

INCEPTION IMPACT ASSESSMENT

Inception Impact Assessments aim to inform citizens and stakeholders about the Commission's plans in order to allow them to provide feedback on the intended initiative and to participate effectively in future consultation activities. Citizens and stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have, including on possible impacts of the different options.

TITLE OF THE INITIATIVE	Ozone layer protection – revision of EU rules
LEAD DG (RESPONSIBLE UNIT)	DG CLIMA (Unit A2 – Climate Finance, Mainstreaming, Montreal Protocol)
LIKELY TYPE OF INITIATIVE	Legislative
INDICATIVE PLANNING	Q2 2021
ADDITIONAL INFORMATION	https://ec.europa.eu/clima/policies/ozone_en

The Inception Impact Assessment is provided for information purposes only. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by the Inception Impact Assessment, including its timing, are subject to change.

A. Context, Problem definition and Subsidiarity Check

Context

After the discovery of a dangerous 'ozone hole' in the stratosphere, all nations in the world agreed in 1987 to take action under the [Montreal Protocol on substances that deplete the ozone layer](#) (ODS). This has avoided significant environmental and health risks from increased solar radiation that would have reached the Earth's surface otherwise. However, ODS are not only detrimental to the ozone layer, they are also strong greenhouse gases. The objectives of Regulation (EC) No 1005/2009 (the ODS Regulation) are to ensure EU compliance with international ODS obligations and having an ambitious EU ODS policy to prevent their emissions. Avoiding the latter to the extent possible is important also for achieving climate neutrality by 2050 in line with the [European Green Deal](#). Currently, the EU is prohibiting all uses of ODS subject to a number of exemptions, where ODS alternatives were not (yet) available in 2009. A high level of ambition and strict implementation rules continue to be essential to avoid any backsliding. Some additional emission reductions may be feasible due to technological developments.

Problem the initiative aims to tackle

The Commission carried out an [evaluation](#) of the Regulation as part of the Regulatory Fitness and Performance programme (REFIT) in 2019. It showed that the Ozone Regulation is generally fit-for-purpose and is effective in achieving its objectives. However, there are three ways in which it should be further improved:

(1) The evaluation showed that the main potential for improving the Regulation is related to enhancing its efficiency, coherence and clarity by fine-tuning specific measures. Without such improvements, the administrative burden would remain higher and ensuring compliance would be more challenging than necessary. In particular, there is scope for:

- Simplifying a licencing and quota system for companies importing, exporting and producing ODS as well as a registration system for laboratories using very small quantities of ODS.
- Better coherence with other rules, in particular the latest customs rules, which are relevant for the inclusion of ODS provisions in a future [Single Window for Customs](#) allowing to better fight illegal trade.
- More clarity, including deleting obsolete provisions as well as improving the structure of the Regulation.

(2) Some emissions are still originating from exempted uses, the use of newly identified ODS (Annex II) and ODS inside existing equipment and products, including after disposal. To contribute effectively to the EU objective of reaching climate neutrality by 2050, the EU should avoid such emissions to the extent that it is technically feasible at reasonable costs.

(3) In general, the monitoring system in place is adequate. There may however be scope to slightly extend the rules to e.g. include some new ODS identified relatively recently.

Basis for EU intervention (legal basis and subsidiarity check)

The legal basis for this intervention is Article 192 of the Treaty on the Functioning of the European Union (Environment). It is an area of shared competence between the Union and Member States. However, as confirmed by the recent evaluation of the Ozone Regulation, there is a clear imperative to act at EU level: only a harmonized EU approach can implement the Montreal Protocol's obligations and respect internal market rules at

the same time. It is also largely more efficient to act at EU level than it would be via national measures and has a higher benefit for the environment. Stakeholders generally support regulating this policy area at EU level.

B. Objectives and Policy options

The objective of the review is predominantly to achieve the overall policy objectives in a more efficient, coherent and clear manner. This implies to the very least safeguarding continued compliance with international obligations and locking-in the ambitious emission reductions achieved so far. Still, it is the objective to also attain additional emission reductions to the extent feasible. Maintaining a good level of control to avoid illegal activities is also essential. Four groups of policy options will be considered. These groups are not mutually exclusive but some of the sub-options are:

(1) Higher level of emission reductions:

- No further action
- Limit exempted uses further
- Include more prescriptive emission prevention rules related to production processes and ODS equipment
- Treat 'new ozone-depleting substances' (Annex II) as the traditional ODS (Annex I), i.e. not just monitor.

(2) Improving the efficiency of the Regulation while preserving effective prevention of illegal activities

- No further action
- Simplify the ODS licensing system (including exploiting synergies with the Single Window for Customs)
- Simplify the registration process for laboratories
- Simplify the quota allocation process

(3) Ensuring good monitoring, e.g. updating the reporting requirements in line with findings on 'new substances'

(4) Improving coherence and updating, for instance aligning provisions with other EU policies, e.g. customs rules and clarify & streamline the legal text

C. Preliminary Assessment of Expected Impacts

The significance of the impacts described below is expected to vary across policy options considered. All impacts will be assessed against a baseline scenario, which assumes no modifications to the existing Regulation.

Likely economic impacts

The ODS Regulation affects only a limited number of entities posing a small to modest economic burden, inter alia on chemical production and the aviation sector. On the one hand, potential new measures pursuing further ODS restrictions, in areas considered feasible, could increase costs on the concerned industry players (for producer and end-user), at least in the short term. On the other hand, such policies may also encourage investment in R&D and innovation and generate new business opportunities even at a global scale. Simplification will reduce costs for companies, including SMEs, national authorities and the Commission. Clarifications and changes related to monitoring are not expected to result in economic impacts.

Likely social impacts

No significant social impacts are expected for any of the options. Further proportionate restrictions on exempted uses of ODS would normally allow the continuation of the relevant production/activity, albeit ODS-free. At the same time innovations in ODS-free alternatives may result in minor job creation.

Likely environmental impacts

The ODS Regulation already ensures very ambitious emissions savings (ozone layer and climate relevant). It builds on progress achieved in the past as regards replacement of ODS in sectors (e.g. in refrigeration, air-conditioning and aerosols) where ODS were widely used. The review will ascertain that these environmental impacts are safeguarded, in particular that ODS are not reintroduced in those sectors. Any further reductions in the use of ODS and stricter emission prevention measures will result in some additional emission savings, which would enhance the Regulations contribution to the healing of the ozone layer and the EU's 2050 climate neutrality goal. The options related to simplification and coherence may contribute to a better control, in particular in preventing illegal activities, with benefits for the environment.

Likely impacts on fundamental rights

No impact expected.

Likely impacts on simplification and/or administrative burden

Measures aiming at simplification and efficiency are expected to reduce administrative costs for companies dealing with ODS, in particular for SMEs. Any costs linked to better monitoring are likely to be very small. A significant reduction of administrative burden is also expected for authorities, in particular at EU level and for national custom organisations.

D. Evidence Base, Data collection and Better Regulation Instruments

Impact assessment

An Impact Assessment will be prepared in 2020/2021 to support the preparation of this initiative and to inform the

Commission's decision making.
Evidence base and data collection
<p>A large amount of data is available from past monitoring activities at EU level (EU ODS Reporting, licensing system and laboratory ODS registration), and at international level (Montreal Protocol decisions and reports by its technical bodies), relevant agencies (e.g. International Civil Aviation Organization) as well as from scientific literature. Some of the relevant data has already been collected by the recent evaluation. The results of the consultation activities carried out for the evaluation can still be regarded as being up-to-date and appropriate for use for the Impact Assessment.</p> <p>A consultant will assist in collecting and assessing additional relevant data closing existing data gaps, mostly from industrial stakeholders, their associations and national administrations, in particular as regards the impacts of the envisaged policy options. Data collection of commercially sensitive data by industry might lead to challenges accessing the information and will demand handling and treatment of business-sensitive information with caution.</p>
Consultation of citizens and stakeholders
<p>The purpose of conducting a stakeholder consultation is to strengthen the evidence base. The main stakeholders identified include industries dealing with ODS (e.g. chemical companies and aircraft producers), relevant national institutions (e.g. university laboratories), business associations and EU and national administrations.</p> <p>The stakeholder consultation activities will comprise:</p> <ul style="list-style-type: none"> • An online public consultation will run for 12 weeks in Q2 of 2020. The questionnaire will be available in 23 official EU languages on the 'Have your say' website. • A targeted stakeholder consultation consisting of semi-structured interviews with ODS businesses and authorities at EU and national level • A stakeholder workshop in Q4/2020 to receive feedback on the Draft Impact Assessment. <p>The outcome of all consultation activities will be presented in a synopsis report.</p>
Will an Implementation plan be established?
Implementation plan will be made, if relevant. The Regulation will be directly applicable in all Member States.