



Air Conditioning Contractors of America

What's Going on with R-22?

January 30, 2012

Recent actions by the US Environmental Protection Agency (EPA) regarding HCFCs have led to uncertainty about the availability of R-22 in the coming months and years. In response, contractors have noticed a ramp-up in the chatter about R-22 and price changes as some manufacturers and importers have amended their sales policies.

This situation is the culmination of several factors, including the continued implementation of the federal government's policies regarding HCFCs, current market conditions, and delays in the regulatory process.

As most contractors know, the EPA controls the production of HCFCs, including the refrigerant known as R-22, through allowances that limit how much each gas manufacturer and importer can produce or import in a given year. Under the implementation of the Montreal Protocol, the production and use of R-22 is slowly being phased out.

In August 2011, the EPA proposed to adjust the allocations in place for the years 2012-2014. This adjustment was necessary because of a lawsuit filed by two HCFC producers who had completed a legal trade of allocations that EPA had failed to recognize in its allocations released in 2009.

EPA consulted with industry stakeholders before proposing to reduce the annual allocations. In gathering information used to develop the August 2011 allocation adjustment, EPA found that there was an oversupply of R-22 in the marketplace, partly evident by a lack of demand, increased reuse of R-22, and low wholesale prices. In fact, in 2010, producers of R-22 only utilized 86% of their allocations. A trade organization representing the manufacturers and importers of R-22 supported these claims, and advocated for a 20% reduction in allocations for 2012-2014.

By the end of 2011, EPA had yet to finalize its adjustment proposal for the 2012-2014 allocations. But EPA did release a subsequent version of the August 2011 adjustment proposal on December 30, 2011, one that proposed to reduce the allocations for 2012-2014 between 11-47%.

Without a finalized adjustment rule, the producers and importers of R-22 were stuck in a legal limbo – on January 1, 2012, they did not have the authority to manufacture or import R-22.

Recognizing this problem, on January 20, 2012, EPA sent "non-enforcement" letters to the producers and importers of R-22, alerting them that they could resume the manufacture and import of R-22 in the interim even though EPA had yet to set the new allocation amounts. The non-enforcement letter advised that production would be curtailed by 45% of their last allocation amount, the high end of the allocation adjustment proposal.

It is expected that the EPA adjustment proposal will take at least until the summer of 2012 to be completed. The end result could be a reduction in R-22 allocations somewhere between 11-47%, meaning it is likely the final adjustment proposal will be less than the interim 45% reduction and that more R-22 may be produced or imported.

ACCA has been following this issue to provide contractors with the most up-to-date and precise information available. We will continue to monitor the allocation adjustment rulemaking process and alert members of any progress or actions taken by EPA.