



REPORTING FOR APPLICATION-SPECIFIC ALLOWANCE HOLDERS

July 2025

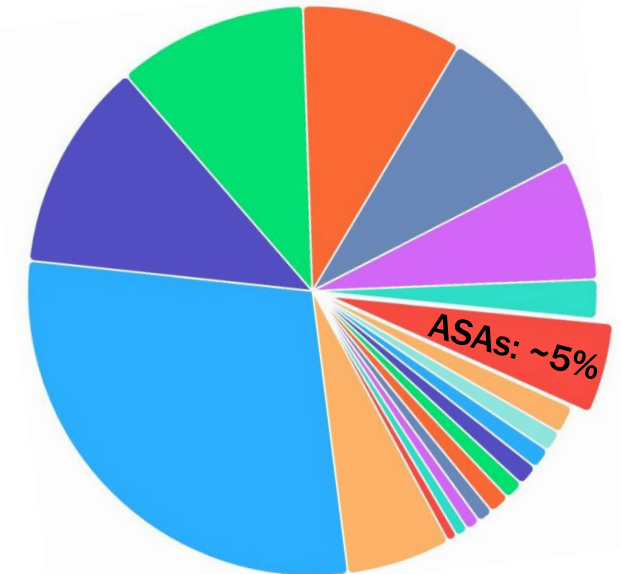
Agenda

- Application-Specific Allowances Background
- Biannual Reporting Requirements
- Rule Updates
- Current Allocation Methodology and Proposed Changes
- Requesting Unique Circumstances
- Reporting Best Practices
- Frequent Questions
- Resources
- Questions

Background on Application-Specific Allowances

- The American Innovation and Manufacturing (AIM) Act lists 6 applications that are to receive the “full quantity of allowances necessary based on projected, current, and historical trends” through 2025
 - EPA refers to these as application-specific allowances (ASAs)
- ASAs are different from consumption and production allowances, which are allocated to historical producers and importers (“general pool”)
 - ASAs are allocated directly to end-users of HFCs
 - ASA holders receive priority access to allowances ahead of general pool allowance holders
 - ASAs are not directly reduced by the same percent as the general pool, but are still limited by the phasedown
 - Methodology used to allocate ASAs is different from allocation for general pool allowances
 - Like general pool allowances, ASAs are ultimately expended for production and import. ASAs can be “conferred” to suppliers who produce or import the HFCs on behalf of application-specific entities
- EPA does not require allowances for HFC use or purchase

2025 HFC Consumption Allowances
by Entity:
181,522,990 MTEVe



Biannual Reporting Requirements

- **Who must report:**
 - Current ASA holders and other entities requesting ASAs for the first time
- **When reports are due:**
 - Twice per year on January 31 and July 31 each year for all ASA holders
- **Required documentation:**
 - Copies of sales records, invoices, or other records documenting the reported quantity acquired
 - Documentation that verifies the quantity of each HFC held in inventory
 - If requesting additional allowances for unique circumstances, verifiable documentation that supports this additional need
- **Full list of reporting requirements** at 40 CFR 84.31(h)
- Must submit this form by July 31 to be considered for CY2026 ASAs

Other ASA Reporting Requirements – Auditing

- All ASA holders are also subject to annual third-party auditing of their previous year's reports
 - Audits were due May 31, 2025, for CY2024 data, including new ASA holders who first received allowances for CY2025
- Failure to comply with reporting requirements, including the auditing requirements, may result in the Agency pursuing administrative consequences and/or enforcement action
- If your auditor identified discrepancies in your reported data, **re-submit any relevant biannual report(s) with revised values by July 18**
 - A CPA's finding may not always warrant revision to reported data, so please contact the EPA at HFCAallocation@epa.gov if you have questions about whether you should resubmit a report
- Auditing resources
 - Frequent questions on the auditing requirements: <https://www.epa.gov/climate-hfcs-reduction/frequent-questions-phasedown-hydrofluorocarbons#auditing>
 - Auditing guidance: https://www.epa.gov/system/files/documents/2024-03/hfc-allocation-rule-auditing-guidance-document_3-14-24_508.pdf
 - Upon request, EPA can share a list of auditors that have expressed interest in providing their services

ASA Rule Update

- Proposed Rule (89 FR 75898) was published September 16, 2024
- Summary of proposed changes
 - Proposed review framework for assessing eligibility for renewal for applications
 - For each of the 6 applications, EPA proposed to determine eligibility for renewal for a period of up to 5 years (i.e., through 2030), consistent with the statutory process
 - Proposed relevant Technology Transitions regulatory modifications, if appropriate
 - Proposed targeted updates to ASA allocation methodology
 - Proposed authorizing an entity to produce HFCs for export
 - Proposed other minor regulatory revisions
- Expected Final Rule publication is summer 2025
 - Any changes finalized will go into effect for the CY2026 allocation
- Allowance allocations for CY2026 will be published on EPA's website on October 1, 2025

ASA Allocation Methodology and Proposed Changes

- Allocation eligibility is still based on historical use + future needs
- Historical use
 - For most entities, allowances calculated by multiplying the entity or application-wide (whichever is higher) average annual growth rate (AAGR) over the prior three years by HFC use during the prior year
 - **For other entities, EPA proposed to instead allocate allowances equal to the highest use during the past three years if the company meets certain criteria**, including irregular purchase history and small purchasers
 - HFC use was previously proxied based only on purchases. **EPA proposed to also account for annual inventory buildup and drawdown to calculate use**
- Future needs
 - EPA will continue to allocate additional allowances beyond the amount calculated based on historical trends through any verified unique circumstances
 - **EPA proposed to add two new unique circumstances:** building up a stockpile of a specific regulated substance in the event of a production cessation, and economic disruption outside an entity's control
 - **EPA proposed to modify an existing unique circumstance to include healthcare system needs**
- Implementation of specific proposed changes outlined above is not definitive, as we are between proposed and final stages for the ASA rule

Allocation Methodology and Proposed Changes, Continued

- To account for purification losses, EPA adds 10% to the calculated allocation for semiconductor manufacturers operating in the etching of semiconductor material or wafers and the cleaning of chemical vapor deposition chambers
- **EPA proposed to require companies to specify their total request**
 - EPA will allocate up to that level if the company is eligible based on use history and unique circumstances

Requesting Unique Circumstances

- Additional allowances will be considered if at least one of the following current unique circumstances apply:
 - Demonstrated manufacturing capacity coming online
 - The acquisition of another domestic manufacturer or its manufacturing facility or facilities
 - A global pandemic or other public health emergency that increases patients diagnosed with medical conditions treated by metered dose inhalers
 - Additional proposed unique circumstances based on finalization of ASA rule
- Requesting additional allowances due to unique circumstances
 - Fill out Section 5 of biannual report, specifying which unique circumstance(s) are relevant
 - Submit supporting documentation with proof of the unique circumstance
 - Complete Section 9 to further EPA's understanding of your total projected need for HFCs

Requesting Unique Circumstances, Continued

- Supporting documentation examples*
 - Copies of permits or other documents to clarify when a new line or facility is opening
 - Agency communications and/or approval letters for new products or product modifications
 - More recent sales numbers to document growth in sales of metered dose inhalers resulting from a public health emergency
 - Purchase and sale agreements for facilities where a new product will be manufactured
 - Recent invoices for equipment or capital tool purchases
 - Proof of additional shifts or staff added
- While all reported data is treated as CBI, EPA encourages companies to redact any proprietary or otherwise sensitive information if necessary

*Please check with EPA if you have other forms of documentation in mind

Requesting Unique Circumstances – Common Reporting Mistakes

- Requesting for projected demand instead of requesting additional allowances due to concrete changes occurring at a facility that support the increased demand
- Insufficient supporting documentation, for example:
 - Projected or historical sales/demand numbers without documentation showing concrete actions taken to support growing sales/demand
- Continued requests for the same unique circumstance without explanation
 - Reporters should provide an explanation for why the unique circumstance request is still relevant and any updates
- Supporting documentation is required
 - Failure to provide EPA with complete reports and all required documentation to verify those reports may prevent EPA from being able to issue allowances to your company

Reporting Best Practices

- **Report as early as possible**

- Early reporting (before July 31) is greatly appreciated as it provides EPA additional time to thoroughly review your report and contact you in case there are discrepancies, missing documentation, or other issues that need to be addressed

- **Estimate your eligible quantity**

- Calculate your eligible allocation quantity using the methodology codified in 40 CFR 84.13 and including changes outlined in Section VII of the Proposed Rule

Note: EPA will independently calculate your allocation based on verified data

- **Cover letter**

- Describe how the supporting documentation provided can be used to verify reported acquisition and inventory data
- If requesting additional allowances under unique circumstances, describe how the supporting documentation verifies the request and explain the situation(s) driving the request

Reporting Best Practices, Continued

- **Supporting Documentation**

- Ensure sufficient information is provided to allow EPA to independently verify reported values
- Specify the HFC weight per cylinder or unit (e.g., kg)
- Specify the composition of HFCs contained within each product (if relevant)
- Failure to provide EPA with complete reports and all required documentation to verify those reports may prevent EPA from being able to issue allowances to your company

- **Date of Acquisition**

- Ensure that you use a consistent date (e.g., date shipped, delivery date) when reporting the date when material was obtained

- **Purchase and Inventory Alignment**

- Ensure that any increase in inventory from the previous reporting period to the current reporting period is not greater than the purchases in the current reporting period
- Ensure that purchases and inventory are reported using the same date (e.g., if material was reported as purchased during the reporting period but has not yet been received, it should also be reported in inventory)

Reporting Best Practices, Continued

- **Double-check your math**
 - Ensure you use the conversion factor of 0.4536 kg/lb
 - Re-check calculations for total needs
- **Conferral Data**
 - Ensure the reported quantity of material acquired through conferring allowances in Section 2 equals the total quantity of each HFC reportedly received in Section 3
- **Gross vs. Net Weights**
 - Ensure the quantities reported in Section 2 reflect net weights instead of gross weights
- **Regularly Engage with EPA**
 - Reach out throughout the development of your report if you have questions and respond quickly to EPA requests

Resources

- [Regulatory Actions for Allowance Allocation and Reporting:](https://www.epa.gov/climate-hfcs-reduction/regulatory-actions-allowance-allocation-and-reporting)
<https://www.epa.gov/climate-hfcs-reduction/regulatory-actions-allowance-allocation-and-reporting>
- [HFC Reporting and Recordkeeping Resources:](https://www.epa.gov/climate-hfcs-reduction/reporting-and-recordkeeping-resources) <https://www.epa.gov/climate-hfcs-reduction/reporting-and-recordkeeping-resources>
 - Reporting Forms
- [HFC Allocation Rule Reporting Resources:](https://www.epa.gov/climate-hfcs-reduction/hfc-allocation-rule-reporting-resources) <https://www.epa.gov/climate-hfcs-reduction/hfc-allocation-rule-reporting-resources>
 - Webinar Presentation Slides
 - Reporting Instructions
- [Access HAWK through EPA's electronic Greenhouse Gas Reporting Tool \(e-GGRT\):](https://ghgreporting.epa.gov/)
<https://ghgreporting.epa.gov/>
- Reach out if you would like to schedule a consultation: HFCAllocation@epa.gov

Questions?