



May 26, 2016

Mr. Richard Corey, Executive Officer
California Air Resources Board
1001 I St.
Sacramento, CA 95814

RE: CARB Short-Lived Climate Pollutant Reduction Strategy (Proposal)

Mr. Corey,

On Behalf of Heating, Air-conditioning & Refrigeration Distributors International (HARDI), I appreciate the opportunity to comment on the Air Resources Board's (ARB) Proposed Short-Lived Climate Pollutant Reduction Strategy.

By way of background, HARDI is a trade association of nearly 1,000 member companies, over 475 of which are U.S.-based distributor companies. More than 80 percent of HARDI's distributor members are classified as small businesses that collectively employ over 35,000 U.S. workers, representing more than \$30 billion in annual sales and an estimated 80 percent of the U.S. wholesale distribution market of HVACR equipment, supplies and controls.

In the state of California HARDI represents more than 40 companies and 335 locations. More than 90% of these companies identify as small businesses.

For many years HARDI has valued its relationship with the ARB and its staff. Our members have made a commitment to serving as a resource for the ARB, and we appreciate the willingness of ARB staff to engage HARDI as this draft was developed.

Unfortunately, it is the belief of HARDI and its membership that many of the proposals laid out in the draft proposal will have a negative impact upon California-based HARDI distributors and will ultimately miss the mark in attempts to reduce the usage of F-gases. Chief among our concerns is the potential for significant market confusion and policies which would put California-based companies at a competitive disadvantage.

By setting policies which differ from the rest of the United States, California runs the risk of creating market confusion. Many California-based HARDI distributors operate in multiple states or serve multiple states from locations within California. If the ARB were to institute policies which differ greatly from those established by the United States Environmental Protection Agency (EPA) and which govern 49 other states, it would be very challenging to communicate differences throughout the channel and would make enforcement of such policies challenging. Further, we believe this proposal could create an underground market of refrigerant in neighboring states, which would be brought into California.

At a time when distributors have spent significant resources preparing for changes dictated by the U.S. EPA, adding additional regulations which apply only to California would increase the likelihood of

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confusion and pose compliance problems. Further, HARDI is concerned if a “go-alone” strategy would reduce the availability of new and more efficient products within the state.

Additionally, HARDI has serious concerns regarding a proposed “allocation system” of F-gases at the distribution level. We believe this system will be challenging to enforce, encourage non-compliance and put California-based businesses at a significant disadvantage. By imposing such a system within California, the cost of refrigerant will ultimately rise, and distributors will be limited in what they can purchase.

Such a system will put California-based distributors at a severe competitive disadvantage when competing for regional and national business and vulnerable to losing sales within the state due to increased competition from out of state distributors. This policy would encourage California-based distributors to establish locations outside of the state, moving employees and tax revenue to neighboring states. Finally, such a policy would undoubtedly favor large distributors over smaller entities whose purchasing power is deemed to be greater and in effect dictate which entities will succeed and which will fail in this market.

HARDI is generally supportive of an incentive program which would promote the transition and use of low-GWP refrigerants. HARDI encourages the ARB to consider partnering with the California Energy Commission to develop programs which will meet California’s environmental and energy conservation goals and we look forward to working with the ARB to help discuss how such a program might be most effective.

Again, we sincerely appreciate the willingness of ARB staff to engage with HARDI in this process and look forward to doing so in the future so we might better address the concerns of HARDI members and help the ARB reach its pollutant reduction goals.

Sincerely,

Jonathan Melchi
Vice-President, Government Affairs & Business Development
HARDI