

Briefing Paper for Minister Parker, Minister for the Environment

On behalf of the HFC Phase-down committee, we wish to thank you for making contact and for the opportunity to meet. We strongly endorse the Kigali amendment and support the proposals made to date however there remain some significant unaddressed issues that present risk to NZ's ability to achieve its objectives under Kigali, which we wish to highlight today.

The HFC Phasedown committee was formed by the below-mentioned 4 industry associations to provide Government with a representative body for consultation and to help industry work with Government to address issues with the draft proposals for HFC phasedown.

We have addressed the issues below already to Ministry officials and the Select Committee, but we are not confident that they are being addressed appropriately and so remain concerned.

Issue 1 : Import of Equipment Pre-charged Equipment with Refrigerant

Despite repeated approaches to MfE, the issue of import of pre-charged units has largely been ignored. The Montreal Protocol only covers bulk refrigerant. Figures from ETS show volume of pre-charged equipment imported into NZ at the border is substantial (500,000 units in 2016/2017). This represents in excess of 47% of the refrigerant crossing the border

With the phase-down of bulk refrigerant imports there is a real risk of an increase of refrigerant entering the country in pre-charged equipment undermining the environmental benefit from the phase-down. There is also a real risk that the refrigerant imported in pre-charged equipment could be the high GWP refrigerants we are phasing out, further undermining our environment agenda.

In the National Interest Paper MfE claim the costs are not substantial. With retro-fitting refrigerants there is a cost as "like for Like" may not be available (Refer Supplementary paper 2). Industry may look to avoid drawing on the bulk refrigerant pool through moving to pre-charged units or installing refrigerants not designed for the original plant.

Concerningly, there is a real risk of counterfeit refrigerant (already seen in NZ) being supplied in pre-charged units. This introduces additional potential health and safety risks.

Solution : The controls should include climate impact import caps (targets) to ensure that pre-charged imports are required to move to low-GWP technologies, in a similar pattern to the bulk phase-down under Kigali.

Issue 2 : Health & Safety / Training Implications with Introduction of Low -GWP Refrigerants

There are, inherent safety risks to the introduction of low-GWP refrigerants, from the higher toxicity and flammability characteristics or the substantially higher pressures they operate at. The scale of phase-down, raises the potential for shortages of current refrigerant to support existing equipment that has not reached the end of its economic life and unfamiliarity with the application of these more volatile "new synthetic " or natural refrigerants will see the potential for operational shortcuts and serious harm with the current unregulated industry.

We have already seen a catastrophic incident in NZ and internationally accidents with increased presence of low-GWP refrigerants are proliferating. Without effective training for all in NZ, inexperienced technicians installing and servicing equipment with these volatile refrigerants will result in accidents and danger to both technicians and the public.

The value a mandatory credential will bring, will outweigh the risks associated with the current inadequate framework and insufficiently trained workforce in a low-GWP environment.

Solution : MBIE and Worksafe have been working closely with our industry and other affected parties to progress a mandatory Industry Credential. Whilst it is early days in the consultation and development process, our industry is committed to ensuring the relative health & safety implications are mitigated with its introduction.

Issue 3 : Recycled HFC's

There are no proposed controls on export of used HFCs. Currently the most used HFC exports are for destruction. However, there is an opportunity for exporters to gain commercial advantage at a cost to the Crown by exporting used HFCs and claiming the ETS credit. This credit can then fund other activities, including reprocessing in another country. Exporting used HFCs for use outside NZ, does not reduce the environmental impact, but shifts it to another country whilst being funded by NZ.

Solution: To meet the underlying objective of the protection of the environment, there should be controls, or a ban on the export of used HFCs for reuse.

Issue 4: Product Stewardship

The Refrigerant Recovery Product Stewardship scheme takes responsibility to collect and destroy used SGG refrigerants in an environmentally acceptable manner. To fund the scheme, it collects a voluntary levy from importers on bulk refrigerant imports. Of the 22 importers registered with ETS however only 9 are collecting the levy. Those who currently don't participate are getting 'a free ride', taking profit from their non-payment of levy and of critical concern in avoiding levy they create a real risk that Refrigerant Recovery will not be able to fund the collection and destruction to the end of life for SGG's. As all synthetic refrigerants have climate impact potential all importers must participate and take responsibility to support end of life destruction.

Solution: Government must support mandatory product stewardship of all refrigerants entering NZ to ensure NZ can be confident it will be able to collect and destroy SGG refrigerants without seeking public funds.

Additional Issues :

Reporting of Imports

The import of refrigerants not covered under the Kigali Amendment, such as HFOs and HCs, should be tracked and accounted for. This would provide valuable data on the effectiveness of the transition to lower climate impact refrigerant and manage the change if necessary.

Phase-out Dates for high-GWP HFC's

The effect of the ETS, penalising high GWP refrigerants, will continue to influence market decisions, especially if the value of carbon units continues to rise. However, there will always be those users, due to the scale of their business, who resist the capital expenditure needed to shift to lower GWP alternatives. Phase-out dates (bans) for the use of high GWP refrigerants, such as R404A and R507 etc. in new systems and for servicing existing systems, will send a clear message to the market place that users need to make provision for change.

In Conclusion

The issues raised present risks to NZ's achievement of its objectives under Kigali along with other unintended consequences. Now is the right time to develop the solutions to these problems whilst the subject is a focus of attention. We remain ready and would be pleased to consult further with the relevant government agencies to develop appropriate regulatory responses to these issues.