) countries.

Via this rulemaking, EPA is proposing HCFC baselines and allocations for 2015-2019. The agency is also addressing certain issues and changes under section 605(a) of the Clean Air Act. Full discussion of these proposals can be found in the Proposed Rule preamble (see docket EPA-HQ-OAR-2013-0263):

- 1) **HCFC Production & Consumption Baselines**—EPA is proposing to keep baselines the same.
- 2) **Annual HCFC-22 Consumption Allocation**—EPA is proposing two allocation approaches.
 - a. *The linear drawdown* is EPA’s preferred approach; it would use the lowest proposed amount for 2014 (not the finalized 2014 allocation) as the starting point and end at zero in 2020. Under this approach, the annual decrease in allowances would be the same every year, such that there is a constant annual decrease in allocation from 2015 to 2020 (Option 1 in the preamble). EPA is also proposing several variations on the linear drawdown, including starting the allocation slightly higher and lower than the lead proposal and ending at zero in 2018.
 - b. *The estimation approach* relies on Vintaging Model estimates of servicing need, recovery and reuse, and could also account for transition to alternatives and any estimates of existing HCFC-22 inventory. See the proposed rule for more details.

Table 1—Preferred HCFC-22 Consumption Allocation for 2015-2019

Proposed Options	2015	2016	2017	2018	2019
Linear Drawdown (MT)	13,700	10,900	8,200	5,500	2,700
Percent of Baseline	9.6%	7.7%	5.8%	3.9%	1.9%

- 3) **Annual HCFC-22 Production Allowance Allocation**—EPA is proposing two allocation options:
 - a. *Issuing the maximum production allowances allowed for under the Montreal Protocol*, after accounting for production allowances issued for the other HCFCs in each year. This is EPA’s preferred approach and would result in an annual allocation of approximately 28,000 MT, which is 21.7 percent of the HCFC-22 production baseline.

b. *Issuing production allowances at the same level as consumption allowances.*

4) Preferred Annual HCFC-123, HCFC-124 & HCFC-142b Allocation

- a. *For HCFC-123*, EPA is proposing to issue consumption allowances at 100 percent of baseline, which is approximately 2,000 MT and is the maximum allocation allowed under the Clean Air Act. The agency has never allocated HCFC-123 production allowances, and therefore is not proposing to issue production allowances for HCFC-123.
- b. *For HCFC-124*, EPA is proposing to issue 200 MT of consumption allowances. EPA is proposing to issue production allowances at the same level as consumption.
- c. *For HCFC-142b*, EPA is proposing to issue 35 MT in 2015, decreasing annually by 5 MT to 15 MT in 2019. EPA is proposing to issue production allowances at the same level as consumption.

In addition to EPA's preferred allocation option, the agency has alternative proposed options for HCFC-123, HCFC-124 and HCFC-142b. See the proposed rule for more detail.

5) Limited Exemption for Use of HCFC-225ca/cb as a Solvent—EPA is proposing a narrow exemption to allow owners of existing inventory of virgin HCFC-225ca/cb to continue using their inventory as a solvent after the January 1, 2015 prohibition on use and introduction into interstate commerce takes effect.

- a. The exemption would allow anyone who owns HCFC-225ca/cb solvent to continue using existing inventory for solvent needs. Manufacturers should note that if this exemption is finalized, use of HCFC-225ca/cb solvent in the manufacture of a product (e.g. satellite circuitry) would be allowed. However, the product would have to be labeled as a “product manufactured with HCFC-225ca/cb” before introduction into interstate commerce in accordance with the Clean Air Act labeling requirements.
- b. If finalized, this proposed exemption would not affect other aspects of the 2015 use restriction. For example, virgin HCFC-225ca/cb could not be introduced into interstate commerce, nor could virgin HCFC-225ca/cb be used to manufacture a product containing HCFC-225ca/cb (e.g. an aerosol product that dispenses HCFC-225ca/cb).

6) Incorporating Clean Air Act Revisions—EPA is proposing to amend the regulations on production and use of HCFCs to incorporate a statutory change made in 2012.

- a. The National Defense Authorization Act for Fiscal Year 2012 amended the Clean Air Act to allow for use and introduction into interstate commerce of a virgin HCFC for use as a non-residential fire suppressant, if it is listed as acceptable for that purpose in accordance with EPA's SNAP program.
- b. Specifically, EPA is proposing to allow continued import and use of HCFC-123 until January 1, 2020 for use as a fire suppression streaming agent for nonresidential applications in accordance with the SNAP regulations.

7) Technical Updates to the Refrigerant Reclamation Requirements—EPA is proposing to bring the regulations in line with current practices by incorporating the most recent AHRI standards and updating reporting requirements. EPA is also taking comment on future improvements to the program.