



Australian Government
Department of the Environment

Government Statement

Improvements to the Ozone Protection and Synthetic Greenhouse Gas Management Programme to achieve emissions reductions and streamline its operation.

Stemming from the Review of the Programme, undertaken by the Department of the Environment, from May 2014 – April 2016.



© Commonwealth of Australia, 2016.



Government Statement is licensed by the Commonwealth of Australia for use under a Creative Commons Attribution 4.0 International licence with the exception of the Coat of Arms of the Commonwealth of Australia, the logo of the agency responsible for publishing the report, content supplied by third parties, and any images depicting people. For licence conditions see: <http://creativecommons.org/licenses/by/4.0/au/>

This report should be attributed as '*Government Statement*, Commonwealth of Australia 2015'.

The Commonwealth of Australia has made all reasonable efforts to identify content supplied by third parties using the following format '© Copyright, [name of third party]'.

Disclaimer

The views and opinions expressed in this publication are those of the authors and do not necessarily reflect those of the Australian Government or the Minister for the Environment.

Front cover photo credit: Cloud over Hobart © Copyright Leanne Chow

Back cover photo credit: Shark Bay sky (Nicola Bryden) © Copyright Department of the Environment

Minister's Foreword



The Australian Government has strong and effective policies to tackle climate change. We are committed to practical actions that achieve real and measurable results for the environment. Through

our policies including the Emissions Reduction Fund, Renewable Energy Target, National Energy Productivity Plan, Ministerial Forum on Vehicle Emissions and Clean Energy Innovation Fund we are reducing emissions, promoting energy productivity and clean energy innovation and investing in renewable energy.

In May 2014 I announced a review of the Ozone Protection and Synthetic Greenhouse Gas Management Programme. The programme has been an overwhelming success since it commenced in 1989. Under its framework, and through strong collaboration between government and industry, Australia has become a global leader in management of gases that deplete the ozone layer and contribute to global warming. To ensure its continued success in contributing to Australia's climate change goals, I tasked the review to identify options for emissions reduction as well as streamlining to minimise the impact on business.

The review has involved analysis by the Department of the Environment and independent experts as well as widespread consultation with business, most recently including a release of the Options Paper to the review in October 2015. The Government has decided to implement a number of measures to reduce emissions and to reduce the burden on business.

The measures will contribute up to around 80 Mt CO₂-e to Australia's 2030 emissions reduction targets. The key measure is an 85 per cent phase-down of hydrofluorocarbon imports that will see Australia continue as a global leader in the reduction of emissions in the same way that Australia led the world in phasing out ozone depleting substances.

Australia will join the United States, Europe and Japan by taking early action on hydrofluorocarbons. Australia's phase-down supports the proposed global phase-down under the Montreal Protocol. A Montreal Protocol phase-down would reduce global emissions by 90–110 gigatonnes by 2050. This is equivalent to 2 years of total global emissions.

The phase-down will provide certainty for business and place Australia well to meet any future international obligations to phase-down hydrofluorocarbons. Through a future review of the effectiveness of the phase-down the Government will consider the need for complementary policies, such as equipment bans and maintenance requirements. For example new motor vehicle air conditioning systems using the refrigerant R134a may be considered for an equipment ban.

The streamlining measures reduce the burden on business and will provide \$1.2 million in regulatory savings annually. The key streamlining measures are to increase the low volume import exemption, lengthen the duration of end use permits to 3 years and introduce licence renewals.

I have also asked the Department of the Environment to engage with state regulators and business to examine how respective regulatory arrangements in the refrigeration and air conditioning sector can work in better synergy.

I thank all of those who contributed to the review for their input to this great outcome, for the environment and for the Australian economy.

The Hon Greg Hunt MP
Minister for the Environment

Overview of the Review

On 5 May 2016 the Australian Government decided on a range of measures to improve the efficiency and effectiveness of the ozone protection and synthetic greenhouse gas programme. The measures will further reduce emissions of ozone depleting substances and synthetic greenhouse gases and reduce business costs.

The measures have been developed through the review of the Ozone Protection and Synthetic Greenhouse Gas Management Programme, announced by Minister for the Environment, the Hon Greg Hunt MP, on 24 May 2014 in response to two key drivers:

1. The Australian Government has committed to reducing greenhouse gas emissions by 26–28 per cent below 2005 levels by 2030. The cost effective reduction of emissions of hydrofluorocarbons (HFCs) is a key aspect of this broader Government commitment. While this sector represents a small portion of Australia's overall emissions, approximately 2 per cent, this industry sector has been very responsive and successful in similar initiatives to date. Through a strong ongoing relationship with Government this sector has established itself as ready and willing to move on reducing HFC emissions in line with Government policy stemming from this review.

2. It is considered good practice to regularly review legislation to determine if it is still efficient and effective, and to respond to changes in the sectors being regulated. The last major amendment to the programme was in 2003. This amendment followed a review in 2001. Since then technology has evolved rapidly and the nature of the gas and equipment market in Australia has changed accordingly.

The review was informed by two formal consultation periods. The first in May 2014 provided stakeholders the opportunity to put forward ideas to improve the programme, and the second in October 2015 gave stakeholders the opportunity to comment on options discussed during the review. A Technical Working Group made up of key industry associations provided advice to the Department during the course of the review.

The review was also informed by an independent environmental impact assessment undertaken by the Expert Group. The Expert Group assessed the impact of the programme to date and assessed the potential emission reduction benefits of options put forward during the review. An independent Cost Benefit Analysis was undertaken by Jacobs Australia to determine the costs and benefits of the main options put forward. Both reports are publicly available on the Department's website.

A Regulation Impact Statement was prepared to assess the emission reduction opportunities put forward. The Regulation Impact Statement was considered best practice and is available on the Office of Best Practice Regulation website.

Objectives of the Review

The objectives of the review were:

- Identify opportunities to reduce emissions of ozone depleting substances and synthetic greenhouse gases in line with international efforts.
- Identify opportunities to improve and streamline the operation of the Ozone Acts including reducing regulatory compliance costs for business and the community.

What did the Review find?

The review found that the existing controls were fit for purpose, however there are two key areas for reform:

- Emission Reduction: Opportunities to further reduce emissions which will contribute to meeting Australia's greenhouse gas emissions target.
- Efficiency and Effectiveness: Aspects of the programme have been identified as having opportunities for reform to improve efficiency and effectiveness. These include: coverage of gases regulated, existing phase out provisions for hydrochlorofluorocarbons (HCFCs), import/export/manufacture and end-use licensing, compliance and enforcement, and cost recovery.

Overview of Measures to be implemented

The Government will implement the following key measures:

Emissions reduction

These measures will reduce HFC emissions in a cost effective manner. The measures are estimated to reduce carbon emissions by up to 80 Mt CO₂-e in the period to 2030.

1. A statutory 85 per cent phase-down of HFC imports commencing from 1 January 2018.
 - i. the phase-down will have a starting point of 8 Mt CO₂-e, based on Australia's current demand and reduce to 1.6 Mt CO₂-e from 2037.
 - ii. the phase-down will be managed by import quota limits which will reduce every two years.
 - iii. 90 per cent of quota will be allocated to existing importers and the remaining 10 per cent will be allocated to applicants through a ballot system or by Ministerial discretion.
 - iv. quota retirement will be provided for where it is excess to Australia's requirements.
 - v. the rate of reduction and quota allocation will be reviewed after three years.
2. Enabling provisions for future bans on specified equipment containing HFCs. This provision is not yet needed, but may be used in the future to manage HFC demand. A similar approach was used to complete the transition away from refrigeration and air conditioning containing hydrochlorofluorocarbons (HCFCs) once most manufacturers had moved to alternatives. As a first step in 2018 the Government will consider a ban on R134a in new vehicles to ensure Australians can access new technologies.
3. Improvements to compliance provisions to support emissions reduction. These improvements will strengthen the enforcement provisions of the legislation and give business more confidence they are operating on a level play field. The major improvements are:
 - a) Introduction of Penalty Infringement Notices in the refrigeration and air conditioning and fire protection schemes.
 - b) Provision for publication of compliance actions.
 - c) Provision for information sharing with other regulatory agencies.
 - d) Provision for a ban on conversion of equipment where it would operate on a refrigerant with a higher global warming potential than recommended by the Original Equipment Manufacturer.

Reducing regulatory burden on business

These measures will streamline the operations of the legislation and reduce regulatory burden by \$1.2 million annually.

1. Increase the low volume import exemption threshold for equipment imports. This will allow small importers to import up to 25 kilograms of HFCs in equipment in a two year period without a licence. This measure will exempt 400 businesses from the need to hold a licence and reduce total licence numbers by one third.
2. Provide for a waiver of small levy debts up to \$330. This will remove uneconomic transactions for many businesses. The number of invoices issued a year will reduce by 94 per cent from 2750 to 150.
3. Lengthen the refrigeration and air conditioning and fire protection permit validity period from 2 years to 3 years.
4. Provide for licence holders to renew their licence removing the need to apply for a new licence. This will reduce the time taken to apply for a licence and streamline reporting.
5. Reporting requirements will change from quarterly to twice yearly, with flexibility to allow those who wish to continue reporting quarterly to do so.

Non-regulatory measures

The regulatory measures will be supported by non-regulatory measures. The measures will reduce emissions and benefit business and consumers, without imposing unnecessary regulatory burden.

1. The Department of the Environment will work with businesses to develop information to better inform equipment owners of the benefits of ensuring proper installation of new equipment and regular equipment maintenance. This will achieve substantial emissions savings through reduced gas leakage and lower electricity use. Businesses will benefit through reduced electricity costs and reduced replacement costs for gas leakage.
2. The Department of the Environment will engage with state regulators and the business community to examine how respective refrigeration and air conditioning regulatory arrangements can work in better synergy.

Full details of legislative amendments

The Government will implement a number of minor changes to improve the legislation to make it easier for stakeholders to understand and comply with. The full list of measures to be implemented

is at Attachment A 'Measures to achieve emissions reduction and efficiency and effectiveness gains in the Ozone Protection and Synthetic Greenhouse Gas Management Programme'.

Next Steps

The Department of the Environment will implement these measures as soon as possible. Some measures can be implemented more quickly through regulation amendments, such as the changes to the low volume import exemption and business and technician licences. Other changes requiring amendments to the Act will take a little longer but are aimed to be in place by 1 January 2018.

The Department of the Environment will consult further with affected stakeholders as the design of measures is finalised and again prior to their implementation.

The Department will provide enough time and information for stakeholders to prepare for the changes that will affect them.

