

PRODUCT STEWARDSHIP SCHEME

ANNUAL REPORT TO THE MINISTER FOR THE ENVIRONMENT FOR THE YEAR ENDED 31 MARCH 2020

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 has been accredited by Ministry for the Environment under the Waste Minimisation Act since September 2010. The Trusts intention is to continue to operate a product stewardship scheme which is supported by industry groups.

Recovery's balance date is 31 March and accordingly the trustee presents the following report for the year ended 31 March 2020.

Collection and destruction of refrigerant

Refrigerant collected for destruction in the year ended 31 March 2020 was 37,417kg compared to 32,710kg in the prior year and a target of 34,000kg. This represents a 14% increase in actual refrigerants collected compared to the prior year (the prior year had decreased 15% on the previous year).

| | <u>31/03/20</u> | | <u>31/03/19</u> |
|---|-----------------|--------------|-----------------|
| | Actual kg | Target kg | Actual kg |
| Refrigerant held at 1 April | 32,574 | | 7,347 |
| Collected (and decanted into one-tonne cylinders) | 37,417 | 34,000 | 32,710 |
| Destroyed | <u>(45,820)</u> | | <u>(7,483)</u> |
| Refrigerant held at 31 March | <u>24,171</u> | | <u>32,574</u> |

Refrigerant destroyed comprised the following:

| | <u>31/03/20</u> | <u>31/03/19</u> |
|-------|-----------------|-----------------|
| | kg | Kg |
| CFCs | 0 | 0 |
| HCFCs | 2,212 | 670 |
| HFCs | <u>43,608</u> | <u>6,813</u> |
| | <u>45,820</u> | <u>7,483</u> |

Trust Administrators

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Destruction of refrigerant in the 12 month period has achieved a positive outcome for the environment by saving up to 3,000 tonnes of ozone and reducing the buildup of greenhouse gases by up to 101,000 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 there are other wholesalers selling refrigerant who have chosen not to collect levy. Unfortunately these other wholesalers have an expectation that Recovery will manage the financial burden of destroying the refrigerants they sell when they reach end of life. 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 and continues to work with Ministry for the Environment to approve Recovery as a priority product stewardship scheme as provided for in the Waste Minimisation Act. Ideally this will be approved and implemented so that all producers, brand owners, importers, retailers and consumers of that product would participate.

The current participating wholesalers are:

| | |
|-----------------------------------|---------------------------|
| AHI Carrier (NZ) Limited | BOC Limited |
| Chemiplas NZ Limited | Cooling Supplies |
| Glowbal NZ Limited | Patton Limited |
| Realcold NZ Limited | Reece New Zealand 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 including HFOs is received on the sale by participating wholesalers of synthetic refrigerants.

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.

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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 collection of levies, impact of the Emissions Trading Scheme, and other matters impacting on the scheme's performance.

Recovery is registered on the NZ Emissions Unit Register and has earned Emission units on refrigerant destroyed since 1 January 2013. Recovery has received 306,656 units (NZUs), all of which were still held at 31 March 2020.

Recovery continues to explore alternative destruction facilities as it is mindful of ensuring that destruction can be achieved at appropriate levels of cost and that facilities are sustainable.

National coverage – Collection points

Regional collections are run across the country to maximise collection of refrigerants throughout the country. Recovery monitors the collection process to ensure collections are being maximised in the most efficient and cost effective manner and the timing and regional collection locations vary as appropriate.

Collection points - assessment

Recovery has continued to work closely with its external provider of refrigerant collection services. External audit / assessments of the collection facilities continue to be completed. The basis for assessment is around the code of practice and focuses on ensuring procedures are being followed and expectations are being met. From Recovery's perspective there is no particular risk which is of concern at the recovery depots.

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 Global Warming there are increasing volumes of Flammable Synthetic Refrigerants (eg. R32) for particular applications. Recovery has an operating facility specifically for collection and storage of flammable synthetic refrigerants. Recovery recognises that it is likely phase out of HFCs will commence in the relatively short term.

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.

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Financial

Recovery projects and regularly reviews its financial performance and financial position. At 31 March 2020 Recovery had accumulated funds of \$10,046,000, 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 2020**

| | <u>\$000s</u> |
|--|---------------------|
| Levies received | 486 |
| Less levy collection fees | <u>(24)</u> |
| Net revenue from levies | 462 |
| Less refrigerant collection and destruction fees | <u>(868)</u> |
| Gross surplus / (deficit) | (406) |
| Less administration and financial expenses | <u>(529)</u> |
| Net surplus / (deficit) before other income | (935) |
| Interest received and gain on investments | 217 |
| Value of NZUs received | <u>2,411</u> |
| Net surplus | <u>1,693</u> |

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 audit which will provide 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:

31 August 2020

Date

Director

Director



