Reporting for Application-Specific Allowance Holders

July 16, 2026

U.S. Environmental Protection Agency
Office of Air and Radiation

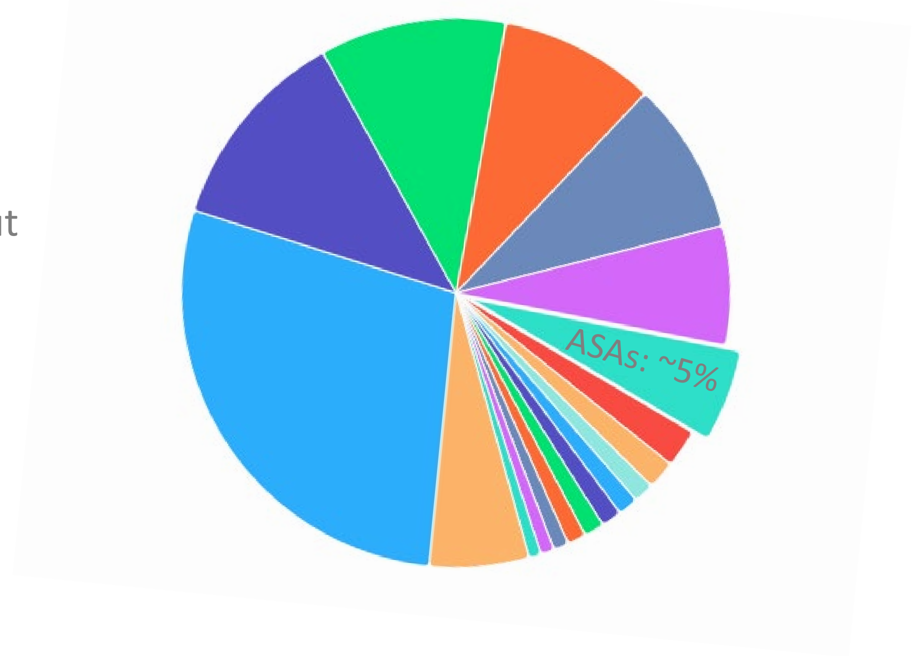
Agenda

- Background on Application-Specific Allowances Biannual Reporting Requirements
- Rule Updates
- Allocation Methodology and Recent Changes
- Requesting Unique Circumstances
- Calculating Allowance Amounts
- Reporting Best Practices
- Frequent Questions
- Resources
- Questions

Background on Application-Specific Allowances

- There are 5 applications eligible to receive application-specific allowances (ASAs) under the American Innovation and Manufacturing (AIM) Act
- ASAs are different from consumption and production allowances, which are allocated to historical producers and importers ("general pool")
    - ASAs are allocated directly to end-users of HFCs
    - ASA holders receive priority access to allowances ahead of general pool allowance holders
    - ASAs are not directly reduced by the same percent as the general pool, but are still limited by the phasedown
    - Methodology used to allocate ASAs is different from allocation for general pool allowances
- Like general pool allowances, ASAs are ultimately expended for production and import. ASAs can be "conferred" to suppliers who produce or import the HFCs on behalf of application-specific entities
- EPA does not require allowances for domestic HFC use or purchase

2026 HFC Consumption Allowances by Entity:
181,448,413.5 MTEVe



Biannual Reporting Requirements

- **Who must report:**
  - Current ASA holders and other entities requesting ASAs for the first time
- **When reports are due:**
  - Twice per year on January 31 and July 31 each year for all ASA holders
- **Required documentation:**
  - Copies of sales records, invoices, or other records documenting the reported quantity acquired
  - Documentation that verifies the quantity of each HFC held in inventory
  - Copies of invoices, purchase orders, or other records documenting the reported quantity sold, returned, or conveyed to another entity
  - If requesting additional allowances for unique circumstances, verifiable documentation that supports the additional need
- **Full list of reporting requirements** at 40 CFR 84.31(h)
- Must submit ASA biannual report by July 31 to be considered for calendar year (CY) 2027 ASAs

Other ASA Reporting Requirements – Auditing

- All ASA holders are subject to annual third-party auditing of their previous year's reports
  - Audits were due May 31, 2026, for CY2025 data, including for new ASA holders who first received allowances for CY2026
- ASA holders must keep invoices, and auditors must review original purchase documentation
- Failure to comply with reporting requirements, including the auditing requirements, may result in the Agency pursuing administrative consequences and/or enforcement action
- If your auditor identified discrepancies in your reported data, EPA will reach out to you about re-submitting reports
  - A CPA's finding may not always warrant revision to reported data, so please contact EPA at HFCAllocation@epa.gov if you have questions about whether you should re-submit a report

ASA Rule Update

- Final Rule was published August 26, 2025 (90 FR 41676)
- Summary of updates:
    - Renewed ASA eligibility through 2030 for MDIs, SCPPU foams, semiconductors, mission-critical military end uses, and onboard aerospace fire suppression
        - Defense sprays are no longer eligible as of CY2026
    - Revised the existing ASA allocation methodology
    - Established a set-aside of allowances for unique circumstances related to medical conditions treated by MDIs
    - Established a petition process for designating an application as eligible for ASAs

ASA Allocation Methodology and Recent Changes

- Historical use (rule changes in **bold**)
  - For most entities, allowances calculated by multiplying the entity or application-wide (whichever is higher) average annual growth rate (AAGR) over the prior three years of HFC use by the amount of HFCs used during the prior year
  - **If the entity meets certain criteria, including irregular purchase history and small purchasers, EPA will instead allocate allowances equal to the highest use during the past three years**
  - Prior to CY2026, HFC use was based solely on amounts purchased; **to calculate use, EPA will account for annual inventory buildup and drawdown and material sold or returned**

- Future needs (rule changes in **bold**)
  - EPA will continue to allocate additional allowances beyond the amount calculated based on historical trends through any verified unique circumstances
  - **EPA added one new unique circumstance**: **building up a stockpile of a specific regulated substance in the event of a production cessation**
  - **EPA modified an existing unique circumstance to include healthcare system needs**

Allocation eligibility is based on historical use + future needs

Allocation Methodology and Recent Changes, Continued

- To account for purification losses, EPA adds 10% to the calculated allocation for semiconductor ASA holders
- **EPA now requires companies to specify their total allowance request**
  - EPA will allocate up to that level if the company is eligible based on use history and unique circumstances
- All changes are reflected in the new biannual reporting form, now available in HAWK and on the EPA website

Requesting Unique Circumstances

- Additional allowances will be considered if at least one of the following unique circumstances apply:
  - Demonstrated manufacturing capacity coming online
  - The acquisition of another domestic manufacturer or its manufacturing facility or facilities
  - A global pandemic, other public health emergency, or other healthcare system need that increases patients diagnosed with medical conditions treated by metered dose inhalers
  - Buildup of stockpile in the event of a production cessation
- Requesting additional allowances due to unique circumstances:
  - Fill out Section 6 of the biannual report, specifying which unique circumstance(s) is relevant
  - Provide the <u>additional</u>, not total, quantity of each HFC needed in the following calendar year
  - Submit supporting documentation to verify the unique circumstance, including a cover letter with clear explanations of how the documents support the request
  - Complete Section 7 of the biannual report to further EPA's understanding of your total projected need for HFCs
- See EPA's unique circumstance request instructions for more information: https://www.epa.gov/system/files/documents/2026-07/unique-circumstance-request-instructions_july-2026-1-1.pdf

Requesting Unique Circumstances – Review Timeline

July 31

Allowance holders and prospective allowance holders submit requests as part of biannual report

→

August-September

EPA conducts review, reaching out to requesters as needed

→

October 1

EPA issues allowances for the following calendar year

Requesting Unique Circumstances – Acceptable Documentation

Acceptable as Stand-alone Documentation	Helpful but Require Additional Documentation
• Copies of permits or other documents to clarify when a new line or facility is opening • More recent sales numbers to document growth in sales of metered dose inhalers resulting from a public health emergency • Purchase and sale agreements for facilities where a new product will be manufactured • Recent invoices for equipment or capital tool purchases • Proof of additional shifts or staff added • SEC filings documenting facility acquisitions or expansions • Agency communications and/or approval letters for new products or product modifications • Press releases announcing a particular MDI product leaving the market, in addition to third-party data on market share and product use growth	• Letters describing additional need • Press releases • Internal growth forecasts

Requesting Unique Circumstances – Acceptable Documentation

- For unique circumstance “stockpile buildup due to production cessation” requests, see requirements at 40 CFR 84.13(b)(1)(iv)
- While all unique circumstance documentation is treated as Confidential Business Information (CBI), EPA encourages companies to redact any proprietary or otherwise sensitive information if necessary
- Please check with EPA if you have other forms of documentation in mind

Requesting Unique Circumstances – Common Reporting Mistakes

- Requesting for projected demand instead of requesting additional allowances due to concrete changes occurring at a facility that support the increased demand
- Insufficient supporting documentation, for example:
  - Projected or historical sales/demand numbers without documentation showing concrete actions taken to support growing sales/demand
- Continued requests for the same unique circumstance without explanation, updates, or documentation
  - Reporters should provide an explanation for why the unique circumstance request is still relevant, any updates, and provide the required supporting documentation
- Missing supporting documentation
  - Failure to provide EPA with complete reports and all required documentation to verify those reports may prevent EPA from being able to issue allowances to your company

Requesting Unique Circumstances – Example Request 1

- **Unique Circumstance:** Acquisition of another domestic manufacturer or its manufacturing facility or facilities
- **Scenario:** A semiconductor allowance holder acquired a domestic manufacturing facility previously operated by a different semiconductor allowance holder entity
- **Supporting Documentation:**
  - Facility-level historical usage data at the acquired facility
  - Securities and Exchange Commission (SEC) Form 8-K
- **Likely Outcome: Approval**

Requesting Unique Circumstances – Example Request 2

- **Unique Circumstance:** Public health emergencies or healthcare system needs related to increased MDI demand
- **Scenario:** An MDI allowance holder is requesting additional allowances to meet increased MDI demand for the upcoming calendar year
- **Supporting Documentation:**
  - Internal forecasts
- **Likely Outcome: Request for additional documentation**, such as public health declarations and third-party industry data indicating increased MDI demand or invoices for new manufacturing equipment to support the increase in demand

Requesting Unique Circumstances – Example Request 3

- **Unique Circumstance:** None
- **Scenario:** An allowance holder is requesting additional allowances to reduce risk against potential uncertainty in the next year
- **Supporting Documentation:**
  - A news article describing potential tariffs in the next year and an explanation that this may affect the allowance holder's ability to procure HFC material
- **Likely Outcome: Rejection**

Calculating Allowance Amounts

- How will EPA determine allowance amounts for CY2027?
  - **Step 1: Calculate Historical HFC Use and Entity AAGR –**
    - EPA will calculate HFC use for each "year"* using the following formula:

$$Purchases_{Year\ x} - (Inventory_{Year\ x} - Inventory_{Year\ x-1}) - Sales_{Year\ x}$$

    - EPA will calculate an AAGR for each entity based on verified HFC use between July 2023 – June 2026 using the following formula:

$$\frac{\left(\frac{HFC\ Use\ in\ Year\ 2}{HFC\ Use\ in\ Year\ 1} - 1\right) + \left(\frac{HFC\ Use\ in\ Year\ 3}{HFC\ Use\ in\ Year\ 2} - 1\right)}{2}$$

* Year 1 = July 1, 2023 – June 30, 2024; Year 2 = July 1, 2024 – June 30, 2025; and Year 3 = July 1, 2025 – June 30, 2026. Total HFC purchases, inventory, and sales are summed in kilograms.

Calculating Allowance Amounts, Continued

- **Step 2: Calculate Application-wide AAGR** – EPA will calculate an AAGR for each application using verified use data between July 2023 – June 2026 from all entities in each application

- **Step 3: Compare Calculated AAGRs** – EPA will determine whether the individual AAGR or the application-wide AAGR is higher

Calculating Allowance Amounts, Continued

- **Step 4: Calculate Preliminary Allocation** – EPA will use one of three formulas to determine the preliminary allocation, depending on a company's purchase and use history:
  - **Regular HFC users** have confirmed annual purchases and use in all years

$$\text{Regular User Preliminary Allocation} = (1 + AAGR) * (HFC\ Use\ in\ Year\ 3)$$

  - **Irregular HFC users** have at least one year with zero purchases or use, an AAGR greater then 200% and purchases less than 100 kg in at least one year, or a Year 3 usage less than 33% of Year 2 usage. **Small HFC users** have purchases of less than or equal to 100 kg in all three years

$$\text{Irregular or Small User Preliminary Allocation} = MAX(HFC\ use\ in\ Year\ 1, HFC\ Use\ in\ Year\ 2, HFC\ Use\ in\ Year\ 3)$$

  - **New HFC users** first started using HFCs within the previous three years

$$\text{New User Preliminary Allocation} = (1 + MAX(App\ AAGR, 0)) * (HFC\ Use\ in\ Year\ 3)$$

Calculating Allowance Amounts, Continued

- **Step 5: Consider Additional Needs** – EPA will also consider companies' requests for additional allowances beyond the amount calculated in prior steps based on verified unique circumstances

- **Step 6: Calculate Final Allocation** – EPA will allocate the lower of the calculated allocation, including additional allowances, and the company's total allowance request

Reporting Best Practices

- **Report as early as possible**
  - Early reporting (before July 31) is greatly appreciated as it provides EPA additional time to thoroughly review your report and contact you in case there are discrepancies, missing documentation, or other issues that need to be addressed
- **Estimate your eligible quantity**
  - Estimate your eligible allocation using the new ASA allocation estimation tool: https://www.epa.gov/system/files/documents/2026-07/hasah-calculator_7.06.2026_0.xlsx
  - *Note: EPA will independently calculate your allocation based on verified data*
- **Cover letter**
  - Describe how the supporting documentation provided can be used to verify reported purchase and inventory data
  - If requesting additional allowances under a unique circumstance, describe how the supporting documentation verifies the request and explain the situation(s) driving the request

Reporting Best Practices, Continued

- **Supporting Documentation**
  - Ensure sufficient information is provided to allow EPA to independently verify reported values
  - Specify the HFC weight per cylinder or unit (e.g., kg)
  - Specify the composition of HFCs contained within each product (if relevant)
  - Failure to provide EPA with complete reports and all required documentation to verify those reports may prevent EPA from being able to issue allowances to your company
  - ***Ensure all submissions, including resubmissions, contain all necessary supporting documentation such that EPA does not need to reference previous submissions to complete report review***
- **Date of Acquisition**
  - Ensure that you use a consistent date (e.g., date shipped, delivery date) when reporting the date when material was obtained
- **Purchase and Inventory Alignment**
  - Ensure that any increase in inventory from the previous reporting period to the current reporting period is not greater than the purchases in the current reporting period
  - Ensure that purchases and inventory are reported using the same date (e.g., if material was reported as purchased during the reporting period but has not yet been received, it should also be reported in inventory)

Reporting Best Practices, Continued

- **Double-check your math**
  - Ensure you use the conversion factor of 0.4536 kg/lb
  - Re-check calculations for total needs
- **Conferral Data**
  - Ensure the reported quantity of material acquired through conferring allowances in Section 2 equals the total quantity of each HFC reportedly received in Section 3
- **Gross vs. Net Weights**
  - Ensure the quantities reported in Section 2 reflect net weights instead of gross weights
- **Regularly Engage with EPA**
  - Reach out throughout the development of your report if you have questions and respond quickly to EPA requests

Frequent Questions

- Do we need ASAs to buy or use HFCs?
  - No, allowances are required for the production or import of HFCs. End users purchasing HFCs from domestic suppliers do not need to hold these allowances themselves at the time of purchase or use.
- How do we use our ASAs to acquire HFCs?
  - ASA holders can “confer,” or shift, their ASAs to a supplier to produce or import HFCs for the ASA holder’s use. ASAs may be re-conferred as many times as needed through the supply chain until they reach the producer or importer of the HFCs.
- Are we penalized in any way if we don’t use our allowances?
  - No, there are no penalties for unused allowances. However, allowances cannot be expended, transferred, or conferred after December 31 of the year for which they were issued.

Frequent Questions, Continued

- What happens if we don't get enough allowances for the year?
  - If you do not receive enough ASAs, you may acquire additional HFCs by purchasing HFCs directly from a domestic supplier or other end user, or by obtaining allowances from an existing allowance holder through an allowance transfer.

    Note: There is an offset required for all allowance transfers.
- Why did we get fewer allowances than last year?
  - EPA calculates allowances based on the most recent data including historical usage, application growth, and unique circumstances. If your HFC activity decreased in recent years, your allocation could decrease compared to your most recent year's purchases.

Frequent Questions, Continued

- Why didn’t we get our full total request?
  - EPA bases eligible allowance allocations on verified historical data, entity/application growth rates, and additional needs based on unique circumstances. If your documentation was incomplete or your usage has declined, your allocation could be reduced if the amount you were eligible for was lower than your total request
- What if we don't intend to purchase any HFCs next year?
  - If you have determined that you do not intend to purchase HFCs or you do not need allowances in the next year, you can mark 0 in your July ASA report Section 7 "Total Expected HFC Purchases for the Next Calendar Year." However, ASA biannual reporting requirements due January 31 and auditing requirements due May 31 still apply in the next year.

Resources

- Regulatory Actions for Allowance Allocation and Reporting: https://www.epa.gov/climate-hfcs-reduction/regulatory-actions-allowance-allocation-and-reporting
- HFC Reporting and Recordkeeping Resources: https://www.epa.gov/climate-hfcs-reduction/reporting-and-recordkeeping-resources
  - Reporting Forms
- HFC Allocation Rule Reporting Resources: https://www.epa.gov/climate-hfcs-reduction/hfc-allocation-rule-reporting-resources
  - Webinar Presentation Slides
  - Reporting Instructions
- Access HAWK through EPA's electronic Greenhouse Gas Reporting Tool (e-GGRT): https://ghgreporting.epa.gov/
- Reach out if you would like to schedule a consultation: HFCAllocation@epa.gov

Questions?

Reminders

- Unless called to speak, please keep your speaker on **MUTE**
  - If joining by phone unmute by entering ***6**
- During Q&A session:
  - Raise your **HAND** to ask to speak
  - Open **CHAT** to submit questions or ask to speak
  - Please indicate your **NAME** and **AFFILIATION**
  - Please be mindful of time to allow others opportunity to ask questions or speak
- If your internet connection is unstable, turning off your **VIDEO** might help