Council of the European Union
General Secretariat

Interinstitutional files:
2022/0099 (COD)

Brussels, 01 March 2023

WK 2963/2023 INIT

LIMITE

ENV
CLIMA
CODEC

PUBLIC

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CONTRIBUTION

From:	General Secretariat of the Council
To:	Working Party on the Environment
N° Cion doc.:	ST 8042 2022 INIT + ADD 1-5
Subject:	F-gases Regulation: Joint non-paper by eleven delegations

Delegations will find attached a joint non-paper by BG, EE, EL, HU, LT, LV, MT, PL, RO, SI and SK on the F-gas Regulation.

Joint non-paper by Bulgaria, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia on the F-gas Regulation revision

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We welcome the Commission's proposal for a revised regulation on fluorinated greenhouse gases, as well as the work undertaken so far by three EU Presidencies (FR, CZ and SE) on that matter.

We highlight the need of developing an ambitious – but at the same time pragmatic – scenario aiming at a realistic phase-down of HFCs and the limitation of the number of equipment containing high GWP HFCs entering the EU market. We also support the enhancement of measures preventing illegal activities related to F-gases.

At the same time, we need to ensure that the ambition level would not hamper the EU economy and would be counterproductive regarding to the EU Green Deal, which is the prevailing agreement aiming at achieving the EU climate objectives in the next decades. Based on that principle we have three main recommendations:

HFC phase-down schedule - Member states are not in an equal position in their investment capacity moving away from HFC-s, therefore a balance should be sought between more and less ambitious MS-s. **We need to agree on the HFC phase-down schedule that would be feasible and affordable for all Member States and would not disturb the EU economy.** We need to give more time for companies to adapt and exchange their technology. **We see that the schedule proposed earlier by the CZ PRES is something we should discuss further;**

Placing on the market bans in Annex IV - it is essential to distinguish between theoretical availability and physical availability on different MS markets. Demand for heat pumps will grow and there is more time needed to meet the demand. Again, **we suggest that we should look back at the dates proposed by the CZ PRES;**

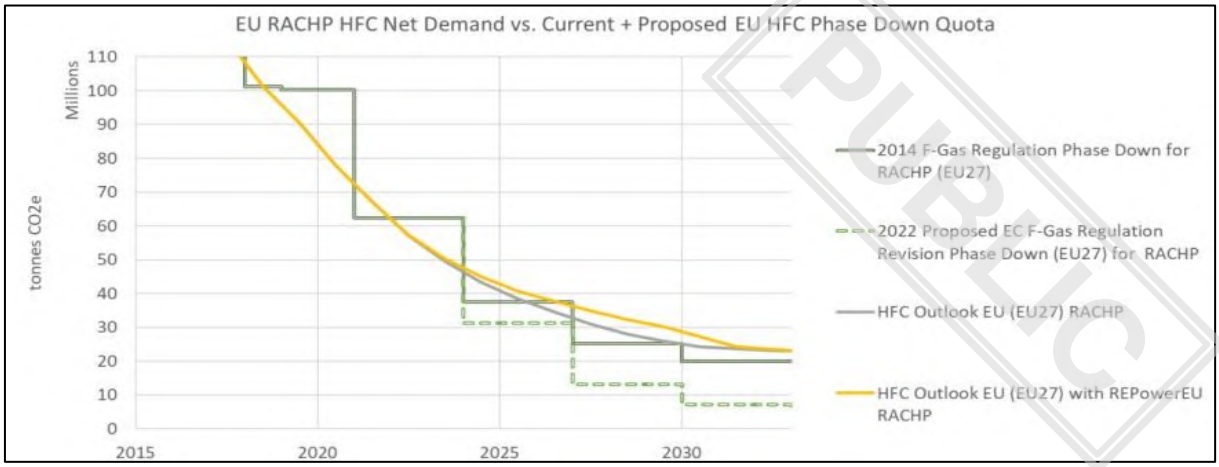
HFC quota price. **We support the lowest possible quota fee for HFCs (max 2 euros)** to avoid excessive price increases for the end users.

Detailed justification of our recommendations is presented below:

(1) HFC phase-down schedule in Annex VII

The EPEE analysis (see the figure below) shows that due to the great increase in the supply of equipment containing HFCs in recent years (especially heat pumps containing R-410A or HFC-32) the demand for servicing that equipment would grow very fast and the phase-down schedule proposed by the Commission/SE PRES is not achievable.

Analysis published by EPEE[1] – see below:



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Taking into account the forecast presented above we cannot accept the phase-down schedule proposed by Commission/SE PRES.

At the same time, we may agree with the phase-down schedule proposed by CZ PRES, but even that proposal seems very risky due to the increasing demand for servicing.

Based on the data available in the electronic database run in PL, total amount of HFCs used in PL in 2021 is 1 900 000 t CO_2 eq. If we assume that the quantity of these gases used for the same purposes in the other MSs per capita is similar and that the population of the EU (450 mln) is ca. 12 times higher than the population of PL (37,5 mln), then the current demand for these gases in the EU would amount to ca. 23 000 000 t CO_2 eq. If we then compare quantities proposed by the Commission/ SE PRES to be available every year in the years 2027-29 (17 688 360) with this demand, the gap and challenges for the RAC&HP sector become visible.

CZ PRES proposal (27 179 180 t CO_2 eq in the same period) is close to that foreseen demand for HFCs with GWP of 150 or higher for servicing/installation/repair/manufacturing of RAC&HP equipment and for other purposes.

In the next period (2030-32) the quantity resulting from Commission/SE PRES proposal is extremely low (below 10 000 000 t CO_2 eq) and therefore totally unacceptable and even the quantity in the CZ PRES proposal (ca. 20 000 000 t CO_2 eq) would probably not be sufficient to meet the demand for HFC-s in that period – see the note below.

Moreover, the demand would only grow in the next decade mainly due to the increased number of heat pumps containing R-410A and HFC-32 that will be installed to replace old means of heating (coal or gas ovens) to meet the REPower EU plan and finally the EU Green Deal.

Finally, the inclusion of metered dose inhalers (MDIs) in the phase-down schedule ignores current market conditions and underestimates the need of ensuring undistorted access to critical medicinal products. With the first lower GWP propellants used for the production of MDIs expected to enter the market by the end of 2025, the current exemption shall in any case remain

[1] https://epeeglobal.org/wp-content/uploads/2022/06/EPEE-Position-Paper-on-F-Gas-Revision-Proposal-June-2022.pdf

in place until the end of 2028 so as to allow for a more gradual phase down of the existing higher GWP propellants necessary for the steady supply of the internal market with essential medicines. Whereas the impact assessment highlighted the emergence of climate-friendly alternatives to the propellant used in MDIs, it does not explain how MDI producers could, within a totally limited time period, overcome numerous entry barriers (in terms of costs, investments, technical readjustments, regulatory requirements etc) in order to rapidly switch manufacturing practices. It, thus, derives from the foregoing that, in lack of other (potential or actual) competitors, a risk of a considerable distortion of competition within the European new MDI product market arises. The consequent reduced variety of MDIs available on the market would increase the risk of shortages and seriously affect patients currently available therapeutic options, which is essential for optimising treatment and clinical outcomes for individual patients. Besides, it shall be further stressed out that a more gradual and progressive phase-down schedule does not in any case endanger alignment with the Montreal Protocol, since it ensures the achievement of the phase-down objectives enshrined in the Protocol, while also providing the industry with the necessary flexibility and reducing the risk of unintended consequences for public health.

Hence: We need to agree on the HFC phase-down schedule that would be feasible and affordable for all member states and would not disturb the EU economy.

(2) <u>Placing on the market bans in Annex IV</u>

We strongly recommend that the dates of placing on the market bans in points:

- 12 concerning stationary self-contained refrigeration equipment (2025)
- 16(b) concerning self-contained AC and HP equipment (2026),
- 18 (b) concerning split AC and HP equipment (2028), and
- 18(c) concerning split AC and HP equipment (2029)

are changed to the dates proposed by CZ PRES, i.e. 2027, 2027, 2030 and 2030, respectively.

We support generally the idea of placing on the market bans introduced along with the phase-down schedule though the suppliers of equipment containing alternative refrigerants must have enough time for preparation for being able to meet the demand that would grow fast if equipment based on HFCs is to be replaced with equipment utilizing alternative technologies. Also, there must be a sufficient number of suppliers of these technologies.

(3) <u>The amount to be paid for quotas in Art. 17(5)</u>

The requirement to pay for quotas allocated to importers will make it difficult for "desk companies" to enter the EU HFC market, but also will favour the biggest players on that market and, if the amount assigned for 1 t CO_2 eq is too high, it may lead to disturbing the businesses run by SMEs because of the need to spend much money upfront.

Also, if the amount to be paid for 1 t CO_2 eq was 3 Euro the market prices of HFCs and related refrigerant blends would increase very significantly – starting from roughly 20% to 78%, depending on the substance– (calculation made by PL RAC&HP industry).

While we do not reject the idea of payment for HFC quotas, we strongly recommend that the payment for quota is max. 1-2 Euro per 1 t CO_2 eq which would be a compromise solution that would not create disproportional treatment of big companies and SMEs.