The American Innovation and Manufacturing Act

Overview

January 2021
The AIM Act

• Enacted as part of the Consolidated Appropriations Act, 2021 and signed into law on December 27, 2020
  • Bipartisan support from both House and Senate Committees of Jurisdiction

• Authorizes EPA to phase down HFC production and consumption, restrict HFC uses on a sector-specific basis, and adopt refrigerant management standards, such as for servicing and for reclaim
  • EPA lacked express authority to regulate HFCs under the Clean Air Act

• Complies with the Kigali Amendment to the Montreal Protocol
  • Biden Administration expected to submit agreement to Senate in 2021
Rationale

• Global markets already beginning to transition out of HFCs
  • The Kigali Amendment to the Montreal Protocol agreed in 2016
• New federal standard protect against unfair trade practices
  • U.S. manufacturers hurt from dumping obsolete products in U.S. markets
• New federal standard also create jobs and stimulate investment
  • Meeting growing global demand for new products made in the United States
• The climate benefits of phasing down HFCs are significant
  • Studies estimate a global HFC phasedown avoids 0.5 C of projected warming
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
Economic Benefits

• Increases direct manufacturing jobs by 33K
  • Manufacturing growth translates to incremental 150K jobs economy-wide

• Increases direct manufacturing output by $12.5 billion
  • Increases total manufacturing output by $33.8 billion

• Increases U.S. share of global market by 25 percent
  • Exports growing from 7.2 percent to 9.0 percent

• Increases U.S. supply to global HVACR markets by $5 billion
  • Inhibits growth of old HVACR imports by $6.5 billion
Consumer Benefits

- The 30+ year history of the Montreal Protocol shows the industry has used innovation, new technologies, and more sustainable compounds to drive continued reduction of consumer costs.

- Industry innovation, gradual transition schedules, and avoiding impacts on existing equipment owners allowed the industry to accommodate major transition costs over time, minimizing impact on consumer prices.

- Most U.S. major appliance prices have declined over time and are expected to continue to do so.

- Room air conditioners, refrigerators, and central air conditioners have all seen real price declines despite major technology transitions under the Montreal Protocol.

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, potentially 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
Features

• 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, including several mandatory exceptions for five years following enactment
• Feedstocks exempted as per current practice under Title VI
• Accelerated schedule limited to picking up slack in the market
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<th>Chemical Name</th>
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Baseline

Average annual HFC production and consumption in 2011-2013

15 percent HCFC production and consumption in 1989

0.42 percent CFC production and consumption in 1989
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<th>Year</th>
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<td>2036-</td>
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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
Other Features

• Refrigerant management programs involving servicing, repair, installation, disposal, and reclaim similar to Title VI
  • EPA authorized to coordinate and harmonize with existing standards to avoid duplication and confusion

• Reclaim required for recovered refrigerants sold to new owner
  • EPA also authorized to consider new opportunities for reclaim

• Sector-based use restrictions subject to consideration of the Negotiated Rulemaking Act
  • EPA retains authority to use regular notice and comment rulemaking