

NATIONAL PUBLIC AFFAIRS GROUP PTY LTD

24 September 2002

Mr Paul Palisi
Rector, Professions Unit,
Adjudication Branch
Australian Competition and
Consumer Commission
PO Box 1199
Dickson ACT 2602

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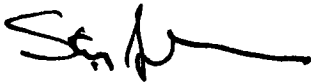
Dear Paul

Attached is a Form G - "Exclusive Dealing Notification" on behalf of the National Refrigerant and Air-Conditioning Council (NRAC), to cover the organisations operations.

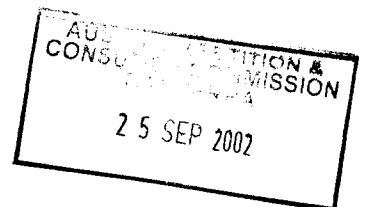
I also included a copy of the background paper on the Air-Conditioning Industry, as requested at an earlier meeting.

Please let me know if you require any further information.

Kind Regards



Steve Anderson



Form G

Commonwealth of Australia
Trade Practices Act 1974 --- Sub-section 93(1)
**EXCLUSIVE DEALING
NOTIFICATION**

To the Australian Competition and Consumer Commission:

Notice is hereby given, in accordance with sub-section 93(1) of the *Trade Practices Act 1974*, of particulars of conduct or of proposed conduct of a kind referred to in sub-section 47(2), (3), (4), (5), (6) or (7), or paragraph 47 (8)(a), (b) or (c) or (9) (a), (b), (c) or (d) of that Act in which the person giving notice engages or proposes to engage.

1. (a) Name of person giving notice:
NATIONAL REFRIGERATION & AIR-CONDITIONING COUNCIL LIMITED
ACN 097 952 657
- (b) Short description of business carried on by that person:
Certifier of standards, including standards of training, experience, insurances and waste gas handling, for air-conditioning and refrigeration equipment installation and maintenance technicians and contractors throughout Australia.
- (c) Address in Australia for service of documents on that person
Ground floor, 117 Church Street, Hawthorn, Victoria 3122
2. (a) Description of the goods or services in relation to the supply or acquisition of which this notice relates:
A service being the non-exclusive right and licence for the recipient to be designated as a person certified by the person giving this notice and to use a registered trade mark associated with the person giving this notice.
- (b) Description of the conduct or proposed conduct:
A condition of the right and licence that the recipient of the service only use in their provision of refrigeration and air-conditioning services to customers technicians who are also certified under the certification scheme administered by the person giving this notice.
3. (a) Class or classes of persons to which the conduct relates:
Air-conditioning and/or refrigeration equipment installation and maintenance contractors.
- (b) Number of those persons –
 - (i) At present time 100 tradespersons .
 - (ii) Estimated within the next year 5000 tradespersons. Estimated 12000 in 2 years.
- (c) Where number of persons stated in item 3(b)(i) is less than 50 their names and addresses:
Not applicable.
4. Names and address of person authorised by the person giving this notice to provide additional information in relation to this notice:
Mr Steve Anderson, National Public Affairs Group, PO Box 3961 Manuka, ACT 2603,
Telephone 02 6239 5652 Facsimile 02 6239 5653.

Dated: 17th September, 2002

Signed by/on behalf of the applicant giving notice


.....
Signature

ALAN JOHN WOODHOUSE
.....
Full name

CEO & SECRETARY
.....
Description

NRAC, the Australian Refrigeration and Airconditioning Industry and the Environment: Background Notes prepared for the Australian Competition and Consumer Commission, August 2002

Introduction.

The National Refrigeration & Airconditioning Council (NRAC) was formed to develop and implement a national system of training and certification for refrigeration and airconditioning companies and technicians. NRAC is a not-for-profit body, comprising representatives of every relevant industry association in the industry.

NRAC was established for the explicit purpose of minimising emissions of HFCs- fluorocarbon refrigerants. While HFCs are environmentally superior to the refrigerants they replace (HCFCs), nevertheless they are synthetic greenhouse gases listed under the Kyoto Protocol. While the Australian Government is not a signatory to the Kyoto Protocol, it has stated its intentions to meet the targets set out in that agreement.

Under the Government's Greenhouse Gas Abatement Program, NRAC was given a grant of \$3.28 million, while a related grant of \$280,000 was made to Refrigerant Reclaim Australia for the purposes of extending the industry product stewardship program to include HFCs.

These initiatives are expected to prevent emissions equivalent to 3.5 million tonnes of carbon.

The Australian Air-Conditioning and Refrigeration Industry

The industry involves a broad range of equipment and applications. These comprise:

- **Automotive**

Approximately 50% of the Australian vehicle fleet is air-conditioned. Vehicles manufactured prior to 1995 were produced with CFC systems – these systems are progressively being retrofitted to HFCs. All new vehicles are produced using HFC refrigerants. ²

² Briefing Paper Alternatives to CFC as Refrigerants in Motor Vehicle Air Conditioners. Hydrocarbon compare to R134a. Motor Vehicle Industry Report Council of NSW 1996

- **Domestic Refrigeration**

Prior to 1994, domestic refrigeration was produced with CFCs. Since that date, all new production uses HFC refrigerant.

- **Domestic Air-Conditioning**

This is a rapidly growing sector, which has traditionally used HCFC refrigerants. Equipment using HFCs is becoming available on the Australian market and is expected to grow strongly, in line with the phase-out of HCFCs.

- **Commercial**

The commercial sector covers a wide range of equipment, varying from small beverage vending machines up to large chillers used to control the climate in multi-storey office buildings. This sector also covers the food chain, from food processing applications to supermarkets.

This sector is a major user of refrigerants, and has traditionally relied on CFC, HCFC and HFC refrigerants, with ammonia used in some central food processing applications.

The use of HFC refrigerants is expected to grow rapidly in this area, as existing CFC equipment is retrofitted or replaced, and technology is developed to use HFC refrigerants and blends in place of HCFCs.

- **Industrial**

The industrial sector covers applications such as chemical manufacturing and petrochemical refineries using a variety of refrigerants. It is the major sector where non-fluorocarbon refrigerants, i.e. ammonia and hydrocarbons are used.

HFC Consumption by the Australian Air-Conditioning and Refrigeration Industry

In line with the Australian economy, the Australian air-conditioning and refrigeration industry is undergoing a period of sustained growth. While the demand for new equipment is closely linked to economic cycles, in particular that of the building industry, demand for new products such as residential air-conditioning is substantial.

The growth in this sector is amplified by equipment replacement and retrofit stemming from the phase-out of CFCs and the phasing out of HCFCs.

All HFC refrigerants are imported. In 1998, 1800 tonnes of HFC refrigerant were imported into Australia, according to industry estimates. In addition to the import of bulk refrigerants, a large amount of smaller equipment such as residential air-conditioners, are imported and fully charged. These refrigerant imports significantly add to the stock of refrigerant in Australia.

Future Growth Scenarios for HFCs

International figures indicate that over the period 1997 to 2015, HFC 134a, the most commonly used HFC for refrigeration and air-conditioning, will increase considerably in all uses. The same growth percentages would also apply to air-conditioning and refrigeration uses in Australia. Total HFC134a consumption over that period is estimated to increase from 87 to 207 kilotonnes with 84% going into the air-conditioning and refrigeration industry. According to the Technical Options Committee (TOC) Assessment Report of 1998,³ the use of HFC chemicals other than HFC 134a is also predicted to significantly increase over the period.

Using Australian consumption figures and the TOC scenarios, this could mean by the year 2015 Australia is eventually emitting over 4725 tonnes of HFC refrigerants, equivalent to 9.45 million tonnes of co₂, based on an average GWE of 2000 as set out on page 11. The TOC estimates that by 2015, the use of other HFCs will increase to an annual total of 133 kilotonnes, of which 72% will go to the air-conditioning and refrigerant industry.

It should be noted that, despite an increase on the consumption of HFCs over this period, a significant amount of this material will be used to replace CFCs and HFCs in existing equipment. According to data compiled by The Alternative Fluorocarbon Environmental Acceptability Study (AFEAS), total global warming equivalents produced by the combined consumption of CFCs, HCFCs and HFCs over the period 1986 – 1996 decreased by the factor of 7. Although HFC consumption is rising, overall direct fluorocarbon related global warming emissions are falling dramatically.

While this process is of real benefit to the atmosphere, it is recognised that under existing treaty regimes this will not assist Australia or other countries meet the Kyoto Protocol obligations.

Proposed Industry Actions – A Comprehensive Approach

The air-conditioning and refrigeration industry has put considerable work into developing a comprehensive strategy to minimise its emissions of greenhouse gases. The strategy is intended to provide real, immediate and cost effective results in terms of emission minimisation. Importantly, the emission reductions are ongoing.

Building on its experience, and in mind of the direction set out in module 7.2 of the National Greenhouse Response Strategy – “Environmental Management Strategies for Synthetic Gases”, the industry has been working on a three-part program.

This involves:

- **A Ban on the Import of Disposable Containers of HFCs**

Following representations from the industry, the Commonwealth Government banned the import of these products under the provisions of the Customs Act, with effect from 1 July 2000

- **The Introduction of a National Certification Program for Air-Conditioning and Refrigeration Technicians and Companies**

In response to a submission from the industry, in May 2001 the Australian Greenhouse Office announced a \$3.28 million grant under the Greenhouse Gas Abatement Program, to establish a national certification program for refrigeration and airconditioning technicians and companies. NRAC was established under the terms of this grant.

- **Extension of the Activities of Refrigerant Reclaim Australia to include HFC Refrigerants**

The extension of the highly successful Refrigerant Reclaim Australia (RRA) program to include HFCs is a logical element of the industries strategy to minimise emissions of HFCs. Established under an Authorisation from the ACCC in 1994, RRA is possibly the most successful program of its type in the world, recovering and safely destroying more than 600 tonnes of ozone-depleting refrigerants.

However, issues surrounding the RRA trust fund have made it difficult to extend its operations to include HFCs, until a grant of \$280,000 was received for this purpose under the Greenhouse Gas Abatement

Program, also in May 2001. This issue is now progressing well, and is the subject of separate correspondence with the ACCC.

Legislative Developments

With the development of the Kyoto Protocol Government interest in the management of greenhouse gases has remained high. While not a signatory to the Kyoto Protocol, the Australian Government has announced its intentions to meet the targets set down for Australia in the Protocol, and has introduced a number of domestic policy initiatives to progress this agenda.

In particular, Environment Australia has conducted a review of the Ozone Protection Act 1994. As a result of the review, legislation is proposed which will:

- Extend the scope of the legislation to cover synthetic greenhouse gases, including HFCs; and
- Nationalise the program, transferring existing State and Territory responsibilities to the Commonwealth.

The legislative imperative to minimise HFC emissions, and the need for effective end use controls to minimise fluorocarbon emissions, mean a critical on-going role for NRAC.

A Note on 'Natural Refrigerants'

So called "natural" refrigerants comprise refrigerants such as ammonia, hydrocarbons, carbon dioxide, air, water and sound.

Ammonia is used in industrial applications, and although both toxic and explosive, is well understood and strictly regulated. Other applications are being considered for ammonia, and within existing occupational health and safety constraints, use of this refrigerant is expected to grow. Ammonia equipment is purpose designed, and can be used for ammonia only- other refrigerants will not work in such systems.

Hydrocarbons are experiencing some growth in Europe in purpose designed systems, particularly domestic refrigeration. Due to the highly flammable nature of hydrocarbons, equipment must be made flame-proof (for example, all electrical contacts must be shielded.) For this reason, hydrocarbons are not safe for use with existing systems, which are designed for non-flammable refrigerants. Stringent controls on the use of hydrocarbon refrigerants are in place in a number of Australian States and Territories.

Carbon dioxide operates under much greater pressures than other refrigerants, and equipment must be purpose designed. It is being considered for use in vehicle airconditioning systems in Europe, but has not been introduced as yet. Purpose-designed systems may be incorporated in some European vehicles commencing in 2005.

Air and water have minor specialists applications, and sound remains largely theoretical.

The most independent source for advice on refrigerants and their applications is the Australian Institute of Refrigeration, Airconditioning and Heating, the professional body representing refrigeration and airconditioning engineers.

NRAC and Natural Refrigerants

NRAC's focus is on the minimisation of HFC refrigerants (greenhouse warming), and after the introduction of the proposed Commonwealth legislation, CFC and HCFC refrigerants. Natural refrigerants are not regulated by the Commonwealth, and there is no environmental requirement to limit their emission. As such, they are not represented directly on NRAC.

In the June edition of the industry magazine CCN, an ill-informed attack was mounted against NRAC by the hydrocarbon lobby. Hydrocarbons, essentially liquid petroleum gas, have excellent refrigerant properties, but their highly flammable and explosive nature has limited their safe application to purpose designed equipment, under quite specific conditions. In addition, their use is strictly controlled or banned in a number of Australian jurisdictions.

However, while their use is controlled on occupational and safety grounds, they have no significant direct contribution to global warming, and do not deplete the ozone layer. As such, they do not, and will not fall under the control of the Ozone Protection Act. This fact has meant they are not a member of NRAC, which is charged with minimising the emissions of HFC refrigerants.