

FACT SHEET

Overview of Application-specific Allowances under the AIM Act

What is the AIM Act and the HFC Phasedown?

The American Innovation and Manufacturing (AIM) Act was enacted by Congress on December 27, 2020. The AIM Act provides new authority for the U.S. Environmental Protection Agency (EPA) to address hydrofluorocarbons (HFCs). Specifically, the AIM Act directs EPA to phase down production and consumption¹ of HFCs to 15% of their baseline levels in a stepwise manner by 2036 through an allowance allocation and trading program.

When will the application-specific program go into effect?

Allowances will be required for the production and consumption of HFCs beginning January 1, 2022.

How do Allowances Work?

An allowance represents the privilege granted to a company to produce or import HFCs in a given year. Producing HFCs requires expending both “production allowances” and “consumption allowances.” Importing bulk HFCs requires expending consumption allowances. EPA intends to issue allowances by October 1 for use in the following year and they are valid between January 1 and December 31 of a given year. Allowances may not be banked or carried over to another year. Allowance holders may transfer their allowances to other entities seeking to produce and/or import HFCs.

A third category of allowances called “application-specific allowances” may be used to either produce or import HFCs for use in the six applications listed in the AIM Act. Application-specific allowances may be conferred as needed to effectuate the production or import of the HFC.

Purchasing or otherwise receiving bulk HFCs from a domestic chemical producer or an importer does not require an allowance.

Who is Eligible for Application-specific Allowances?

EPA is providing application-specific allowances for end users in six applications established by the AIM Act:

- A propellant in metered dose inhalers

¹ Consumption is the amount of HFCs newly added to the U.S. market through production and import, minus exports and destruction.

- Defense sprays
- Structural composite preformed polyurethane foam for marine use and trailer use
- The etching of semiconductor material or wafers and the cleaning of chemical vapor deposition chambers within the semiconductor manufacturing sector
- Mission-critical military end uses
- Onboard aerospace fire suppression

Eligibility for application-specific allowances in 2022 is based on data provided to EPA on HFCs used annually between 2018 and 2020. Companies for which EPA did not have data in time to be included in the initial allocation of allowances on October 1, 2021, or that have a unique circumstance that warrants additional allowances may still be eligible to receive allowances from the set-aside pool. Refer to the fact sheet on *Overview of Set-aside Allowances under the AIM Act* for more information on obtaining application-specific allowances from the set-aside pool. Companies not included in the initial allocation of allowances issued on October 1, 2021, may submit an application to EPA by November 30, 2021.

Do I Need Allowances to Use HFCs in an Application-specific End Use?

No, companies may buy HFCs that have been produced or imported through the same or similar channels used prior to the HFC phasedown.

What Does it Mean to Confer an Allowance?

Conferring an allowance is different than an allowance transfer. EPA defines “confer” as shifting unexpended application-specific allowances from the end user allocated such allowances to one or more entities in the supply chain for the production or import of a regulated substance for use by the end user. Only application-specific allowances may be conferred. Unlike a transfer, there is no offset for conferring allowances. A company receiving conferred allowances may either produce or import HFCs with those application-specific allowances on behalf of the conferrer and need not expend calendar year production or consumption allowances. Application-specific allowances may be re-conferred as many times as needed through the supply chain until they reach the producer or importer of the HFCs.

Can I Transfer Application-specific Allowances?

End users may transfer their application-specific allowances only with another end user within that same application. Application-specific allowances cannot be transferred for use in another application nor can they be transferred back into the general pool of production and consumption allowances. Transfers of application-specific allowances are subject to a 1% offset.

Can I Sell HFCs Acquired by Expending Application-specific Allowances?

HFCs produced or imported by expending application-specific allowances must be used solely for the application they were produced or imported for. As such, EPA is prohibiting the sale of that HFC for use in a different application from the one that was intended. EPA is allowing the intra-application sale of HFCs (i.e., among companies within the same application).

What are the Reporting and Recordkeeping Requirements?

Application-specific end users are subject to the following reporting and recordkeeping requirements:

- **Biannual Reporting:** Submission of a report to EPA by July 31 (covering prior activity from January 1 through June 30) and January 31 (covering prior activity from July 1 through December 31) of each year
- **Conferral of Allowances:** Submission of a report to EPA prior to conferring allowances
- **Sale or Transfer Requests:** Submission of a report to EPA prior to selling or transferring allowances
- **Recordkeeping:** Maintenance of records for five years

How do I Report Data to EPA?

Biannual reports, conferrals of allowances, and sale or transfer requests must be submitted to EPA through the electronic Greenhouse Gas Reporting Tool (e-GGRT). Additional guidance on how to submit this data through e-GGRT will be provided by EPA at a later date.



Additional Resources

Final Rule - Phasedown of Hydrofluorocarbons: Establishing the Allowance Allocation and Trading Program under the AIM Act: <https://www.epa.gov/climate-hfcs-reduction/final-rule-phasedown-hydrofluorocarbons-establishing-allowance-allocation>

Protecting Our Climate by Reducing Use of HFCs: <https://www.epa.gov/climate-hfcs-reduction>

Contact EPA: spdcomment@epa.gov