

# The American Innovation and Manufacturing Act

## *Overview & Outlook*

November 2019



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# The AIM Act of 2019

- **Introduced:** U.S. Senate on October 30<sup>th</sup>
- **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.)



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# 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



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# 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



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# 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



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# 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



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# 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



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# 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



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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



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# 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



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