

BRIEF NOTE ON T1 TRANSIT PROCESS IN ILLEGAL HFC TRADE

INTRODUCTION

The T1 Transit process is designed to facilitate the transportation of non-EU goods to its final destination, either in the EU or a non-EU member state.

Using the Customs Transit procedure allows for the temporary suspension of duties, taxes and commercial policy measures that are applicable at import. As such, it allows customs clearance formalities to take place at the point destination rather than at the point of entry into the customs territory.

HFCs are primarily refrigerant gases that are controlled under the EU F-gas Regulation (517/2014)¹ and subject to a phase-down mechanism that requires importers to have quotas for placing the products on the EU market. The reductions in the HFC quotas available has led to the illegal imports of HFCs causing major damage to legitimate importers who have built infra-structures to handle and supply the gases and cylinders, as well as environmental damage.

EFCTC believes that the T1 Transit procedure is being misused and exploited to enable illegal trade in HFCs in the EU².

This is backed up by:

- 1) An EFCTC analysis of Independent data that shows that reported Chinese exports of HFCs to the EU exceeded declared EU imports of HFCs into EU Member States by 34 million CO₂ tonnes equivalent in 2018 and 2019 combined (approximately 15,000 metric tonnes of HFCs)
- 2) Analysis by the EU Anti-fraud unit, OLAF, indicates considerable quantities of HFCs entering the EU under T1 Transit particularly in border countries such as Croatia and Romania
- 3) Analysis and tracing of T1 Transit shipments by the EFCTC Investigative Agency, Kroll
- 4) Seizures of products in EU ports by National Enforcement authorities.

¹https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.150.01.0195.01.ENG

² For example, the transit procedure is not completed (the goods are placed on the market without official release for free circulation and without payment of any import duties), or the procedure is closed without adequate verification (goods are off-loaded in transit, and procedure closed with the goods reported as having left the EU Customs territory).

EFCTC RECOMMENDATIONS

EFCTC has developed a number of short- and longer-term recommendations to improve the T1 Transit system for HFCs. These include:

Recommendation 1: EFCTC recommends an amendment to the F-gas Regulation that would make it mandatory for consignees of T1 to register in the F-gas Portal (HFC Registry) or in a separate registry set up especially for F-gases not cleared for free circulation, thus receiving a profile ID. This profile ID shall be mentioned on the TAD so that customs can check the consignees' company details.

Recommendation 2: EFCTC recommends an amendment to the regulations, in either the Customs Code or the F-gas regulation, that would assign the consignee as the mandatory holder of the T1-procedure, and hence the "responsible party" during the full procedure.

Recommendation 3: EFCTC recommends that a limited number of ports/Customs Offices are formally designated for the release into free circulation and transit of environmentally sensitive goods such as F-gases. Such Ports/Customs offices can then be equipped with appropriate equipment to assist the identification of illegally imported products.

Recommendation 4: An amendment to the Customs Code will make it mandatory to include the six-digit commodity code in the Transit Accompanying document (TAD) at the end-2021. This will facilitate the adequate surveillance of risk sensitive products (In the meantime, EFCTC recommends Customs to request the consignor to include the commodity code voluntarily in the Transit Accompanying document (TAD) until it becomes compulsory with the implementation of NCTS phase 5.

Recommendation 5: EFCTC recommends that it becomes mandatory for national Customs Offices to require a guarantee for all HFCs entering the EU under the T1 Transit procedure at the highest level permissible in the legislation.

Recommendation 6: EFCTC recommends that Customs offices use version 5 of the NCTS to trace the movement of HFCs that have been imported under the T1 Transit procedure between Member States prior to their re-export.

About EFCTC

The European FluoroCarbons Technical Committee is a Cefic Sector Group that monitors legislation related to HFCs (hydrofluorocarbons), and HFOs (hydrofluoro-olefins) in the EU and at global level. Fluorocarbons are used as feedstock, as refrigerants, as solvents and as blowing agents for insulation plastic foams.

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Disclaimer: The present position paper represents the views and opinion of the EFCTC Sector Group, not necessarily of Cefic as a whole.

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