The American Innovation and Manufacturing (AIM) Act: Allocation Rule

Proposed Rule

JULY 2021
Agenda

- The AIM Act Overview
- Proposed Allocation Rule
- Sector Petitions
- Management of HFCs
- Questions
A global HFC phasedown is expected to avoid up to 0.5°C of global warming by 2100

- HFCs are used as replacements for ozone-depleting substances (ODS) in sectors including refrigeration, air conditioning, foam blowing, and fire suppression
- HFCs are potent greenhouse gases with global warming potentials (GWPs) hundreds to thousands of times higher than carbon dioxide (CO₂)
- HFC use is growing rapidly worldwide

WMO 2018: Executive Summary: Scientific Assessment of Ozone Depletion
The AIM Act establishes three main types of regulatory programs:

- Phase down HFC production and consumption
- Facilitate sector-based transitions to next-generation technologies
- Management of HFCs and their substitutes

Certain provisions are similar to provisions in CAA Title VI, but there are clear differences, including:

- Phasedown, not a phaseout
- Application-specific allowances
- Includes a limited state pre-emption clause
- Provides targeted small business technology grants
AIM Allocation Rule - Timing

- Important 2021 statutory deadlines:
  - 270 days after enactment EPA to issue phasedown regulations = **September 23**
  - **By October 1st** allocate allowances for 2022
- Proposed rule published May 19, 2021, in the Federal Register

<table>
<thead>
<tr>
<th>Date</th>
<th>Caps: Consumption &amp; Production</th>
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<tr>
<td>2022–2023</td>
<td>90 percent</td>
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<td>2024–2028</td>
<td>60 percent</td>
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<td>2029–2033</td>
<td>30 percent</td>
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<td>2034–2035</td>
<td>20 percent</td>
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<td>2036 &amp; after</td>
<td>15 percent</td>
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The proposed rule would:

- Establish the HFC production and consumption baselines and codify phasedown schedule
- Establish an initial methodology for issuing allowances for 2022 and 2023, while seeking input for the longer term
- Allowances would be issued to companies that produced and/or imported HFCs in 2020 based on past volumes
  - Seeking comment on which years to use between 2011-2019
- Allowances will be issued by October 1st through a separate Notice
The proposed rule would:

- Issue “application-specific allowances” directly to the entities, including the U.S. Department of Defense, that operate within the six applications listed in the AIM Act.
  - These entities would be able to confer their allowances to producers or importers to acquire needed HFCs.

- Set aside some allowances for application-specific end users and small importers that are identified after the public comment period ends.
  - The set aside, as proposed, would be available in small quantities to new market entrants that are small businesses.
  - If not used, these allowances would be allocated to companies that produced or imported in 2020.
The proposed rule would:

- Establish an electronic tracking system for the movement of HFCs through commerce (universal QR codes)
- Require the use of refillable cylinders
- Establish administrative consequences (e.g., revocation or retirement of allowances) for noncompliance that would be in addition to any civil and criminal enforcement action
- Establish recordkeeping and reporting, third party auditing, and data transparency requirements
Regulatory Impact Analysis (RIA) Benefit Results

- RIA uses social costs of HFCs
- Benefits realized from a business-as-usual (BAU) scenario compared to the HFC reduction schedule
- Net present cumulative benefits through 2050 for the proposed rule: $283.9 billion
- In 2036 alone, the year the final reduction step is made, this rule is:
  - expected to prevent 187 MMTCO$_2$e emissions – roughly equal to the annual GHG emissions from one out of every seven vehicles registered in the United States
Environmental Justice Analysis

- EPA conducted an environmental justice analysis that determined overall reductions in GHG emissions from this rule would benefit populations that may be especially vulnerable to damages associated with climate change
  - E.g., very young, elderly, poor, disabled, and indigenous populations
- EPA will further consider the impacts on at-risk communities to determine if there is a concern related to the HFC phasedown
  - We are taking comment on ways to be more transparent with data, e.g., on HFC production
  - We are taking advance comment for a future rule on ways to address potential distributional effects, e.g., differentiating allowance offsets based on local effects
Next-Generation Technologies: Opportunity to Accelerate Sector Transitions

- Under the AIM Act, EPA can further restrict HFC use to encourage transition to next-generation technologies
  - Extensive list of factors to consider
  - Petitions must be acted upon within 180 days and if granted, EPA must complete a rulemaking within 2 years
- First petitions to restrict use of HFCs received April 13th
  - As of July 19th, EPA has received 12 petitions
- Notice of Data Availability (NODA) alerting the public to the petitions and inviting information to inform our evaluation published May 25th
Management of HFCs

- The AIM Act directs EPA to establish a program for maximizing reclamation & minimizing releases of HFCs and their substitutes from equipment, and ensuring safety of technicians & consumers
  - Establish regulations to control, where appropriate, practices, processes, or activities regarding the servicing, repair, disposal or installation of equipment
  - Consider using authority to increase opportunities for reclaiming HFC refrigerants
- EPA may coordinate with any other similar regulations (e.g., CAA 608 regulations)
- Subject to appropriations, EPA shall establish a grant program for small businesses for purchase of recycling, recovery, or reclamation equipment for HFC substitutes (e.g., HFO-1234yf), including for servicing motor vehicle air conditioners
Questions & Additional Information

Additional Information:
https://www.epa.gov/climate-hfcs-reduction

Public Hearing Registration:

Proposed Allocation Rule:

Petitions:
https://www.epa.gov/climate-hfcs-reduction/petitions-under-aim-act
States with HFC regulations

- State rules are based on CAA 2015 and 2016 SNAP regulations that were partially vacated and remanded

- They are limited in scope, banning the use of certain HFCs for specific applications

As of 5/10/2021