The American Innovation and Manufacturing Act

Overview & Outlook

November 2019
The AIM Act of 2019

- **Introduced**: U.S. Senate on October 30th
- **Sponsors**: John Kennedy (R-La.) and Tom Carper (D-Del.)
- **Original Co-Sponsors**: Chris Coons (D-Del.), Bill Cassidy (R-La.), Susan Collins (R-Maine), Sheldon Whitehouse (D-R.I.), Roger Wicker (R-Miss.), Lindsey Graham (R-S.C.), Cory Booker (D-N.J.), Todd Young (R-Ind.), Ed Markey (D-Mass.), John Boozman (R-Ark.), Richard Blumenthal (D-Conn.), Lamar Alexander (R-Tenn.), Ben Cardin (D-Md.) and Jeff Merkley (D-Ore.)
Rationale

- Global markets already beginning to transition out of HFCs
  - The Kigali Amendment to the Montreal Protocol agreed in 2016
- New federal standard protects against unfair trade practices
  - U.S. manufacturers hurt from dumping obsolete products in U.S. markets
- New federal standard also creates jobs and stimulate investment
  - Meeting growing global demand for new products made in the United States
- U.S. consumers benefit from better-performing products
  - More efficient, fewer leaks, and smaller refrigerant charge sizes
History

• The United States leads the world in fluorocarbon technologies
  • U.S. companies supported the Montreal Protocol in the 1980s because it helped facilitate transitions into new fluorocarbon technologies

• Past transitions from CFCs, HCFCs, and halons benefitted U.S. companies, workers, and consumers
  • U.S. companies made significant investments in R&D to maintain technology leadership and expand global market share

• U.S. industry began planning for an HFC transition 10+ years ago
  • Investing billions in R&D to produce world-leading innovations in technology
AIM Act: Overview

• Establishes clear authority and consistent regulations at the federal level with no material risk of major reversals by courts
• Ensures consistency and coordination with existing federal law and regulations involving ODS and ODS substitutes
• Captures trade and economic benefits for U.S. manufacturers and workers and enables a return on U.S. investment in innovation
• Creates an opportunity to showcase bipartisanship, based on consensus between industry and the environmental community
EPA Authority

• Phase down HFC production and consumption
• Regulate for refrigerant management, coordinating with existing programs involving ODS and ODS substitutes
• Consider sector-based use restrictions, pursuant to the Negotiated Rulemaking Act
• Ensure consistency with global standards
Structure

• Follows the general architecture of Title VI of the Clean Air Act, but clarifying and streamlining for HFCs

• Provides a discrete grant of authority to EPA that has no precedential value for broader regulatory efforts

• Balances deference to EPA for some program details with explicit statutory guidance for others

• Focuses on economic benefits and does not reference Montreal Protocol, climate change, or other environmental issues
Key Provisions

- HFCs listed by chemical name and assigned an “exchange value” for weighting and other calculations
- EPA can adjust exchange values in light of new scientific data and add unlisted HFCs with exchange values greater than 53
- Exceptions for essential uses allowed beginning 2034
- Feedstocks exempted as per current practice under Title VI
- Accelerated schedule possible if tech and scientific criteria are met
Monitoring & Reporting

• Requires annual reporting on any production, consumption, import, reclaim, destruction, and feedstock usage of HFCs

• Harmonizes with existing reporting requirements to avoid duplication and minimize bureaucratic load
Phase Down

• Requires EPA to carry out the HFC phase down via an allowance allocating and trading program
  • EPA will issue rules establishing this program and has discretion in terms of number of years an allocation will cover

• Allows trading and transfers of allowances among entities subject to compliance obligations under the Act
  • This attempts to mirror ODS allowance trading and transfer programs

• Authorizes additional production solely for export, at EPA discretion
  • This production still falls under the “cap” created by the phase down