

PRODUCT STEWARDSHIP SCHEME

ANNUAL REPORT TO THE MINISTER FOR THE ENVIRONMENT FOR THE YEAR ENDED 31 MARCH 2017

Background

To support the international protocols established to protect the environment from release of ozone depleting substances and the buildup of greenhouse gases, the Recovery product stewardship scheme funds the collection, storage, and disposing, in an environmentally acceptable way, of CFCs, HCFCs, HFCs and any other synthetic refrigerants which have been used in the refrigeration and air conditioning industries. The used refrigerants are recovered from equipment in current use or end of life equipment - the focus is on recovery and destruction of used refrigerants regardless of its condition or use at the time of collection.

Recovery's product stewardship scheme is supported by industry groups and was accredited by Ministry for the Environment under the Waste Minimisation Act in September 2010. Accreditation of the product stewardship scheme was for a period of 7 years. Recovery has applied to Ministry for the Environment to continue accreditation of the scheme.

Recovery's balance date is 31 March and accordingly the trustee presents the following report for the year ended 31 March 2017.

Collection and destruction of refrigerant

Refrigerant collected for destruction in the year ended 31 March 2017 was 35,249kg compared to 31,600kg in the prior year and a target of 34,000kg. This represents an 11% increase in actual refrigerants collected, and ahead of the target.

	31/03/17		31/03/16
	Actual kg	Target kg	Actual kg
Refrigerant held at 1 April	10,715		15,826
Collected (and decanted into one-tonne cylinders)	35,249	34,000	31,600
Destroyed	(38,155)		(36,711)
Refrigerant held at 31 March	<u>7,809</u>		<u>10,715</u>

Refrigerant destroyed comprised the following:

	31/03/17 kg	31/03/16 kg
CFCs	894	68
HCFCs	5,746	5,505
HFCs	<u>31,515</u>	<u>31,138</u>
	<u>38,155</u>	<u>36,711</u>



There were 4 shipments of refrigerant to Australia for destruction in the year. The bulk of the 7,809kg of refrigerants on hand at 31 March 2017 were sent to Australia in June 2017 for destruction.

Destruction of refrigerant in the 12 month period has achieved a positive outcome for the environment by saving up to 17,300 tonnes of ozone and reducing the buildup of greenhouse gases by up to 75,900 tonnes of CO₂ equivalent.

Participation / Awareness through industry training

Recovery has continued to liaise with providers of industry training and has presented at industry training sessions to ensure continuing clear messages promoting the product stewardship scheme. Targeted promotional material is provided to particular industry training groups. Recovery actively participates with the Institute of Refrigeration Heating and Air Conditioning Engineers (“IRHACE”).

Participation / Awareness through stakeholders / major user groups

Recovery is run by stakeholders including directors who represent key participants in the refrigeration and air conditioning industries – importers, wholesalers, and end users. Recovery focuses on reporting and dissemination of information to / from the representatives of the various industry groups and has continued to report regularly via industry groups and through its website during the period.

The major bulk wholesalers of refrigerant into New Zealand have for a number of years been committed to imposing the levy to cover collection and destruction costs but HFCs can be imported direct without an import licence which leads to imbalances where refrigerant is imported direct by users or groups outside of the major wholesalers. Recovery continues to consider it would be beneficial for the industry if all importers of refrigerant imposed the Recovery levy to cover costs of the eventual collection and destruction of unwanted refrigerants. We note there are other wholesalers selling refrigerant who have chosen not to collect levy at this point in time. Unfortunately these wholesalers still have an expectation that Recovery will manage the financial burden of destroying the refrigerants they sell when they reach end of life.

The participating wholesalers are:

AHI Carrier (NZ) Limited
Chemiplas NZ Limited
Heatcraft New Zealand Limited
Realcold NZ Limited

BOC Limited
Cooling Supplies
Patton Limited
Refrigeration Specialties Limited

A levy at a rate of \$1.50 per kilogram of CFCs, HCFCs, and HFCs and a levy at a rate of \$2.50 per kilogram of flammable synthetic refrigerants is received on the sale by participating wholesalers of synthetic refrigerants.

In light of the recent introduction of HFOs (Hydro Fluoro Olefins) into the New Zealand market place and the recommendation from their manufacturers that they be destroyed at the end of their life through a facility such as Recovery, a levy will be collected on the sale of

Trust Administrators

PricewaterhouseCoopers
Private Bag 92162, Auckland 1142, New Zealand
Telephone +64 9 355 8540
Email rod.tapp@nz.pwc.com



HFOs and blends through the participating wholesalers. The rate will be in line with the flammable levy of \$2.50 per kilogram to be applied to all HFOs and blends containing HFOs. The majority of the HFOs refrigerants are flammable and of the few HFOs and blends of which are not flammable, they do still require a higher degree of storage and handling.

The phase out period for the importation of ozone depleting substances concluded on 31 December 2014 and so funding of Recovery by way of levy on CFCs and HCFCs will cease when participating wholesalers have sold remaining CFCs and HCFCs. Based on levies received there have been more than expected volumes of CFCs / HCFCs through to 31 March 2017 but we expect these will largely diminish now.

Participation / Awareness through refrigeration contractors

IRHACE actively promotes awareness and best effective practices in handling and storage of refrigerants and Recovery continues to liaise with IRHACE and supporting initiatives of this nature. Recovery continues to be an interested and supportive party on the fillers and handlers training and certification initiative.

Recovery continues to receive favourable feedback on its free Phone App which enables calculation of safe filling weight for refrigerant cylinders depending on type of refrigerants.

Collaborating to improve the scheme performance

Recovery has continued to discuss, both amongst the trust's representatives of industry groups and with various other parties / stakeholders, the impact of the Emissions Trading Scheme. Recovery is registered on the NZ Emissions Unit Register and has earned Emission units on refrigerant destroyed since 1 January 2013. Recovery has received 139,326 units (NZUs) all of which were held at 31 March 2017.

Recovery continues to explore alternative destruction facilities as it is mindful of ensuring a tension on pricing for destruction and providing a safeguard for business continuity.

National coverage – Collection points

Regional collections continued during the year and these are now cemented as a standing initiative to ensure accessibility to Recovery's scheme across the country on an annual basis. Recovery will continue to monitor regional collections to ensure timing and locations are appropriate to maximise collection of refrigerants throughout the country.

Collection points - assessment

Recovery has continued to work closely with its external provider of refrigerant collection services. External audit / assessments of the collection facilities will be completed in the year ending 31 March 2018. The basis for assessment will be around the code of practice and will focus on ensuring procedures are being followed and expectations are being met.

Collection points - health and safety

Refrigerant collection services are handled by an external provider, a specialised refrigerant company, and their high focus and standards on health and safety are applied to the collection service.

With the phasing out of refrigerants with Ozone Depleting Potential and high Contribution to

Trust Administrators

PricewaterhouseCoopers
Private Bag 92162, Auckland 1142, New Zealand
Telephone +64 9 355 8540
Email rod.tapp@nz.pwc.com



Global Warming there are increasing volumes of Flammable Synthetic Refrigerants (eg. R32) for particular applications. Recovery has established an operating facility specifically for collection and storage of flammable synthetic refrigerants. A grant from Ministry for the Environment's Waste Minimisation Fund contributed around 70% of the project cost. Recovery recognises that it is likely phase out of HFCs will commence in the relatively short term.

Recovery remains concerned that there are volumes of refrigerant R40 in New Zealand although there has been no R40 evident in refrigerant destroyed in the past year based on analysis received.

Recovery monitors the collection process to ensure collections are being maximised in the most efficient and cost effective manner.

Promote awareness of refrigerants destroyed

Recovery has continued reporting to the Ministry for the Environment and industry groups on refrigerants disposed of following the destruction of each shipment at the destruction facility. Analysis of refrigerants destroyed is also recorded in Recovery's website.

Minimise loss

Recovery has continued to actively support IRHACE's focus on best practises in handling refrigerants to minimise refrigerant loss.

Financial

Recovery projects and regularly reviews its financial performance and financial position. At 31 March 2017 Recovery had accumulated funds of \$7,639,000, on a historical cost basis, after providing for costs of destruction of refrigerants collected but not yet destroyed at balance date.

Statement of Financial Performance For the year ended 31 March 2017

	\$000s
Levies received	655
Less levy collection fees	(32)
Net revenue from levies	623
Less refrigerant collection and destruction fees	(715)
Gross surplus / (deficit)	(92)
Less administration and financial expenses	(174)
Net surplus / (deficit) before other income	(266)
Interest received and gain on investments	339
Value of NZUs received	698
Net surplus	771

Trust Administrators

PricewaterhouseCoopers
Private Bag 92162, Auckland 1142, New Zealand
Telephone +64 9 355 8540
Email rod.tapp@nz.pwc.com



Statutory Reporting

Changes to the Charities Act created statutory audit and review requirements for medium and large Registered Charities from 1 April 2015. Recovery is within the category of “medium size” and has appointed an auditor to complete an annual review which will provide limited assurance about whether the financial statements as a whole are free from material errors or fraud.

On behalf of the Directors of Refrigerant Recovery NZ Limited, as corporate trustee of Recovery - Trust for the Destruction of Synthetic Refrigerants:

6 July 2017
Date

Director

Director

Trust Administrators

PricewaterhouseCoopers
Private Bag 92162, Auckland 1142, New Zealand
Telephone +64 9 355 8540
Email rod.tapp@nz.pwc.com

