

Testimony of Gary Bedard
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On behalf of
The Alliance for Responsible Atmospheric Policy

Hearing on H.R. 5544, The American Innovation and Manufacturing Leadership Act
Before the Subcommittee on Environment and Climate Change
U.S. House of Representatives
January 14, 2020

Chairman Tonko, Ranking Member Shimkus, and members of the Committee, I am Gary Bedard, the President and COO of Lennox International's global refrigeration business and today I speak on behalf of the Alliance for Responsible Atmospheric Policy in support of H.R. 5544, the American Innovation and Manufacturing Leadership Act.

The Alliance is an organization of industry users and producers of fluorocarbon compounds that was established in 1980 to address concerns of the impacts of these compounds on the Earth's atmosphere, first as ozone depleting substances. Today, the Alliance represents businesses that produce hydrofluorocarbons or HFCs, as well as manufacturers that use HFCs in air conditioning, refrigeration, appliances, foam insulation, foam products, electronics, aerosols, and metered dose inhalers.

Lennox International is based in Richardson, Texas and employs 10,000 people, many of whom work in American manufacturing or engineering design facilities in places like Tifton, Georgia; Marshalltown, Iowa; Carrollton, Texas, Columbia, South Carolina; Stuttgart, Arkansas; Grenada, Mississippi, Stone Mountain, Georgia; and Orangeburg, South Carolina.

Alliance members have worked for three decades to implement Title Six of the Clean Air Act to eliminate the use of ozone depleting substances and to introduce compounds and technologies that have allowed for the continued growth of the global market for these products, and growth that has produced products that are more energy efficient, safe, affordable and functional to consumers and the workers who manufacture these products. These transitions have led us from ozone depleting compounds such as CFCs and HCFCs, to HFC compounds on which we rely today.

HFCs were first commercialized in the early 1990s and became the refrigerant of choice for the air conditioning and refrigeration industry between 2000 and 2010. While these compounds provided a quick and safe transition away from ozone depleting substances, it was recognized at that time that HFCs still had a higher global warming potential ("GWP") than was ultimately sustainable. Since then, industry with the support of government, and environmental organizations, have invested and innovated to develop sustainable substitutes for these compounds.

U.S. industry, including the American HVACR industry, have invested billions of dollars in the development of low-GWP compounds and technologies and led the global development of a policy framework that achieves a cost-effective transition to lower GWP technologies.

The future success of our industry is dependent upon a rational federal transition from HFC refrigerants to new environmentally friendly refrigerants. I am here today to ask you to support the AIM Act, which facilitates an efficient and cost-effective domestic phase-down of HFC refrigerants by providing very narrow authority to the Environmental Protection Agency to transition away from these substances. The most economical transition for manufacturers, distributors, contractors and ultimately consumers – your constituents-- is a predictable and rational federal transition.

The AIM Act relies on three key components, a market-based allocation system for the producers of HFC compounds that gradually phases down production and use, a flexible program for user sectors with no impact on existing equipment owners, and a heightened emphasis for improved management of refrigerant substances where relevant.

Industry managed prior efficient and cost-effective federal transitions, which yielded significant consumer cost benefits, while also achieving environmental improvements.

In independent analysis from the University of Maryland's Interindustry Forecasting program (Inforum,) InForum projects implementation of a federal transition as contained in the AIM Act, will stimulate additional investment by the HVACR industry in the United States, generates an additional 33,000 manufacturing jobs over the first decade, improves the balance of trade by \$12.5 billion annually, and increases exports by \$5 billion. We are providing a summary of this report for the record of this hearing.

The AIM Act simplifies a complicated and confusing existing regulatory structure, relies on known policy approaches and makes improvements from lessons learned. The AIM Act advances American-made technology, provides domestic economic benefits and significant job growth, while facilitating American leadership in this industry around the globe.

Additionally, an effective federal program will also curtail illegal dumping of HFCs into the U.S. as is currently occurring, particularly from countries such as China.

The transition away from HFCs is well underway globally. More than 90 countries, including all our major economic competitors have embraced a defined policy approach. The only debate remaining is the timing of the transition in the United States, the efficiency by which it occurs, and whether our industry maintains its global leadership in the 125 billion dollar global air conditioning and refrigeration market; a market that is expected to double in the next ten years.

While all other developed economies have begun their transitions, the domestic U.S. HVACR industry is lagging and falling behind both the EU and Asia as a result of the lack of a uniform federal policy.

Failure to pass the AIM Act into law will significantly increase our regulatory burden and may potentially lead to a costly localized refrigerant transition. Instead of investments in research and development and productive manufacturing capacity, industry will manufacture redundant product lines, increase our distribution costs and reduce our inventory turns. Failure to pass the AIM Act means inefficiency wins over innovation and American industry, workers and consumers lose to foreign competition.

Conversely, the AIM Act reduces regulation to a single rational, efficient and cost-effective federal program.

We strongly support smart Federal policy that enables American industry to commercialize its next generation technologies here at home and win an increasingly expanding and competitive global market. We believe that is what H.R. 5544 offers us.

Importantly, the AIM Act is supported by the impacted industries, the National Association of Manufacturers, the U.S. Chamber of Commerce, and the Natural Resources Defense Council (NRDC). We should take advantage of this rare broad-based support. Historically, the Title Six programs have experienced broad bi-partisan support since 1990. A similar legislative proposal in the Senate, S. 2754, currently enjoys significant bi-partisan support. We hope that this legislation, H.R. 5544, will also receive bi-partisan support here In the House of Representatives.

The AIM Act provides regulatory simplification, implements smart, market-based and flexible approaches that have proved cost-effective over the years and are projected to do so into the future. It is pro-jobs, pro-trade, pro-American technology leadership, and it is pro-environment. It deserves strong bi-partisan support and we hope that you will give it favorable consideration and quick passage.

The Aim Act is a bet on American innovation and supports American manufacturing. Industry needs your support to compete and win globally. Thank you for your time and I look forward to your questions.



The Alliance
for Responsible Atmospheric Policy

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Alliance, Industry Back House HFC Phasedown Legislation

Important Legislation Adds to American Manufacturing Leadership and Job Growth

Arlington, VA – Today, the Alliance for Responsible Atmospheric Policy strongly commends the introduction of H.R. 5544, the [American Innovation and Manufacturing Leadership Act](#) by Representatives Paul Tonko (D-NY-20), Pete Olson (R-TX-22), Scott Peters (D-CA-52), and Elise Stefanik (R-NY-21). Like the recent Senate HFC phasedown bill, [S. 2754](#), lawmakers from both parties, industry, and environmental groups like the Natural Resources Defense Council back H.R. 5544.

“This important legislation signals the building momentum for American jobs, trade improvement, technology leadership, and environmental stewardship, through a uniform Federal program for cost-effective HFC phasedown,” said Alliance Executive Director Kevin Fay, “and we look forward to working with the strong bipartisan support to achieve these important economic and environmental benefits.”

H.R. 5544 relies on three key components:

- A market-based allocation system for the producers of HFC compounds that gradually phases down their production and use.
- A flexible program for future user sectors to achieve the transition of the user technology sectors
- A heightened emphasis for improved management of refrigerant substances where relevant.

The legislation also contains a policy and program approach similar to what the industry has relied upon under Title VI of the Clean Air Act. It is also designed to be a stand-alone program and not a Clean Air Act Amendment.

Independent analysis commissioned by the Alliance projects that the American Innovation and Manufacturing Leadership Act would generate an additional 33,000 manufacturing jobs, improve the balance of trade by \$12.5 billion annually, and increase exports by billions of dollars based on additional investment by the HVACR industry in the United States over the next decade.

Fay added, “Without the proposed law, American businesses are left in an uncertain position in a highly competitive global market for next generation fluorocarbon technologies.”

The American Innovation and Manufacturing Leadership Act of 2020 (H.R. 5544)

The American Innovation and Manufacturing Leadership Act of 2020

- The AIM Leadership Act was introduced in the U.S. House of Representatives on January 7th by Representatives Paul Tonko (D-NY), Pete Olson (R-TX), Scott Peters (D-CA), and Elise Stefanik (R-NY).
- The U.S. heating, ventilation, air conditioning, and refrigeration (HVACR) industry supports the AIM Leadership Act, as does the U.S. Chamber of Commerce, the National Association of Manufacturers, and the Natural Resources Defense Council.
- The AIM Leadership Act phases down refrigerants known as hydrofluorocarbons (HFCs), providing an orderly, innovation-driven transition to next generation technologies for U.S. manufacturers and consumers.
- The AIM Leadership Act also authorizes EPA to harmonize refrigerant management and sector- based programs, so there would be a single Federal program for HFCs and ozone-depleting substances.
- This grant of authority is highly limited – and cannot be used for any purpose other than phasing down HFCs. It has no precedential value, except to show EPA needs Congress to act where EPA wants to control new substances and lacks express authority under existing law.

Economic Benefits

- The AIM Leadership Act allows U.S. manufacturers to maintain technology leadership in the global fluorocarbon and equipment marketplaces, while at the same time creating new domestic jobs and driving economic growth. According to an industry study, it will:
 - Create 33,000 manufacturing jobs and sustains 138,400 existing jobs between now and 2027.
 - Increase direct manufacturing output by \$12.5 billion, and total (direct and indirect) manufacturing output by \$38.8 billion between now and 2027.
 - Improve the U.S. trade balance in equipment and chemicals by \$12.5 billion.
- Studies also forecast the overall contribution to the economy from the HVACR industry will be 2.5 million jobs, and \$621 billion in economic output by 2027.

Consumer Benefits

- American consumers will benefit from the transition from HFCs to more environmentally friendly, more efficient cooling and refrigeration products and equipment.
- As with previous technology transitions, existing consumer equipment would not be impacted by an HFC phasedown. HFCs will remain available for servicing existing equipment, as did prior transitions away from older refrigerants, such as CFCs, without harm to consumers.



The Alliance
for Responsible Atmospheric Policy