

# **Guidelines on the Allocation of Import Quota for Hydrochlorofluorocarbons (HCFCs) for the Calendar Year from 2020 to 2029**

## **Introduction**

This paper describes the import quota allocation system for HCFCs to be implemented in the calendar year from 2020 to 2029.

## **Background**

2. A quota allocation system has been implemented under the Ozone Layer Protection Ordinance (OLPO) for the importation of a total of 34 types of HCFCs since the implementation of control on the import of the chemicals in 1996 with a view to complying with the reduction targets stipulated in the Montreal Protocol.

3. Under the quota allocation system, the maximum amount of HCFCs that can be imported into Hong Kong in a calendar year for local consumption (the Annual Quota) is set based on the reduction targets stipulated in the Montreal Protocol. Following the phase-out schedule in the Montreal Protocol, the Annual Quota of HCFCs for the period from 2015 to 2019 has been reduced to **10%** of the 1989 base level (138.93 ODP-tonnes), i.e. 13.89 ODP-tonnes. According to the latest phase-out schedule from the Montreal Protocol in 2018, starting from 2020, the Annual Quota of HCFCs will be further reduced to 0.5% of the 1989 base level, i.e. about 0.69 ODP-tonnes<sup>1</sup> from 2020 to 2029.

4. Similar to past years, the Annual Quota has been split into two parts, namely, Normal Quota and Free Quota as follows:

- (a) Normal Quota - the quota allocated to the existing persons registered under OLPO based on their past 12-month performance of total retained import of HCFCs (from November of the preceding year to October of the current year), subject to their confirmation of acceptance.
- (b) Free Quota - the quota allocated on application on a first-come-first-served basis to newly registered persons or to existing registered persons who had exhausted their Normal Quota in that year, subject to a common ceiling for each eligible party. The common ceiling of free quota starting from 2020 is adjusted to 0.04 ODP-tonnes (or 40 ODP-kg).

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<sup>1</sup> According to the Handbook for the Montreal Protocol on Substances that Deplete the Ozone Layer, 13<sup>th</sup> edition (2019), starting from 1<sup>st</sup> January 2020, allowance of 0.5% of 1989 baseline HCFCs consumption can be allowed until 1<sup>st</sup> January 2030 for, amongst others, servicing of refrigeration and air-conditioning equipment existing on 1<sup>st</sup> January 2020.

## **The Import Quota Allocation System from 2020 to 2029**

### Annual Quota, Normal Quota and Free Quota from 2020 to 2029

5. The Annual Quota for each calendar year from 2020 to 2029 is 0.69 ODP-tonnes. In view of the substantial reduction of the import quota, the Annual Quota will be fully allocated as Normal Quota in order to satisfy the needs of the existing registered persons. That is to say, the Normal and Free Quotas will be as follows:

- (a) Normal Quota: 0.69 ODP-tonnes (or 690 ODP-kg); and
- (b) Free Quota: 0 ODP-tonnes.

### Allocation of Normal Quota

6. At the end of each year, Normal Quota for the next year will be allocated to persons who hold a valid registration under section 5 of the OLPO until or beyond 31 December of the next calendar year. Normal Quota will be distributed on a pro rata basis among the eligible parties based on their past 12-month performance (from November of preceding year to October of the current year) of total retained import of HCFCs.

7. The Normal Quota for the next year will be allocated to the eligible parties by 31 December of each calendar year, subject to their confirmation of acceptance.

### Allocation of Free Quota (only if available)

8. Free Quota will only be available for application if there are any unallocated Normal Quota and/or any quantities of HCFCs that are imported to Hong Kong and re-exported to other places within the same calendar year. Any person who holds a valid registration under section 5 of the OLPO may apply for the Free Quota, if available, subject to the following conditions:

- (a) Applications for the Free Quota will be approved on a first-come-first-served basis.
- (b) A common ceiling of 0.04 ODP-tonnes (or 40 ODP-kg) will be applied to all eligible parties.

### Other Conditions

9. For every consignment, a licence will remain valid for 60 days after the date of issuance.

10. The Normal Quota can be transferred between eligible parties upon approval of the Director of Environmental Protection. However, those who have transferred out 10% or more of their Normal Quota allocated to them in the calendar year of concern will not be eligible for the application of Free Quota in that calendar year.

11. Registered persons who have been allocated with the Normal Quota in the calendar year of concern will not be eligible for the application of Free Quota in that calendar year until the Normal Quota allocated to them has been exhausted.

12. The amount of Free Quota committed for an issued licence will automatically be released back to the pool of Free Quota if the consignment cannot be realized upon expiry of the licence. The licence issued and/or the Free Quota committed to a company is not transferable.

13. Licence applications for Free Quota will not be entertained when the whole Free Quota has been committed or exhausted.

### **Licensing Arrangements**

14. In order not to disrupt normal trading activities, the Trade and Industry Department will, with effect from **late December of each year**, accept and process licence applications covering consignments of, among other things, HCFCs intended for importation/exportation/transshipment on or after 1 January of the next year. Traders are requested to take note of the following important licensing requirement when making the relevant licence applications:

- (a) Regarding imports of HCFCs for local consumption, importers who wish to apply in advance for licences during late to 31 December of each calendar year to cover imports of HCFCs that will arrive in Hong Kong on or after 1 January of the next year must make the following declaration on the relevant import licence applications –

"This shipment will arrive in Hong Kong on \_\_\_\_\_. Please debit \_\_\_\_\_ weighted quantity in kg against my normal quota allocation for the period 1 January XXXX to 31 December XXXX (*please enter the next calendar year*)."

### **Enquiries**

15. For enquiries about the allocation of import quota for HCFCs, please contact us at 2594 6225 or 2594 6593.

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