

PUBLISHED REPLACEMENT EU ACT INITIAL ASSESSMENT OF IMPACT

DSC REF: DSC/01/2024

Published Replacement EU Regulation

Regulation (EU) 2024/573 of the European Parliament and of the Council of 7 February 2024 on fluorinated greenhouse gases, amending Directive (EU) 2019/1937 and repealing Regulation (EU) No 517/2014.

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202400573

This Regulation replaces Regulation (EU) No 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases and repealing Regulation (EC) No 842/2006

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:JOL_2014_150_R_0008

Summary of the EU Regulation

This Regulation lays down specific rules relating to the limitation of emissions of fluorinated greenhouse gases (F-gases). F-gases, if emitted into the atmosphere, have a very high Global Warming Potential (GWP). They are used in air conditioning, refrigeration, heat pumps, electrical switchgear, fire protection equipment and aerosols. The Regulation provides for:

- Certification and training for engineers and companies working with F-gases
- Labelling of products containing F-gases
- Leakage checks and repairs for large products containing F-gases
- Placing F-gases on the market within agreed quotas
- Recovery of F-gases after the use of the product

The Regulation has been successful in reducing the amount of F-gases on the market and the new Regulation seeks to build on that success by introducing stricter rules to limit F-gas emissions and reducing the amount of F-gases on the market.

A key change in the new regulation is to bring metered dose inhalers (MDI) into the quota system. However, the quota for MDIs is ringfenced and protected until alternatives come onto the market in 2026. We are aware that Industry are currently testing alternatives in the expectation that they will be available within this timeframe.

Department(s) Responsible

Department of Agriculture, Environment and Rural Affairs (DAERA).

Initial Assessment of Impact**Does it appear likely that the application of the replacement EU act would have a significant impact specific to everyday life of communities in Northern Ireland in a way that is liable to persist?**

It is not anticipated that the replacement Act will have a significant and persistent impact specific to everyday life of communities in Northern Ireland.

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Does it appear likely that not applying the replacement EU act would have a significant impact specific to everyday life of communities in Northern Ireland in a way that is liable to persist?

Not applying the replacement EU Act could have the following impacts:

- NI fails to meet its obligations under the Climate Action Plan in respect of the carbon budget
- NI fails to contribute to the UK obligations under the Montreal Protocol to reduce F-gas emissions
- UKG are currently reviewing their F-gas regulations. DAERA officials are engaging with Defra officials, mindful of the potential for divergence. However, given EU and UK obligations under the Montreal Protocol, any divergence is likely to be minimal.

UK Government Explanatory Memorandum

The aim of the new Regulation is to align to the EU Green Deal climate ambition ensuring F-gas contribution to this through additional emissions savings, streamline the F-gas Regulation with Montreal Protocol (and the Kigali Amendment) to ensure EU compliance, to enable better implementation and enforcement, improved monitoring and reporting of F-gases and greater coherence and clarification.

Initial analysis of the EU's revised F-gas Regulation highlights that its key proposal is to introduce an ambitious amendment to the current HFC (hydrofluorocarbons) phasedown schedule and end target. We continue to assess the practicalities of its application from a GB/UK perspective to inform thinking for our review of the GB F-gas Regulation given the UK's net zero objective.

The F-gas and ODS (Ozone Depleting Substances) common framework provides the governance arrangements required to support joint working.. While Northern Ireland remains subject to EU F-gas legislation, the Northern Ireland Executive is involved in discussions relating to GB F-gas legislation under the common framework arrangements.

https://assets.publishing.service.gov.uk/media/628b71bde90e071f61322209/EM_8042-22.pdf

Analysis by the European Commission on its Impact Assessment

Emissions from fluorinated greenhouse gases (F-gases) result in climate warming. Preventing such emissions is an important contribution to achieve the EU's climate targets in the European Green Deal and living up to our commitments under the Paris Agreement on Climate Change and the Montreal Protocol on substances that deplete the ozone layer that regulate F-gases. Cost-efficient action at EU level on F-gases will support Member States to reach their national greenhouse gas target under the Effort Sharing Regulation.

Regulation (EU) No 517/2014 on fluorinated greenhouse gases is the EU's main instrument to avoid F-gas emissions and to comply with the Montreal Protocol. F-gases are man-made chemicals that are used for many different purposes, e.g. as refrigerants in cooling equipment and air conditioners including heat pumps, in chemical production, as the propellant in asthma sprays or as insulating materials in electrical transmission equipment or foams in buildings. Emissions occur when the gases are produced, used in products or equipment or when the latter are disposed of.

An evaluation found that the F-gas Regulation reduces emissions considerably and that it works relatively well. However, the Regulation requires more ambition in light of the reinforced EU's 2030 climate target and the goal of reaching climate neutrality by 2050. Furthermore, Montreal Protocol compliance cannot be ensured in the longer term with the current rules. There are also some implementation challenges including the need to stop illegal activities, and some gaps and inefficiencies in monitoring. A review also offers the possibility to enhance the Regulation's clarity and coherence with other policies.

The Commission will propose a revision to the Regulation on the basis of this impact assessment. Three option packages were designed to address the issues identified to a varying extent. Option 1 consists of measures that ensure compliance with the Montreal Protocol and seeks to save additional emissions and improvements that can be done at quite low costs and effort. Option 2 includes, in addition, measures that reduce emissions further and ensure more comprehensive monitoring and control, associated with moderate costs. Option 3

includes all measures considered useful and technically feasible, also including those that may come at a high cost or effort.

Option 2 is the preferred combination of measures. The first option package appears insufficient in the current political context as it fails to save more emissions than the baseline by 2050, despite removing a quantitatively important exemption from the quota system, and the third option package appears too costly compared to the benefits it would generate, i.e. leading to a very high burden for a few sub-sectors while resulting in only few additional emission savings compared to Option 2.

Compared to today, Option 2 will further restrict the quota amount available for placing hydrofluorocarbons on the market each year until 2050, and EU producers and importers will have to start paying for their quota rights. Several types of new equipment will also become subject to F-gas prohibitions (e.g. air conditioning and switchgear) and emission prevention measures are extended. Option 2 will align the Regulation with the Montreal Protocol by removing some exemptions, by introducing a separate production phase-down for hydrofluorocarbons, and by ending trade with non-Parties from 2028. Moreover, specific requirements on customs processes and economic operators will be introduced to prevent illegal activities, while equipment service personnel will be more broadly trained on alternative technologies.

Finally, monitoring and company reporting activities will become both more complete and fit-for-purpose.

Option 2 will save emissions amounting to 40 MtCO_{2e} by 2030 and 310 MtCO_{2e} by 2050 on top of the amount the current Regulation would achieve (i.e. savings of 430 and 1990 MtCO_{2e}, respectively). While some users of equipment will face price increases for hydrofluorocarbons due to stricter quota limits, overall Option 2 will result in cost savings for equipment users in the long run due to energy savings. The administrative costs will increase moderately for industry, Member States and the Commission, notably for measures to align with the international rules and achieve better controls.

In response to the natural gas crisis due to recent geopolitical events, the Commission has proposed to advance the roll-out of heat pumps. While it is important to increase both the energy efficiency and limit the direct F-gas emissions of heat pumps, the quota system in Option 2 provides sufficient margin for this higher growth, even if a slightly slower conversion of small heat pumps to climate-friendly alternatives is considered.

Thus, the phase-down appears coherent with the targets for renewable energy, even if the significantly higher heat pump growth needed in the light of the current natural gas energy crisis and a resulting slightly slower conversion of small heat pumps to climate-friendly alternatives is taken into account.

Stakeholders were consulted extensively. They agree that it is necessary to review the Regulation now and that the review should build on existing measures. Industry, Member States and NGOs, in general, support the measures addressing the implementation challenges and compliance with the Montreal Protocol. Regarding the ambition level for the HFC phase-down and prohibitions, notably related to F-gas use in heat pumps, some industry stakeholders consider that the current Regulation is sufficiently ambitious, whereas innovators and manufacturers of climate-friendly technologies are pushing for stronger policy drivers to market their solutions. The latter is also supported by NGOs and many competent authorities. This is reflected in the three options examined.

<https://data.consilium.europa.eu/doc/document/ST-8042-2022-ADD-3/en/pdf>

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022SC0097>

Departmental Engagement

There is an F-gas and ODS Common Framework and DAERA officials have regular engagement with UKG officials.

The F-gas and ODS Governance Group is attended by Directors from the four UK administrations.

DAERA officials engaged with stakeholders in 2022 to inform them of the requirements under the new regulation.