

## FACT SHEET

# Overview of Set-aside Allowances under the AIM Act

### What is the AIM Act and the HFC Phasedown?

The American Innovation and Manufacturing (AIM) Act was enacted by Congress on December 27, 2020. The AIM Act provides new authority for the U.S. Environmental Protection Agency (EPA) to address hydrofluorocarbons (HFCs). Specifically, the AIM Act directs EPA to phase down production and consumption<sup>1</sup> of HFCs to 15% of their baseline levels in a stepwise manner by 2036 through an allowance allocation and trading program.

### How do Allowances Work?

An allowance represents the privilege granted to a company to produce or import HFCs in a given year. Producing HFCs requires expending both “production allowances” and “consumption allowances.” Importing bulk HFCs requires expending consumption allowances. EPA intends to issue allowances by October 1 for use in the following year and they are valid between January 1 and December 31 of a given year. Allowances may not be banked or carried over to another year. Allowance holders may transfer their allowances to other entities seeking to produce and/or import HFCs.

A third category of allowances called “application-specific allowances” may be used to either produce or import HFCs for use in the six applications listed in the AIM Act. Application-specific allowances may be conferred as needed to effectuate the production or import of the HFC. More detail is provided in a separate fact sheet on application-specific allowances.

The allowances described here were allocated by EPA on October 1, 2021, for use in 2022.

### Who is Eligible for Set-aside Allowances?

EPA recognizes that the Agency may not have been able to collect all the information needed to allocate allowances to certain entities on October 1, specifically application-specific users of HFCs and certain importers of HFCs. EPA also understands that issuing allowances based on past imports could create a barrier to new market entrants. Therefore, EPA has established a set-aside pool of allowances available to the following three groups in order of priority.

Applications to the set-aside pool are due by **November 30, 2021**.

- End users that qualify for application-specific allowances for which EPA did not have data by the time of the initial allocation on October 1, 2021 or that have a unique circumstance that warrants additional allowances. The eligible applications include:
  - A propellant in metered dose inhalers
  - Defense sprays
  - Structural composite preformed polyurethane foam for marine use and trailer use

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<sup>1</sup> Consumption is the amount of HFCs newly added to the U.S. market through production and import, minus exports and destruction.

- The etching of semiconductor material or wafers and the cleaning of chemical vapor deposition chambers within the semiconductor manufacturing sector
- Mission-critical military end uses
- On-board aerospace fire suppression
- Importers of HFCs that were under the threshold of reporting to the Greenhouse Gas Reporting Program (GHGRP), where EPA had not learned of their imports in time to issue allowances as part of the general pool
- Companies that are seeking to enter the HFC import market

### **How Can an Application-specific End User Request Set-aside Allowances?**

End users in the six applications listed in the AIM Act can apply for allowances from the set-aside pool in the same way that regular application-specific allowances are requested, by providing the following information:

- The quantity of all HFCs acquired for application-specific use in the previous three years, including a copy of the sales records, invoices, or other records documenting that quantity
- The name of the entity or entities supplying HFCs for application-specific use and contact information for those suppliers
- The quantities of HFCs held in inventory for application-specific use as of June 30, 2020, and June 30, 2021
- A description of plans to transition to HFCs with a lower exchange value or alternatives to HFCs
- Contact information for a representative of the person(s) contracted to do the manufacturing or servicing (in instances where the end user contracts with a third party to manufacture the product or service onboard aerospace fire suppression systems)

Entities requesting additional application-specific allowances due to unique circumstances (see 40 CFR 84.13(b)(1)) must provide the following:

- A projection of the monthly quantity of additional HFCs needed in the next calendar year
- An explanation, including relevant supporting documentation, to justify the additional need

### **How Can an Importer Request Set-aside Allowances?**

Companies that imported HFCs in 2020 that were not required to report through the GHGRP and who were not known to EPA in time to issue allowances as part of the general pool can apply for consumption allowances from the set-aside pool. Companies must provide their historical import and export data to the electronic Greenhouse Gas Reporting Tool (e-GGRT). Instructions for reporting these data can be found [here](#). Companies must also provide the complete ownership of the company (with percentages of ownership).

## How Can a New Market Entrant Request Set-aside Allowances?

Companies that have not previously imported HFCs or that imported HFCs in 2020 for the first time can apply for allowances from the set-aside pool. To be eligible, they may not share corporate or common ownership, corporate affiliation in the past five years, or familial relations with entities already receiving allowances through this rule. Companies must provide EPA with the following information:

- Name and address of the company and the complete ownership of the company (with percentages of ownership)
- Whether the company is a woman or minority-owned business
- Contact information for the owner of the company
- The date of incorporation and State in which the company is incorporated
- State license identifier
- A plan for importing HFCs (see the HFC phasedown website for more detail)
- A prospective foreign exporter that the applicant anticipates working with
- A certification that the business owner understands the Part 84 regulatory requirements and will make best efforts to comply with the regulatory requirements
- A certification that the information submitted is complete, accurate, and truthful

## How will Allowances from the Set-aside Pool be Allocated?

EPA has established a set-aside pool of 7.5 million metric tons of exchange value equivalent (MMTEVe) and will allocate allowances from the set-aside pool no later than **March 31, 2022**. EPA will first issue allowances to application-specific end users in an amount based on their estimated need. EPA will then issue allowances to HFC importers that were not required to report through the GHGRP based on their past consumption amounts.

Lastly EPA will issue to new market entrants. Each new market entrant is eligible for up to 0.2 MMTEVe, though they may receive less depending on the number of allowances that remain after allocating to the first two groups of applicants. Allowances issued to new market entrants may not be transferred. Unlike the first two groups, EPA is issuing allowances for both 2022 and 2023.

Any 2022 allowances remaining after distribution to these three groups will be distributed equally to all calendar-year allowance holders.



### Additional Resources

Final Rule - Phasedown of Hydrofluorocarbons: Establishing the Allowance Allocation and Trading Program under the AIM Act: <https://www.epa.gov/climate-hfcs-reduction/final-rule-phasedown-hydrofluorocarbons-establishing-allowance-allocation>

HFC Recordkeeping and Reporting: <https://www.epa.gov/climate-hfcs-reduction/hfc-allocation-rule-reporting-and-recordkeeping>

Protecting Our Climate by Reducing Use of HFCs: <https://www.epa.gov/climate-hfcs-reduction>

Greenhouse Gas Reporting Program: <https://www.epa.gov/ghgreporting/fluorinated-greenhouse-gas-emissions-and-supplies-reported-ghgrp>

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