



F-GAS LEGISLATION

Turkish OEM/Refrigerant Manufacturers

Why this presentation

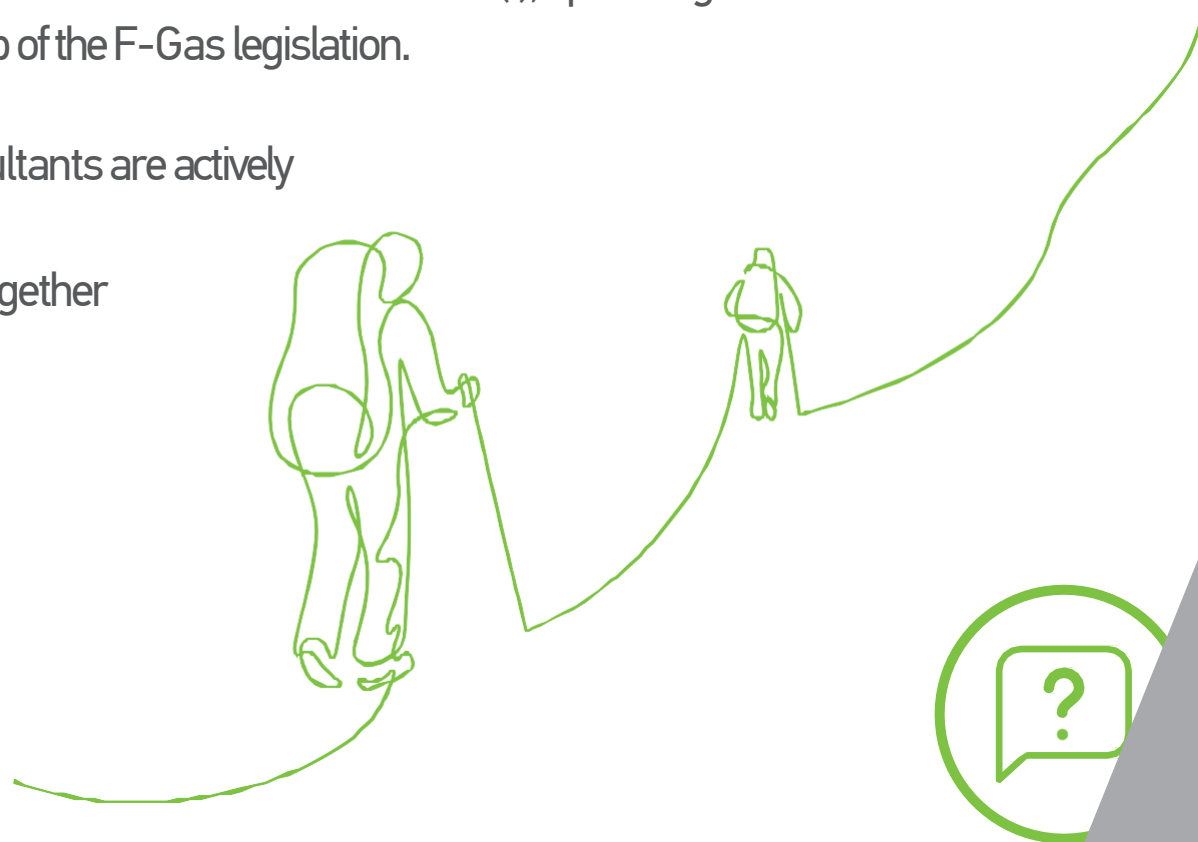
This presentation is offered by Navis International Trade & Consulting Ltd with the aim of guiding **Turkish OEM** and **Refrigerant Manufacturers** who want to expand their business to the EU and GB (*), up through the complicated F-GAS Regulatory environment and steep climb of the F-Gas legislation.

With consolidated best practice and experience, Navis consultants are actively liaising both with the EU Commission (DG CLIMA and DG TAXUD) and UK Government (DEFRA and BEIS) together with key Stakeholders for the proper implementation of:

- F-Gas legislation
- Customs Controls

(*) Since January 2021 there are two separate Quota Systems:

1. GB – England, Scotland and Wales
2. EU – EU27 + Northern Ireland



Turkish Companies and the F-Gas laws



EU
F-Gas legislation



GB
F-Gas legislation

Turkish Producers and Exporters to EU & GB of Fluorinated Greenhouse Gases* (in bulk and pre-charged in equipment) need to build up a robust and stable knowledge and understanding of the complex Regulatory Framework to enter these Markets.

* Fluorinated Greenhouse Gases - hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and other greenhouse gases that contain fluorine, or mixtures containing any of those substances (Annex I and II of REGULATION (EU) No 517/2014).





The Quota Systems: EU and GB

SINCE JANUARY THE 1ST 2021 THERE ARE TWO SEPARATE QUOTA SYSTEMS COVERING THE FORMER EU28

EU27 + Northern Ireland

THE 27 EU MEMBER STATES AND NORTHERN IRELAND (PART OF THE UNITED KINGDOM, BUT WITHIN THE REMIT OF THE EU F-GAS REGULATION)

GREAT BRITAIN

ENGLAND, SCOTLAND AND WALES



These two F-GAS Quota systems are totally separated and independent from each other. This means that HFCs (Bulk and/or precharged in equipment) **CAN NOT** be moved between these two Regions without the proper local Quota (EU/GB)





AS IS: EU and GB F-Gas



2015 Entry into force of F-Gas Regulation (EU) No. 517/2014, repealing Regulation (EC) No 842/2006:

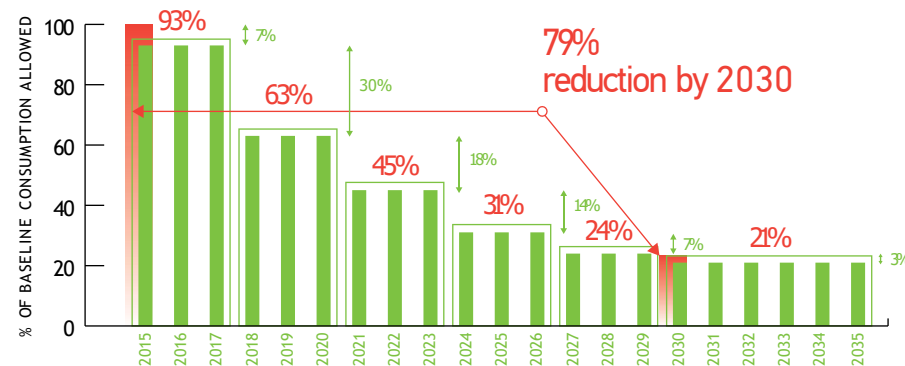
- Quota System for Bulk HFCs
- Phase-Down for HFCs
- F-Gas Portal

2017 EU Quota System for HFCs pre-charged equipment



2021 Entry into force of GB F-Gas Legislation:

- GB Quota System for all HFCs
- GB Phase-Down for all HFCs
- GB F-Gas IT System



HFCs PHASE-DOWN

- HFCs placed on the market in the EU must be reduced (or 'phased down') by 79% between 2015 and 2030.
- HFC amounts are calculated as tCO₂eq.
- The phase-down is carried out using an HFC quota system, as part of which producers and importers of bulk gases are given quotas that limit their right to place HFCs on the market.





EXPLAINED: Quota (Bulk) vs. Quota Authorisation & Delegation

HFC Bulk ONLY



QUOTA

- Allocated for free
- 1-Year validity (01.01 – 31.12)
- Incumbent Quota can be transferred **ONCE**
- Can be authorised to import HFCs pre-charged equipment
- **Cannot** be used to import HFCs pre-charged equipment

HFC pre-charged equipment ONLY



AUTHORISATION



DELEGATION

- Must be obtained from a Quota Holder (chargeable)
- Authorisations/Delegations **DO NOT EXPIRE**
- An authorisation can be delegated **ONCE** to another company to import HFCs pre-charged equipment
- A Delegation can only be consumed by the **BENEFICIARY** of the quota to import HFC's pre-charged equipment. The quota **cannot** be delegated/transferred to another company.
- Authorisations and Delegations **cannot** be used to import bulk HFCs





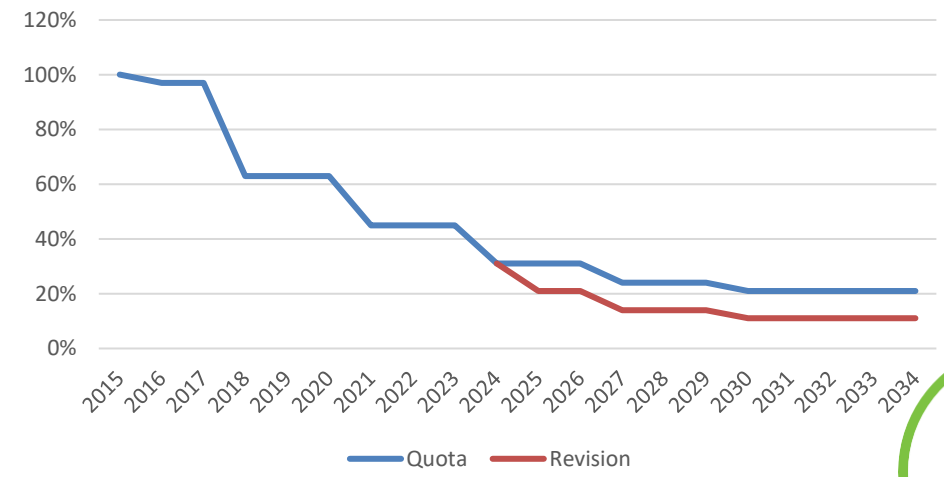
TURKISH OEM/Ref Manufacturers - Roadmap

Point of **URGENT** attention due to Brexit and “F-GAS Revision III”:

URGENT GB Registration of Importer of Record (IoR) to avoid steep Penalties (*)
 Purchase of GB Quota

URGENT EU Quota Strategy 2024-2027
 Regulatory update impacting quota price

Comparison Chart



(*) In GB Quota Penalties are divided in three tiers:
 1. Infringement of the Regulation: 200,000.00GBP
 2. Administration delay: from 1,000.00 GBP to 10,000.00 GBP
 3. Import in excess of Quota : 25.00GBP/tCO₂eq





WHY URGENCY FOR GB QUOTA?

- Companies importing pre-charged equipment into GB are required to obtain GB F-Gas Quota **BEFORE** placing the goods on the market.
- If a company failed to obtain quotas before the arrival of the goods, it is liable for a penalty of £200,000.00

Dear Sir/Madam

The Fluorinated Greenhouse Gases Regulations 2015 (SI 2015 No.310)(as amended)
(the F Gas Regulations) – Regulation 31A

NOTICE OF INTENT TO IMPOSE A CIVIL PENALTY

The Environment Agency is considering imposing a civil penalty on you under Regulation 31A of the F Gas Regulations for the following reasons:

██████████ failed to obtain sufficient HFC quota authorisations before placing HFCs on the market within Great Britain (GB) as required by Article 14 (1) of EU Regulation 517/2014 on fluorinated greenhouse gases. Article 14 (1) requires that refrigeration, air conditioning and heat pump equipment charged with hydrofluorocarbons shall not be placed on the market unless hydrofluorocarbons charged into the equipment are accounted for within the GB quota system.

Table 1

Breach of EU Regulation 517/2014 on fluorinated greenhouse gases:	Maximum civil penalty as outlined in Regulation 31A and paragraph 1(4) of Schedule 4 to the Fluorinated Greenhouse Gases Regulations 2015 (as amended):
Breach of Article 14(1)	£200,000
Quota authorisations needed in excess of those held in 2021	Costs avoided
██████████	██████████ X £25.00 calculated maximum cost of 2021 quota authorisation = ██████████





STEPS TO TAKE IN GB

Navis is able to guide the importers of **Turkish OEM** through all the steps required in order to successfully set-up their GB Business, consisting of:

1. Create an account on the GB HFC Registry
2. Supply the right type of GB Quota to import Pre-charged equipment
3. Quota must be held on the account **prior to import**. If this is not the case, the importer is in breach of the F-Gas Regulation. Solution: procure enough quota to cover past and future import as soon as possible, and within the import year.

We can make sure that the importers:

1. Will be fully compliant with GB F-Gas Regulation
2. Will always be informed about requirements, changes in the regulation and future requirements as we are in close contact with the lawmakers.
3. Reporting and Support for the Auditing is part of our services





TO BE AWARE OF IN THE EU

The EU is changing the F-GAS Regulation introducing more restrictive criteria

These are the key changes that will impact the price of EU/GB Quota significantly:

- ✔ **New categories added** (MDI – Metered-dosed Inhalers) removing 10,000,000 tCO₂eq from the Quota system -> Less Quota available to import gas (in bulk and/or in equipment)
- ✔ Quota reduction moved from **79% to 89%** by 2030 -> this measure combined with the one above will leave very little capacity to import gas (in bulk and/or in equipment)
- ✔ **Quota payment for bulk importers set to 3€/tCO₂eq** -> this measure will not only push up the prices of the Refrigerants, but also of Quota Authorizations and Delegations to import equipment precharged with HFCs.
- ✔ **New bans/restrictions for equipment** based on the GWP of the Refrigerant used

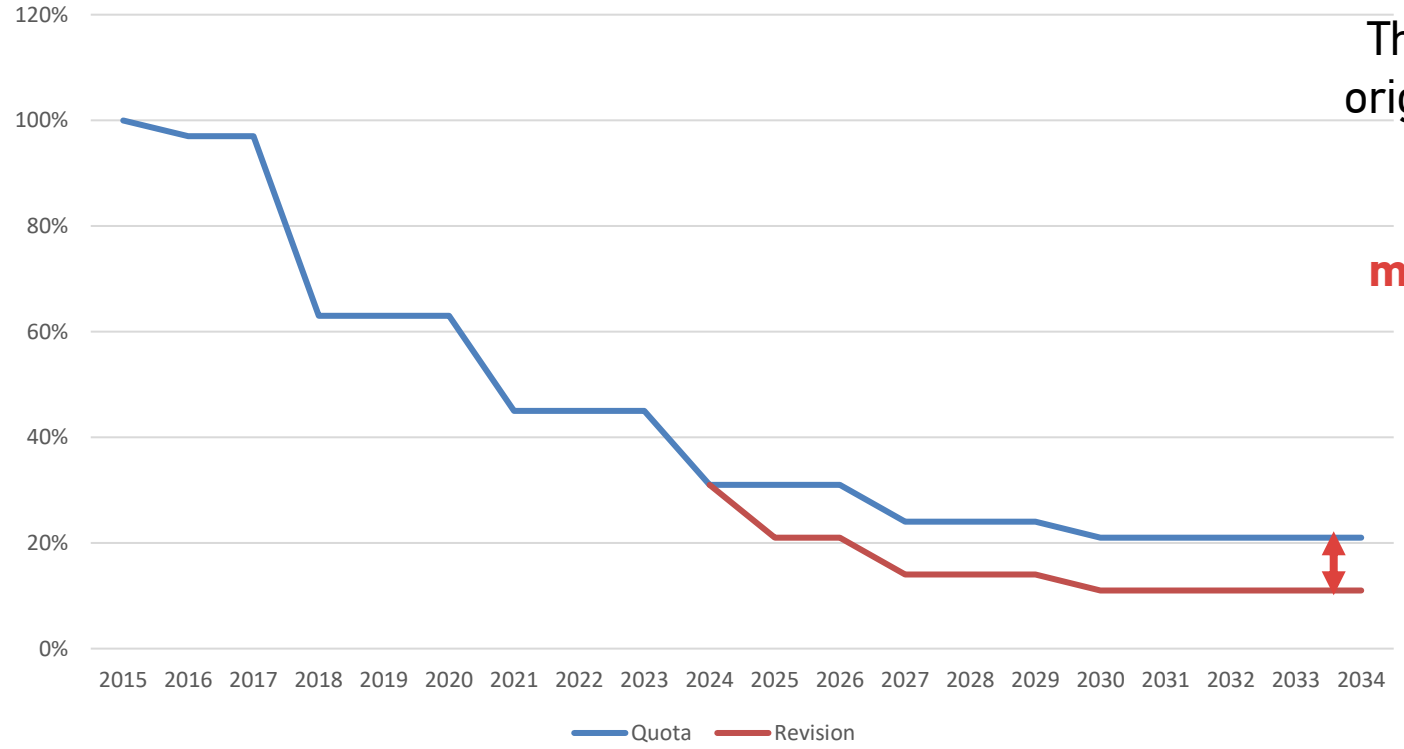
Useful Link: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022PC0150>





F-GAS Revision: new phase down curve

Comparison Chart



The phase-down curve becomes steeper:
 original target of 79% reduction vs. 2015 by
 2030 moved to 89% (10% increase!)
 In other words:
more players with even less Quota....

10% GAP!





EU QUOTA STRATEGY

Currently the price of Quota Authorisations is ranging between €17,00 and €22,00 per tCO₂ equivalent. Looking at the proposal of the European commission, the immediate conclusion is that the price of the quota will considerably rise (as it is already).

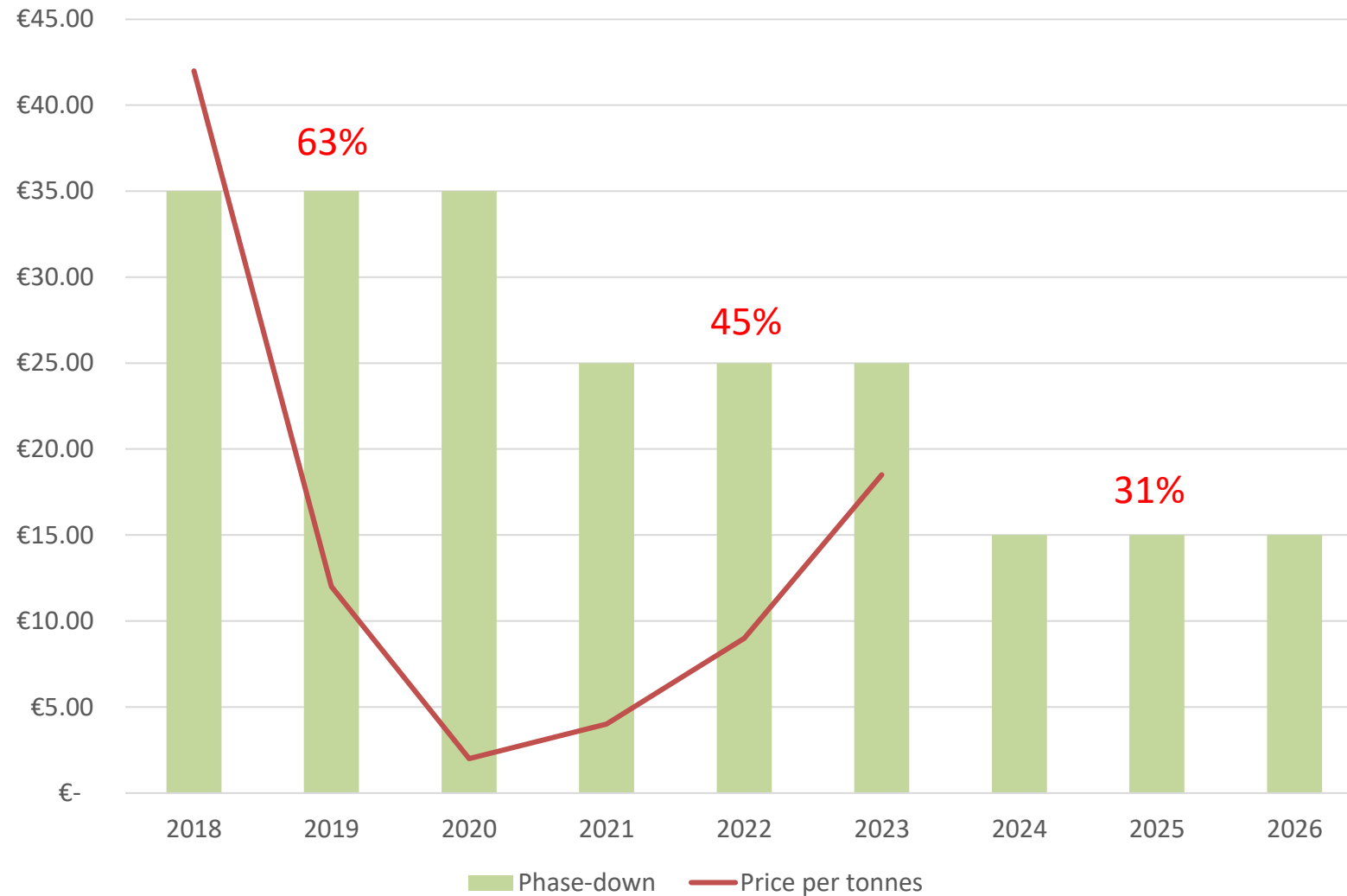
On the next slide you can find a simple graph of the historical prices within the EU for F-Gas Quota. You will find that after 2017 – when the Quota System for pre-charged equipment was introduced - the quota price dropped significantly from €42,00/tCO₂eq to €2,00/tCO₂eq in 2020.

Since the Phase-down in January 2021, the availability of F-Gas quota has been impacted heavily and the price started to increase. With the upcoming changes in the regulation it is expected by several experts in the field, that prices will climb back to previous price levels of €40 per tonnes CO₂ or more.





Historical Price chart EU F-Gas Quota





BULK GAS - Shared Import Procedure

Navis has designed and implemented a procedure which allows manufacturers of HFCs Refrigerants in Bulk to access EU/GB Quota to supply their clients.

This procedure is called “Shared Import” and it’s accessible to all Turkish Manufacturers of HFCs in Bulk.

As Quota availability is limited, we work on “First Come, First Served” Basis.

We can operate with suppliers with EU/GB REACH Coverage (*) but also without, as we can adjust import tonnage/substance based on REACH threshold.

(*) Regulation [EC] 1907.2006 of the European Parliament and of the Council and “AS AMENDED“ for GB





WHY NAVIS?

- ✔ We are supporting the largest manufacturers with their F-Gas Quota Strategy, Reporting, Auditing and Custom Procedures in both the EU and GB markets
- ✔ Being able to guarantee the compliance for our clients
- ✔ Having offices in the EU, GB, US, Turkey and Japan
- ✔ Delivering annually more than 5.000.000 tCO₂eq to our partners
- ✔ On top of the regulation as we work close together with the EU Commission, Environment Agency (GB) and the Environment Protection Agency (USA)





Proposal

The planning of the procurement of Quota is clearly now an essential part of each company's budget. We make sure that this is the lowest possible cost and in order to achieve it, we strongly recommend to stock quotas for at least 2-3 rolling years.

The system is built to phase-down refrigerants, therefore, the price of Quota needs to be high. This way, it becomes less interesting for companies to keep using the high GWP refrigerants.

At this point we still have EU/GB left which we can offer. Please note: it is subject to availability and it is allocated on "First Come, First Served" basis.

You can use our App to reserve Quota and find the right amount of tCO₂eq for each type of refrigerant with our useful GWP Converter:



THANK YOU

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