

FACT SHEET

Final Rule – Phasedown of Hydrofluorocarbons: Allowance Allocation Methodology for 2024 and Later Years

What is the HFC Phasedown?

The American Innovation and Manufacturing (AIM) Act directs EPA to phase down production and consumption¹ of hydrofluorocarbons (HFCs) by 85% by 2036 through an allowance allocation and trading program. In the HFC Allocation Framework Rule published in October 2021 (86 FR 55116), EPA established the U.S. HFC production and consumption baseline levels from which reductions are made using a formula provided by the AIM Act and an initial methodology for allocating allowances in calendar years 2022 and 2023. The maximum percentage of the respective baselines that the Agency may allocate per year is shown in Table 1. By October 1 of each year, EPA issues allowances for the following year, relative to those baselines.

Table 1: HFC Phasedown Schedule

Year	Consumption & Production Allowance Caps as a Percentage of Baseline
2022–2023	90%
2024–2028	60%
2029–2033	30%
2034–2035	20%
2036 & after	15%

The AIM Act's phasedown schedule is consistent with the phasedown schedule in the Kigali Amendment.² A global phasedown of HFCs consistent with the Kigali Amendment is expected to avoid up to 0.5°C of global warming by 2100.

About HFCs

HFCs are potent greenhouse gases (GHGs) that have no known natural sources. They are used in a variety of applications such as refrigeration, air conditioning, aerosols, fire suppression, and foam blowing. They have global warming potentials (GWPs) (a measure of the relative climate impact of a GHG) that can be hundreds to thousands of times greater than carbon dioxide (CO₂). HFC use is growing worldwide due to the phaseout of ozone-depleting substances (ODS) and increasing use of refrigeration and air-conditioning equipment globally.

What Is EPA Finalizing in This Action?

This rule focuses on the next step of the HFC phasedown and establishes an allocation methodology for general pool HFC production and consumption allowances for 2024 through 2028. EPA is continuing to apply a similar methodology to allocate general pool production and consumption allowances as the Framework Rule did for calendar years 2022 and 2023, while incorporating former new market entrants from an earlier set-aside pool as general pool

¹ Consumption is the amount of HFCs newly added to the U.S. market through production and import, minus exports and destruction.

² The Kigali Amendment to the *Montreal Protocol on Substances that Deplete the Ozone Layer* is an international agreement to phase down the production and consumption of HFCs by 80 – 85% by 2047.

allowance holders. This rule does not make any changes to the methodology for allocating application-specific allowances. EPA is also amending the consumption baseline to reflect corrected data and making other adjustments to implementation, compliance, and enforcement provisions.

Who May Be Affected by This Rule?

Companies that produce, import, export, destroy, use as a feedstock or process agent, reclaim, or recycle HFCs may potentially be affected by the proposed rule.

What Are the Costs and Benefits of the HFC Phasedown?

American consumers are expected to benefit from transitioning away from HFCs to environmentally safer alternatives. Including the changes in cost associated with reducing the consumption baseline and other revisions to assumptions in the regulatory impact analysis, the monetized net present cumulative benefits of all provisions of the HFC phasedown from 2022 through 2050 are estimated to be \$269.9 billion.

EPA conducted an environmental justice analysis that determined overall reductions in GHG emissions from this rule would benefit populations that may be especially vulnerable to damages associated with climate change, such as the very young, elderly, poor, disabled, and indigenous populations.

What Are Key Provisions of the Rule?

To continue implementing the HFC Allowance Allocation Program, EPA is:

- Establishing a methodology for allocating HFC production and consumption allowances for years 2024 through 2028 that is similar to the methodology used for 2022 and 2023.
- Incorporating former new market entrants under a previous set-aside pool into the general pool.
- Amending the HFC consumption baseline to reflect corrected data submitted to EPA.
- Making other adjustments to the HFC phasedown implementation, compliance, and enforcement provisions, including revised recordkeeping and reporting requirements.

For more information on the rule, please visit: <https://www.epa.gov/climate-hfcs-reduction/regulatory-actions-allowance-allocation-and-reporting>.



Additional Resources

Protecting Our Climate by Reducing Use of HFCs: <https://www.epa.gov/climate-hfcs-reduction>

Contact EPA: HFCAallocation@epa.gov