

FACT SHEET

**Proposed Rule – Phasedown of Hydrofluorocarbons:
Allowance Allocation Methodology for 2024 and Later Years**

What is the HFC Phasedown?

The American Innovation and Manufacturing (AIM) Act directs EPA to phase down production and consumption¹ of hydrofluorocarbons (HFCs) by 85% over a 15-year period through an allowance allocation and trading program. In the HFC Allocation Framework Rule published in October 2021 (86 FR 55116), EPA established the historic U.S. HFC production and consumption baseline levels from which reductions will be made, using a formula provided by the AIM Act. The rule also established an initial methodology for allocating allowances in calendar years 2022 and 2023. The AIM Act’s phasedown schedule (Table 1) is consistent with the phasedown schedule in the Kigali Amendment to the Montreal Protocol, an international treaty to phasedown HFCs by 80 – 85% by 2047. A global phasedown of HFCs consistent with the Kigali Amendment is expected to avoid up to 0.5°C of global warming by 2100.

The maximum percentage of the respective baselines that the Agency may allocate per year is shown in Table 1. By October 1 of each year, EPA issues allowances for the following year, relative to those baselines.

Table 1: HFC Phasedown Schedule

Year	Consumption & Production Allowance Caps as a Percentage of Baseline
2022–2023	90 percent
2024–2028	60 percent
2029–2033	30 percent
2034–2035	20 percent
2036 & after	15 percent

About HFCs

HFCs are potent greenhouse gases (GHGs) intentionally developed as replacements for ozone-depleting substances (ODS) in refrigeration, air conditioning, aerosols, fire suppression, and foam blowing sectors. They have global warming potentials (GWPs) (a measure of the relative climate impact of a GHG) that can be hundreds to thousands of times greater than carbon dioxide (CO₂). HFC use is growing worldwide due to the phaseout of ODS and increasing use of refrigeration and air-conditioning equipment globally.

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

What is EPA proposing in this action?

This rule focuses on the second phase of the HFC phasedown and proposes to establish the allocation methodology for the “general pool” of HFC production and consumption allowances for 2024 through 2028. These allowances authorize the production and import of HFCs. EPA is proposing to continue applying a similar methodology to allocate general pool production and consumption allowances as the Framework Rule did for calendar years 2022 and 2023 while incorporating former new market entrants from an earlier set-aside pool as general pool allowance-holders. In this rule, the Agency is not proposing any changes to the methodology for allocating “application-specific” allowances which are issued to entities using HFCs in metered dose inhalers, semiconductors, and other applications. EPA is also proposing to amend the consumption baseline to reflect corrected data submitted to EPA and to make other adjustments to the HFC phasedown implementation, compliance, and enforcement provisions.

Who May be Affected by this Proposed Rule?

Entities that produce, import, export, destroy, use as a feedstock or process agent, reclaim, or recycle HFCs may potentially be affected by the proposed rule.

What are the Costs and Benefits of the HFC Phasedown?

American consumers are expected to benefit from transitioning away from HFCs to environmentally safer alternatives. Including the changes in cost associated with reducing the consumption baseline and other revisions to assumptions in the regulatory impact analysis, the monetized net present cumulative benefits of all provisions of the HFC phasedown from 2022 through 2050 are estimated to be \$268.9 billion. The total emission reductions of the rule from 2022 to 2050 are projected to amount to the equivalent of 4.6 billion metric tons of CO₂ – nearly equal to three years of U.S. power sector emissions at 2019 levels.

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, such as the very young, elderly, poor, disabled, and indigenous populations.

What are Key Provisions of the Proposed Rule?

To continue implementing the HFC Allowance Allocation Program, EPA is proposing to:

- Establish a methodology for allocating HFC production and consumption allowances for years 2024 through 2028 that is similar to the methodology used for 2022 and 2023.
- Incorporate former new market entrants under a previous set-aside pool into the general pool.
- Amend the HFC consumption baselines to reflect corrected data submitted to the EPA.

- Require annual emissions reporting from HFC production facilities to monitor potential effects more closely from changing patterns in chemical production.
- Make other adjustments to the HFC phasedown implementation, compliance, and enforcement provisions, including revised recordkeeping and reporting requirements.

EPA will accept comments on this proposal for 45 days after publication in the Federal Register and will hold a public hearing if requested. The Agency plans to finalize this rule in 2023.

For more information on the rule and how to comment, please visit:

<https://www.epa.gov/climate-hfcs-reduction/>.



Additional Resources

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>

Contact EPA: spdcment@epa.gov



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