

EU F-Gas Regulation Guidance

Information Sheet 18: F-Gas Wholesalers

Target audience for this Information Sheet

This information sheet is aimed at wholesalers of bulk F-Gases and of equipment pre-charged with HFC refrigerants.

1. Background

This guidance is for organisations affected by the 2014 EU F-Gas Regulation (517/2014). The F-Gas Regulation creates controls on the use and emissions of fluorinated greenhouse gases (F-Gases) including HFCs, PFCs and SF₆. The 2014 EU F-Gas Regulation replaces the 2006 Regulation, strengthening all of the 2006 requirements and introducing a number of important new measures.

F-Gas wholesalers play an important role in the UK F-Gas supply chain. Most wholesalers sell F-Gases in small cylinders (e.g. 15 kg or 60 kg cylinders) or drums, supplying these for technicians carrying out installation and servicing work for end users. The biggest wholesale markets are in the refrigeration, air-conditioning and heat pump sectors. Wholesalers usually purchase F-Gases from “packer-filler” companies that purchase bulk supplies and then blend and re-package the gases into small cylinders.

Wholesalers need to be fully aware of the HFC phase down process in the 2014 F-Gas Regulation. They also need to be aware of new obligations regarding the sale of bulk F-Gases to contractors and other users. There are also new rules about the sales of certain types of equipment pre-charged with HFCs. These issues are discussed in this Information Sheet. Further details about the rules related to the screening of customers prior to sale of bulk F-Gases are given in Information Sheet 19.

A wide range of further guidance is available for other aspects of the EU F-Gas Regulation – see Information Sheet 30 for a full list and a glossary of terms.

2. The HFC Phase Down Process

A key feature of the 2014 F-Gas Regulation is the introduction of a phase down in the quantity of HFCs than can be placed on the EU market. The proposed phase down will lead to a 79% cut in current levels of HFC sales by 2030. This is a very significant cut and requires strong controls on the companies that place bulk supplies of HFCs on the EU market.

The phase down process is described in detail in Information Sheet 28. Key features are:

- a) The phase down is based on a series of cuts in supply from a baseline, which is the average reported consumption of HFCs on the EU market during the years 2009 to 2012.
- b) It is a phase down not a phase out. 21% of baseline can be placed on the market after 2030.
- c) It is “GWP¹-weighted”, encouraging the rapid phase down of high GWP HFCs.
- d) A quota system has been introduced to control HFC sales in the EU market.
- e) There are a number of exemptions from the phase down.

¹ GWP, Global Warming Potential: see Information Sheet 25 for details about GWP

3. Who can produce or import HFCs for the EU Market?

The HFC phase down mechanism only allows organisations with an HFC quota to produce or import HFCs for placing on the EU market. The European Commission allocates the quotas.

Incumbent Quota Holders

For 2015 to 2017, 89% of the HFC quota was allocated to those companies that produced or imported HFCs in the baseline period, 2009 to 2012. These are referred to as “incumbent quota holders”. There are 79 incumbents, although the incumbent quota allocations are dominated by just 5 companies that produced or imported most of the HFCs in the baseline period.

New Entrant Quota Holders

11% of the HFC quota is allocated to new entrants. The new entrant amount for 2015 was heavily over-subscribed – in 2015 there are 334 new entrants. Most will receive an equal quota of around 65,000 tonnes CO₂e. The physical amount of gas that this equates to depends on the GWP of the HFC being imported. For HFC 404A it is around 16 metric tonnes.

4. Where will wholesalers purchase HFCs?

Wholesalers will need to purchase HFCs placed on the market by a quota holder. Most packer-fillers will hold a small quota, but they will need to purchase most of their supplies from the 5 major incumbent quota holders or their intermediaries.

Wholesalers need to check their sources of supply:

- If you are purchasing directly from a quota holder, you should get written confirmation that the HFCs being supplied are from the supplier’s HFC quota.
- If you are purchasing from a non-quota holder (e.g. a packer-filler), wholesalers should request written confirmation from their suppliers that the HFCs being supplied have been placed on the market from within the EU quota mechanism.

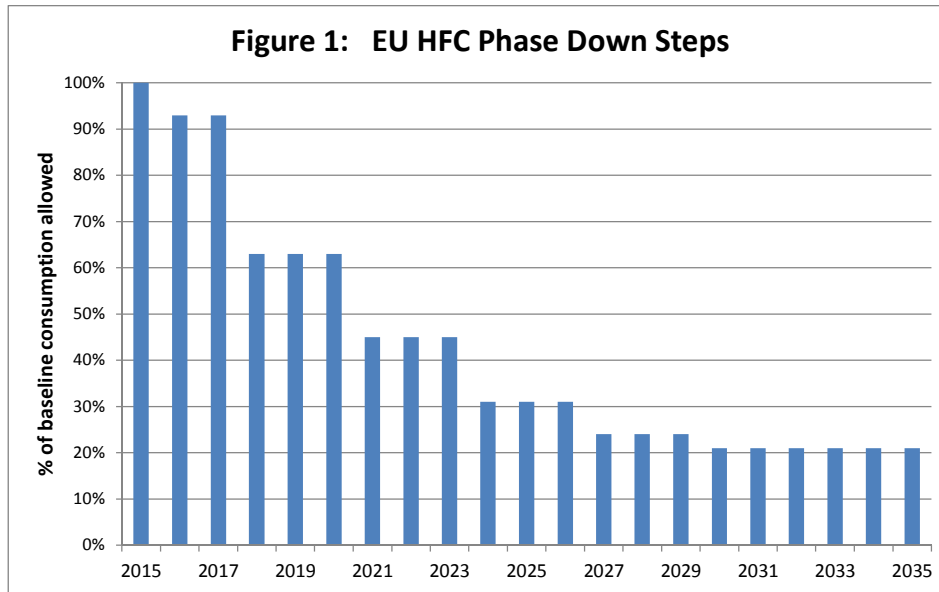
From January 1st 2015 it will be illegal to import HFCs from outside the EU without an HFC quota.

5. The Annual Maximum Allocation

It is important that wholesalers are aware of the HFC phase down steps and the possible impact that will have on HFC availability and price.

The quantity of HFCs that can be placed on the EU market each year is defined as a percentage of the baseline amount, as listed in Annex V of the Regulation. The baseline amount is 183 million tonnes CO₂ equivalent (based on the average annual amount reported to have been placed on the market for the period 2009 to 2012). In 2015 the market will be capped at 100% of this amount. In 2016 only 93% of the baseline can be placed on the EU market. Following a series of cuts, the amount available from 2030 will be 21% of the baseline amount.

The phase down steps are illustrated in Figure 1. In the first 3 years (2015 to 2017) the cuts are modest. The first big cut is in 2018 – this could create supply shortages and high prices. This cut will strongly encourage users of very high GWP HFCs such as HFC 404A to use lower GWP alternatives.

Figure 1: HFC Phase Down Steps

6. Rules for the sales of bulk HFCs by wholesalers

NEW: Customer Screening

Wholesalers will need to set up new systems to ensure that they comply with new rules about checking customer certification and record keeping. The Regulation requires that:

For the purposes of carrying out the installation, servicing, maintenance or repair of equipment that contain F-Gases, bulk supplies of F-Gases shall only be sold to and purchased by undertakings that hold the relevant certificates or attestations.

It is important that wholesalers understand the implications of this requirement and put appropriate procedures in place to comply with them. The Customer Screening process is described in detail in Information Sheet 19.

NEW: Record Keeping

Linked to the responsibility to check that purchasers are properly certificated is a new requirement to keep records about F-Gas sales. For each customer, a wholesaler must establish records of:

- a) Certification details (including certificate number and expiry date)
- b) The quantities of F-Gases purchased

To facilitate compliance with the screening and record keeping requirements wholesalers need to identify what a buyer intends to use F-Gases for and obtain the relevant certification details. The record keeping requirements are described in detail in Information Sheet 19.

7. Rules for the sales of pre-charged equipment by wholesalers

NEW: Wholesalers that sell equipment pre-charged with F-Gases, such as split system air-conditioning units, must comply with new controls introduced to ensure that such equipment is properly installed. This is to prevent DIY installation by unqualified individuals.

The Regulation requires that: *Non-hermetically sealed equipment charged with F-Gases shall only be sold to the end user where evidence is provided that the installation is to be carried out by an undertaking certified in accordance with Article 10.*

This rule applies only to pre-charged equipment that requires assembly or connection of components in the F-Gas circuits, such as split system air-conditioning, VRV air-conditioning or condensing units for refrigeration. It does not apply to hermetically sealed systems such as integral retail refrigerators or mono-block heat pumps.

An “*undertaking certified in accordance with Article 10*” means a contractor holding an F-Gas handling certificate and a Company Certificate. The phrase “*where evidence is provided*” will depend on the customer type:

- If the equipment is being purchased by an installation contractor, then the evidence required is their F-Gas Company Certificate. All contractors carrying out installation of the types of pre-charged equipment described above must have a Company Certificate. This applies to sole traders as well as limited companies. A contractor screened for purchase of bulk F-Gases will automatically be suitable for this requirement.
- If the equipment is being purchased by an end user or a 3rd party on behalf of an end user (e.g. a facility management company), they must provide a “Letter of Assurance” confirming that they will ensure that the installation will be carried out by someone with a suitable F-Gas handling certificate. The letter should state that the buyer is aware that the equipment being purchased must be installed by a qualified technician and give an assurance that the work will be done either by:
 - a) In-house staff with the relevant F-Gas personnel certificate or
 - b) By a contractor holding an F-Gas Company Certificate.

8. Exemptions from the HFC Phase Down

It is worth noting that there are a number of exemptions from the phase down quota system. HFCs sold for exempt applications do not count as part of the sellers’ quota. These exemptions include:

- a) HFCs imported into the Union for destruction
- b) HFCs used by a producer in feedstock applications or supplied directly by a producer or an importer to undertakings for use in feedstock applications
- c) HFCs supplied directly by a producer or an importer to undertakings, for export out of the EU where those HFCs are not subsequently made available to any other party within the EU, prior to export
- d) HFCs supplied directly by a producer or an importer for use in military equipment
- e) HFCs supplied directly by a producer or an importer to an undertaking using it for the etching of semiconductor material or the cleaning of chemicals vapour deposition chambers within the semiconductor manufacturing sector
- f) from 1st January 2018 onwards, HFCs supplied directly by a producer or an importer to an undertaking producing metered dose inhalers for the delivery of pharmaceutical ingredients
- g) Imports of less than 100 tonnes CO₂e per year are allowed outside of the quota mechanism. This is a very low threshold, equivalent to approximately 25 kg of HFC 404A.

The exemptions (c) to (f) apply to direct sales by a producer or importer to an exempted end user. The sales cannot be via 3rd parties in the HFC supply chain. This means that wholesalers cannot make sales related to these exempted activities unless (a) they import the relevant F-Gas themselves or (b) they sell F-Gas supplied from within the EU quota.

Reclaimed and recycled refrigerant

The quota system only applies to production and import of virgin HFCs. HFCs recovered from equipment that is reprocessed to create reclaimed or recycled HFC can be sold outside of the quota system.

Reclaimed HFCs can be used for any purpose. Recycled HFCs must always be used with care as they may be contaminated or of unknown composition. The use of recycled refrigerant with a GWP above 2,500 is restricted to either (a) the organisation owning the plant from which the gas was recovered or (b) the organisation that carried out the recovery.

9. Exports of Bulk HFCs and Pre-charged Equipment

Exports of bulk HFCs are outside the EU quota mechanism. If a quota holder exports some of their product, it does not count as placing on the EU market. If a quota holder sells HFCs to a 3rd party (including a wholesaler) who then exports the bulk gas, the gas need not come from the supplier's quota, providing the exporter informs the quota holder about the amount exported and reports the exports to the European Commission in an annual data return².

Exports of pre-charged equipment manufactured in the EU are included within the quota system. This means that HFCs used by an EU manufacturer of pre-charged equipment must be purchased on the EU market from the quota system.

There is a customs procedure available (inward processing relief) that might allow an EU equipment manufacturer to import HFCs outside of the quota mechanism, providing it is identified as gas that is to be used to charge equipment that will be exported.

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This Information Sheet has been prepared by Gluckman Consulting

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² All bulk F-Gas exports over 100 tonnes CO₂e per year must be reported under the rules given in Article 19 of the Regulation. This is a low threshold e.g. for HFC 134a it is 70 kg.