

28 April 2022

Ministry for the Environment

PO Box 10362

Wellington 6143

REF: FEEDBACK ON CONSULTATION DOCUMENT, Proposed changes to regulations for the New Zealand Emissions Trading Scheme 2022 Consultation document, published March 2022

The Institute of Refrigeration, Heating and Air Conditioning Engineers of NZ Inc (IRHACE) and the Directors of Refrigerant Recovery New Zealand Ltd (597445) and Refrigerant Recovery Operating Company New Zealand Ltd (607131) put forward their submission.

Contents of our submission

1. Who are we.....	2
2. Previous submissions.....	2
Climate Change Commission’s Climate action for Aotearoa Draft Advice, March 2021.....	2
Submission to the discussion document “Te hau mārohi ki anamata - Transitioning to a low-emissions and climate-resilient future” F-gases	2
3. Our submission	3
Overview.....	4
Option 1 – Status quo – no updates	4
Option 2 – Update the Climate Change Regulations 2009.....	5



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1. Who are we?

Organisation	Representation
IRHACE	<ul style="list-style-type: none"> Individuals within the HVAC&R industry located both in New Zealand and its overseas members. This includes engineers, HVAC&R professionals, HVAC&R people in training, company owners, decision makers, students, consultants, and supporters of the industry. IRHACE is the settlor of the Trust for the Destruction of Synthetic Refrigerants (CC36997) and the sole shareholder of RRNZ (597445) and RRO (607131). IRHACE established Refrigerant License Trust Board with CCCANZ which is the Charitable Trust organisation for HVAC&R training. IRHACE has international affiliations worldwide and is an AASA Society member of ASHRAE, Corporate member of IIR and has a MOU relationship with AIRAH and other industry bodies.
Refrigerant Recovery NZ Ltd (597445) (RRNZ)	The Directors of RRNZ and RRO.
Refrigerant Recovery Operating Company NZ Ltd (607131) (RRO)	IRHACE is the settlor of the Trust for the Destruction of Synthetic Refrigerants (CC36997) and the sole shareholder of Refrigerant Recovery NZ Ltd (597445) and Refrigerant Recovery Operating Company NZ Ltd (607131).

2. Previous submissions

IRHACE in conjunction with other industry representation has made several submissions in 2021 that are relevant to this submission, namely:

Climate Change Commission's Climate action for Aotearoa Draft Advice, March 2021

The CCCANZ and IRHACE jointly made a detailed submission in March 2021 to the Climate Change Commission's Climate action for Aotearoa Draft Advice.

Submission to the discussion document "Te hau mārohi ki anamata - Transitioning to a low-emissions and climate-resilient future" F-gases

IRHACE, CCCANZ, RPGNZ made a joint submission in November 2021, and this focused on two key points:

1. Simply polishing up the current poorly performing end-of-life Recovery Trust scheme is not a solution, which is why the SRPSS needs to be a true end-to end scheme.

2. Accordingly, the need is for a holistic refrigerant management solution that caters for the widest possible range of refrigerant types thereby avoiding having to deal with multiple management systems.

It should be noted that the HPSA also made a submission which supported this joint submission.

In both cases, IRHACE offered to discuss their submission with MfE and we remain happy to do so if that would assist.

3. Our submission

The consultation document asks for feedback on the following questions, criteria and options:

Feedback on questions	
5	<p>To what extent do you agree with the way we have described the issue? Please explain any additional aspects of this problem you think we should consider.</p> <p>Our opinion is that collecting is only one part of the process SGG's must be exported or destroyed to satisfy the emission reduction targets. Our submission in November 2021, refers to a holistic refrigerant management solution that caters for the widest possible range of refrigerant types.</p>
6	<p>Do you agree that the option outlined in this consultation document is the correct one to consider? If not, why not?</p> <p>Neither Option 1 or 2 in isolation, offer a well-considered or strategic approach. Option 1 could benefit from aspects of Option 2 (i.e.) innovation and incentive to improve collection rates and Option 2 would need appropriate regulation to protect against unsafe practice's for collection and storage plus provision for a co-ordinated process for exportation or preferably destruction of the collected SGG's</p> <p>There is another option that the consultation document hasn't considered and which we referred to our submission in November 2021.</p>
7	<p>In your opinion, could the proposed change to the regulations impact Maori negatively? If so, what are the impacts? Why might they occur?</p> <p>We do not believe that any changes to the regulations would impact Maori negatively as the focus is to collect and destroy more refrigerant which is good for the environment.</p>

Feedback on criteria

The option to update the Climate Change (other removal activities) Regulations 2009 to remove the 2013 date and the product stewardship scheme participation requirements.

Our assessment against the criteria in table 3, including whether you think any criteria should be given more weight than others.

Feedback on options	
1	Status quo – no update
2	Update the Climate Change (other removal activities) Regulations 2009

Overview

Our submission discusses Option 1 and Option 2 and what is the best for industry and the environment to collect and destroy refrigerants.

Our overarching submission is that collecting is only one part of the process. Once collected, refrigerants must be exported or destroyed domestically in an environmentally responsible manner to satisfy the emission reduction targets.

In our submission in November 2021, we discussed having a holistic refrigerant management solution that caters for the widest possible range of refrigerant types. This remains our position.

Option 1 – Status quo – no updates

We oppose Option 1.

In our submission in November 2021, we submitted that simply ‘polishing up’ the current poorly performing end-of-life Recovery Trust scheme is not a solution, which is why the SRPSS needs to be a true end-to-end scheme.

The consultation document overestimates the potential impact on the Recovery Trust if Option 1 is not adopted. In relation to the financing of the current scheme, the consultation document states on page 18: *“The Recovery Trust will likely be impacted financially if option 2 is implemented. The Trust finances their activities using NZUs they earn, as well as a voluntary advanced disposal fee paid by importers of bulk refrigerants. If the Trust needs to compete with for-profit entities undertaking the same removal activity, a mandatory fee may need to be introduced to help cover costs”*.

Historically, the Recovery Trust collected from wholesalers a voluntary advanced disposal fee. As at December 2021, the Recovery Trust unilaterally informed wholesalers to stop paying the voluntary advanced disposal fee, which was against their contracts. Accordingly, it would not be the adoption of Option 2 that impacted the Recovery Trust financially but, rather, the Recovery Trust’s own decision to dispense with the fee.

IRHACE and the Directors of RRNZ/RRRO did not support this decision and subsequently advised wholesalers to continue to collect the fee; and we note that several large wholesalers have continued to collect this fee whilst awaiting further advice.

Option 2 – Update the Climate Change Regulations 2009

Subject to the comments below, we support Option 2 i.e., updating the Climate Change Regulations 2009.

Option 2, with appropriate oversight could encourage increased competition and innovation within the industry promoting better environmental outcomes. However, with the end goal being exportation or preferably destruction, it is crucial that there is adequate regulation covering the collection, storage, and trade in SGGs in order to minimise the risk of unsafe or environmentally unsound practices and/or stockpiling to play the market.

IRHACE proposed in our submission to the Climate Change Committee [CCC 18, 19] that what is needed is a holistic end-to-end Synthetic Refrigerant Product Stewardship Scheme (SRPSS) versus what we understand is currently proposed by Recovery Trust, noting any current work on the SRPSS is being conducted without adequate consultation with the wider HVAC&R industry.

IRHACE and the Directors of RRNZ/RRO are strongly of the opinion that our primary emissions reduction focus should be on better refrigerant management. Refrigerant management is a common issue internationally, it is the one area of f-gas emissions reduction that New Zealand can influence internationally through the development and implementation of best international practices.

Over time the progressive phase-down of the high GWP f-gases will reduce the average GWP of the refrigerant bank. However, the emission problem will not have disappeared. There will still be an ongoing need for improved refrigerant management across industry uses, principally to minimise leakage and illegal discharges, as well as to maximise recovery at end-of-life.

What is required is a holistic end-to-end solution. The key refrigerant management strategies are:

- Significantly improving the visibility of refrigerants throughout the supply chain;
- Standardisation of installation and maintenance practices leading to reduced refrigerant leakage and the resulting emissions. By default, this will reduce the need for the importation of bulk refrigerants;
- Improved end-of-life recovery systems;
- Industry training, regulation and licensing are central to all the above strategies,
- A solution managing ALL refrigerants, not just the f-gas refrigerants;
- Research and development; and
- International collaboration promoting a culture of continuous improvement in the industry benchmarking to international best practice standards.

Accordingly, we offer conditional support for Option 2 provided that any update to the Climate Change Regulations 2009 also includes adequate regulatory support and safeguards being put in place to ensure that participants meet prescribed minimum standards in relation to the above criteria. Our concern is that, in the absence of regulations, the Ministry and the industry as a whole cannot have the required level of comfort that Option 2 aligns with the 2050 emissions reductions target goals and international agreements to which New Zealand is a party.

We'd be happy to meet with you to explain in more detail our submission.

Signed on behalf of:



IRHACE New Zealand
President Mark Meyer


PP

RRNZ/RRO
Director Glynn Cowley