

Report of the Corporate Trustee - Year ended 31 March 2018

In respect of the year April 2017 to March 2018 the trustee presents the following report.

Background - Ozone Depleting Substances and Greenhouse Gases

To support the international protocol established to protect the environment from release of ozone depleting substances, The Institute of Refrigeration Heating and Air Conditioning Engineers of New Zealand (Incorporated) formed a Trust in 1993 with its object being to arrange for a fund to cover the costs incurred, following analysis, of the collection, storage, and disposing, in an environmentally acceptable way, of CFCs and HCFCs and mixes containing them, which have been used in the refrigeration and air conditioning industries.

Following a series of consultations with interested parties in late 2007, the Trust's objects were broadened to encompass collection, storage, and disposal of HFCs and any other Synthetic Refrigerants which contribute to the buildup of Greenhouse Gases and which have been used in the refrigeration and air conditioning industries.

The Trust is a charitable entity registered through the Charities Commission.

The Trust is generally known in the industry as "Recovery".

Imposition of Levy on CFCs, HCFCs, and HFCs

Under a signed agreement with participating refrigerant wholesalers a levy at a rate of \$1.50 per kilogram is received on the sale of CFCs, HCFCs, and HFCs and at a rate of \$2.50 per kilogram on the sale of flammable synthetic refrigerants, including HFOs.

Recovery's activities are long term and accordingly closely monitors the amount of levy being received to determine if the levy is sufficient to cover costs of collection and destruction. Recovery has a firm focus on considering the funding impact of changes in volumes of refrigerants in the future.

Recovery has a continuing focus on "broadening the net" for the large number of HFC importers to ensure refrigerant recovery levies are collected fairly across end user groups.

Levies Received

From August 1993 to March 2018 levies received reflect the sale by participating wholesalers of 10,805,000 kilograms of CFCs or HCFCs or mixes thereof with an ozone depleting potential of 0.01 or more (as defined by the Ozone Layer Protection Act) and HFCs which have both ozone depleting potential and contribute to the buildup of Greenhouse Gases and flammable synthetic refrigerants.

Collection of Refrigerant for Destruction

Refrigerant Recovery Operating Company NZ Limited was established to own transfer units and storage tanks required to store collected refrigerants. Collection/storage points are located at the sites of Patton Limited in Auckland, Wellington and Christchurch where

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refrigerants are transferred into one-tonne cylinders pending destruction. There are also collection points at the sites of Patton Limited in Hamilton and Hastings.

Regional collections continued during the year and these are now cemented as a standing initiative to ensure accessibility to Recovery's scheme across the country on an annual basis. Recovery will continue to monitor regional collections to ensure timing and locations are appropriate to maximise collection of refrigerants throughout the country.

Recovery has established 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.

Recovery monitors the collection process to ensure collections are being maximised in the most efficient and cost effective manner.

Destruction of Refrigerant

To 31 March 2018, 423,000kg of refrigerants collected have been destroyed with a further 7,300kg of refrigerants held pending destruction.

The refrigerant destroyed has had the impact of saving up to 950,000 tonnes of ozone and reducing the buildup of greenhouse gases by up to 528,000 tonnes of CO2 equivalent.

Recovery continues to explore alternative destruction facilities as it is mindful of ensuring a tension on pricing for destruction and providing a safeguard for business continuity. Recovery is focussed on maximising the collection and destruction of used refrigerants.

Product Stewardship Scheme

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 considers it beneficial for the industry that all importers of refrigerants impose the recovery levy to cover costs of the eventual collection and destruction of refrigerants and Recovery has previously submitted to Government on that basis.

The continuing accreditation of the product stewardship scheme requires achievement of various objectives and targets which focus on higher awareness and participation throughout the industry and increased levels of collection and destruction of used refrigerants. Recovery reports on its annual performance to the Ministry for the Environment each year.

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Communication

Recovery regularly communicates with Ministry for the Environment as a matter of public interest in the potential harm from ozone depleting substances and greenhouse gases.

The actions of the New Zealand refrigeration and air conditioning industry are making a major contribution toward protecting the ozone layer and reducing the buildup of Greenhouse Gases in the atmosphere.

Promotion

Promotion of Recovery's activities is by way of a presence at relevant conferences, promotion at industry group meetings, its website - www.refrigerantrecovery.co.nz , and brochures are available for distribution.

The issues with used refrigerants, and how Recovery is tackling these issues, are outlined in Recovery's website.

Climate Change Matters

Recovery continues to be active in Climate Change matters primarily seeking a regime which provides a level playing field for all participants in the New Zealand refrigeration and air conditioning industry while supporting the environmental focus on emissions. Recovery receives emission units on refrigerant destroyed and has received 194,658 units (NZU) to 31 March 2018.

Accumulated Funds

At 31 March 2018 Recovery had accumulated funds of \$8,219,000, on a historical cost basis, after providing for costs of destruction of used refrigerants collected but not yet destroyed.

Recovery has a conservative approach to investment of funds pending their application to the collection and destruction process. Available cash is placed on bank deposit and invested in Government, Council, Utilities, and Corporate bonds, Listed Equities, and NZ Emission Units.

Statutory Review

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 review which will provide limited assurance about whether the financial statements as a whole are free from material errors or fraud.

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On behalf of the Directors of Refrigerant Recovery NZ Limited, as corporate trustee of the Recovery - Trust for the Destruction of Synthetic Refrigerants:

29/6/18
Date


Director


Director

