

Combs Investment Property LP
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Houston, TX 77019

April 22, 2014

Air and Radiation Docket and Information Center
Environmental Protection Agency
Mail Code: 6102T
1200 Pennsylvania Avenue NW
Washington, DC 20460

**Re: 40 CFR Part 82 [EPA-HQ-OAR-2013-0263; FRL-9909-15-OAR];
Protection of Stratospheric Ozone: Notice of Data Availability Regarding
Aggregate HCFC-22 Inventory Data From 2008-2013**

The purpose of this letter is to provide the EPA with Combs Investment Property's (CIP) comments regarding the Notice of Data Availability Regarding Aggregate HCFC-22 Inventory Data From 2008-2013. As a compressed gases merchant wholesaler, the manner in which the EPA takes these inventory levels into consideration when drafting the final 2015–2019 Stratospheric Ozone Protection final rule will have a direct impact on the future viability of our business.

CIP agrees with the EPA that the data for inventory levels held on December 31, 2012 along with the other information received by the agency during the development of the proposed rule, confirms that the HCFC-22 inventory is very likely to be higher than the previously estimate of up to 45,400 MT. Also, while the EPA expects a that a significant amount of the HCFC-22 servicing needs in 2015 - 2019 can be met by existing stocks (as indicated by the data collected for the end of 2012), the issuing of an additional 5908 MT of recoupment allowances over 2013 and 2014, rather than deducting this quantity from the starting pool of an 45.7 MT over these two years has resulted in even more HCFC-22 being made available.

CIP believes that the actual inventory level is dramatically higher than is assumed in the proposed rule and the on-going demand for virgin HCFC-22 is lower than estimated. This conclusion is based on the prevailing state of the market in 2014, which has unmistakably confirmed that the low demand/soft market for both allowances and product held in inventory continues. CIP

believes that this is because, in addition to the 54 MT of inventory identified at the end of 2013 from the EPA's Section 114 request letters (which can be extrapolated to 67.4 MT of inventory if it is assumed that this represents 80% of the total), there is also a very large "hidden inventory" of HCFC-22 already available in a highly segmented supply chain, i.e. in other distribution centers, warehouses, retailers, service shops and large operating sites such as supermarkets, commercial sites, and housing complexes, that has not been captured. **Thus, it is quite possible that inventory levels are several thousand tons higher than the extrapolated level of 67.4 MT. When this bloated inventory is combined with the industry's continued focus on reducing emissions, increasing the recovery of HCFC-22, replacement of older system with ones that do not utilize HCFC's, and the expanded use of non-HCFC containing drop-in alternatives, no additional consumption allowances need to be allocated after 2014. There should already be adequate capacity in place to service HCFC-22 systems through 2020 and beyond.**

CIP feels that in order to avoid continuing to have a market in which there is a large excess of HCFC-22 available and subsequently, a struggling recovery and alternative drop-in industry along with **ultimately the emission of many unneeded metric tons of ozone depleting HCFC-22, the EPA needs to allocate zero HCFC-22 allowances, or as close as possible to zero for the 2015 – 2019 control period.** This action would result in an accelerated draw down of stockpiled inventory, along with the increased use of recovered HCFC-22 and non-ODS alternatives to meet any future demand. Therefore, the use of these alternatives rather than additional quantities of virgin HCFC-22 will reduce the overall demand for this product.

While the Vintaging Model can be a helpful tool, CIP feels that **more emphasis needs to be placed on the prevailing market conditions** to validate the data contained in this model, and if needed, the EPA should postpone issuing the final rule until this information is made available. The Vintaging Model inherently contains a high level of uncertainty as each year's starting inventory levels, industry servicing practices, future economic conditions, and weather conditions dramatically affect the demand for virgin HCFC-22 and the future supply/demand balance. Therefore, **unless it is ensured that the supply/demand balance results in a sufficiently high market value, the resulting industry practices will not result in a robust HCFC-22 recovery industry or broad adoption of non-ODS containing alternatives.**

The market dynamics associated with these products dictate that future expectations regarding availability also have a significant impact on the current demand. Therefore, if the value of HCFC's is perceived to be dropping as a result of abundant supply of virgin material, demand will decrease even further, and just the opposite happens if future supply is perceived to be short and prices increasing. If the current demand for virgin material were greater than

supply, recovery would grow at a much more rapid rate, inventories would be drawn down at a more rapid rate, and market prices would have dramatically increased, while in practice just the opposite has occurred.

Should the use of dry shipped units be banned, CIP believes that the EPA must also include a mechanism in any action that will ensure that the allocation of allowances be commensurately reduced to offset this drop in demand. Otherwise, this will result in a further slowdown of the inventory draw down rate and will exaggerate further the effect of having an excessive quantity of unneeded allowances in the market.

In summary, **CIP believes that that the EPA should consider the current inventory level of HCFC-22 to be much higher than both, what has been assumed in the 2015 –2019 proposed rule and what has been identified from the Section 114 request letters.** This bloated inventory, along with additional control of emissions, HCFC-22 recovery, and the use of both, systems that do not utilize HCFC's and non-HCFC containing drop-in alternatives, means that an allocation from 2015 – 2012 of zero allowances or as close as possible to zero is the most appropriate action. Also, it is believed that as a result of these alternatives being made available, units that rely on the use of HCFC-22 will not end up being stranded assets. **Most importantly, if the EPA takes the action of issuing additional allowances from 2015 – 2019, this unneeded additional virgin HCFC-22 will ultimately be emitted to the detriment of the environment.**

Sincerely,

A handwritten signature in cursive script that reads "Don Magid".

Don Magid
Regulatory Affairs

Combs Investment Property LP
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March 10, 2014

Air and Radiation Docket and Information Center
Environmental Protection Agency
Mail Code: 6102T
1200 Pennsylvania Avenue NW
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Re: 40 CFR Part 82 [~~EPA-HQ-OAR-2013-0263~~; FRL-9900-52-OAR] RIN 2060-AR04
Protection of Stratospheric Ozone: Adjustments to the Allowance System for Controlling
HCFC Production, Import and Export as published in the Federal Register, Vol. 78, No.
247, Tuesday, December 24, 2013cc

The purpose of this letter is to provide the EPA with Combs Investment Properties' (CIP) comments regarding the options proposed for 1) adjusting the allowance system controlling United States consumption and production of hydrochlorofluorocarbons (HCFCs) and 2) the proposed 2015 step down.

As a compressed gases merchant wholesaler, this regulation will have a direct impact on the future viability of our business, which is where our comments have been focused. CIP agrees with the goal of the EPA to have a final rule which will result in a smooth transition out of HCFC's into non-ozone depleting alternatives, while also meeting the phase-out/use restriction, recycling, emission reduction, and labeling requirements mandated by the Clean Air Act.

In order to achieve this goal and ensure that the value of the HCFC-22 product is sufficient to both, encourage responsible handling and support a robust recovery industry, CIP strongly believes that for the HCFC-22 consumption allowances allocated from 2015 – 2019, the EPA should:

- 1) **Reconsider an HCFC-22 allocation of zero allowances for the 2015 – 2019 control period** with the use of stockpiled inventory, reclaimed material, and non-ODS alternatives being used to meet any future demand.
- 2) If an allocation of zero allowances is not adopted, then **the starting point in 2015 should be as close as possible to zero, without exceeding the proposed lower alternative of 10,000 MT in 2015.**
- 3) **The allocation of any allowances should utilize a three year draw down schedule that covers 2015, 2016 and 2017, thereby resulting in a maximum HCFC-22 allocations of 10,000 MT in 2015, 6667 MT in 2016, 3333 MT in 2018, and 0 MT in 2018 and 2019 under the lower proposed alternative.**

Regarding the proposed consumption rule for the 2015 - 2019 control period, CIP recognizes that:

- On January 1, 2015, the consumption of the controlled substances in Group I of Annex C cannot exceed 10% of the annual baseline and on January 1, 2020 this will drop to 0.5%, with all consumption being phased out by 2030.
- The estimated need for HCFC-22 should decline annually to have an effective transition to the next control period.
- Reused, recycled, and reclaimed material, along with alternative drop-ins that do not contain HCFC's can meet the need for product when the allocation is insufficient to meet demand.
- The August 5, 2011 interim final rule established new baselines that credit the 2008 inter-pollutant trades at issue in *Arkema vs. EPA*.
- The final rule on April 3, 2013, reduced HCFC-22 allowances for the 2012 - 2014 regulatory period by almost 30% relative to the 2009 Final Rule, with an expectation that this would incentivize the proper handling and additional recovery of HCFC-22 along with the transition to non-ODS alternatives.
- Section 606 of the CAA provides EPA authority to set a more stringent phase-out schedule than the schedule in Section 605 based on current scientific information or the availability of substitutes.

The comments below address specific actions in this proposed rule that CIP feels the EPA needs to include in the 2015 – 2019 Final Rule. Regarding the other sections in the EPA's proposed rule that are not specifically included in these comments (e.g. labeling requirements, recovery, adoption of AHRI Standards, etc.), CIP supports the EPA's proposals as published.

Specific Actions Recommended by CIP:

1. Addressing the Existing inventory of HCFC-225ca and HCFC-225cb

While not directly involved in the trade of HCFC-225ca/cb, CIP does support the EPA's proposal that "a person would be able to sell any products containing HCFC-225ca/cb that had been manufactured and entered into initial inventory prior to January 1, 2015, since at that point they would be "products" and not "class II controlled substances."

CIP feels that as other HCFC's are phased out, similar situations could also arise along with the EPA's concern about end-users placing inventory into equipment before the phase-out date, so it would be considered recycled or used once prior to being recovered is valid. Thus, we agree with the EPA that the better option is to allow end users to continue to consume virgin inventory that is held prior to the phase-out (while recognizing that for HCFC=225ca/cb these quantities are extremely limited).

2. EPA determination of baselines for 2015-2019

Use of Existing Baselines

CIP agrees with the EPA's proposal to keep the post-*Arkema* historical baselines as reflected in the 2013 Final Rule for the 2015-2019 regulatory period and not re-establish each company's baseline. CIP agrees that that alternative of re-establishing each company's baseline would not affect the total allocation and may detract from the certainty that allows stakeholders to plan for an orderly transition to alternatives.

However, as noted in the communication from CIP to the EPA dated June 17, 2013, CIP continues to feel very strongly that the detrimental effect to the environment of issuing the 5908 MT of add-on HCFC-22 recoupment allowances in 2013 and 2014 needs to be addressed in the 2015 - 2019 control period by ensuring the allocation of allowances in this period is sufficiently reduced to counteract the added emissions resulting from this action.

Revised Baselines Using More Recent Production and Import Data

CIP agrees with the EPA proposal not to use a more recent set of years to establish company baselines, since there would be no environment benefit and this would result in confusion that is counter to the EPA's goal of promoting a smooth transition to alternatives.

3. How the EPA is Developing Allocation Levels for Each HCFC

The proposed allocations are based on the EPA's Vintaging Model, market research on HCFC uses and trends, and the expected availability of recovered material. **CIP believes that the EPA needs to place additional emphasis on the market impact resulting from the actions in the 2012 - 2014 final rule, and in particular 1) the availability of HCFC-22 as reflected in the supply/demand balance and its resulting market value, along with 2) the actual quantities being recycled relative to total demand.**

While the Vintaging Model can be a helpful tool, CIP feels that the forecasted quantities inherently contain a high level of uncertainty as each year's starting supply/demand balance including inventory levels, industry servicing practices, future economic conditions, and weather conditions will dramatically affect the accuracy of these projections. **Also, unless the supply/demand balance encourages the desired industry practices (i.e. results in a sufficiently high market value), the resulting recovery rate and adoption of non-ODS alternatives will inevitably be much lower than projected.**

The market dynamics associated with these products dictate that future expectations regarding availability will have a significant impact on the current demand, i.e. if the value of HCFC's is perceived to be dropping as a result of abundant supply of virgin material, demand will decrease even further.... and just the opposite happens if future supply is perceived to be short and prices increasing.

4. Determination of the HCFC-22 consumption allocation

Selected Draw Down Period

Of the three options for determining the HCFC-22 consumption allocation, **for any quantity of allocated allowances, CIP strongly believes that a three year linear draw down with consumption being phased out in 2018 should be adopted in the final rule, rather than the five year draw down period proposed in Option 1.**

CIP feels that the three year time frame in Option 2 would 1) still provide adequate time for stakeholders to plan for a smooth transition and 2) enhance the development of a robust recovery industry by adding a sense of urgency prior to 2015. Clearly, the five year draw down proposed in Option 1 would not provide the same sense of urgency. CIP agrees with the premise that any gap in supply can be easily filled from existing inventory, the use of recovered material or non-ODS drop-in alternatives.

Also, using a three year draw down will further incentivize the improvement of servicing practices, along with added reclamation and the expanded the adoption of non-ODS containing drop-in alternatives.

As described in the proposed rule, in 2011 and early in 2012 when the HCFC-22 price increased and its perceived availability decreased, reclamation and retrofits increased and more HCFC-22 became available for recovery and reclamation, which CIP viewed as being a very positive trend. However, regrettably, this trend was abruptly reversed when the final 2012 - 2014 rule that included a higher than expected allocation and add-on recoupment allowances was issued. **This market response demonstrates that the market must foresee an upcoming shortage of HCFC-22 in order to spur additional recovery and the adoption of non-ODS containing alternatives.**

Future Estimated Demand

In this proposed rule, the revised *2013 Servicing Tail Report* referenced estimates that the HCFC-22 servicing need in 2015 will be 46,165 MT. CIP feels, however, that **based on the market activity seen in 2013, this demand is likely to be significantly overestimated.** If demand were actually at these levels, it is likely that reclamation would be growing at a much more rapid rate, there would be more pressure for inventories to be drawn down, and market prices would have dramatically increased, while in practice just the opposite has occurred.

Detrimental Effect of Recoupment Add-on Allowances

While the EPA believes its preferred 2015 allocation is sufficient based on how the market responded in 2012 and early 2013 to the No Action Assurance letters, this does not take into effect how the market responded to the issuance of the Final 2012 – 2014 Rule that includes 5900 MT of add-on HCFC-22 recoupment allowances. While the preferred proposed starting point (before reductions) in 2015 of 16,500 MT of HCFC-22 is lower than the 17,902 kgs allocated at the beginning of 2013, it does not take into consideration the carry-over detrimental effect from issuing the final 25,536 MT of allowances in 2013 and 20,145 MT in 2014 – before the 5900 MT of additional allowances introduced over these two years are included, which greatly exacerbated the supply/demand balance. **This action resulted in a further oversupply of product and a dramatic decrease in value. Unfortunately, this oversupply only encourages additional increases in inventory and a disincentive for both, the recovery of HCFC-22 and the development of viable market for non-ODS drop-in alternatives.**

The 2015 proposed starting point (before annual reductions) of 16,500 MT of HCFC-22 is only 7.8% lower than the allocated consumption at the start of 2013 (17,902 MT). CIP agrees that at the start of 2013, the allowed consumption levels were not considered to be too low and as noted, since that time additional units have been retired, recovery practices improved, and inventory built that can meet the servicing need. **However, since the final 2012 - 2014 rule was issued that also included the add-on recoupment allowances, just the opposite concern has been raised - that there is an excessive quantity of allowances available, that would as expected, discourage these desired practices.**

CIP Proposed Starting Point for 2015

As a result of this oversupply seen in 2013 and that is expected to continue in 2014, CIP feels that the EPA has grossly overestimated demand for HCFC-22. In previous correspondence, CIP stated that the need for HCFC-22 could be met under a scenario where the allocation is

completely eliminated in 2015 since there is ample inventory, along with the capability to supply recovered product and supply of non-ODS drop-in alternatives to meet the need of end users. Thus, while some other comments submitted may include consideration of only the three options explicitly stated in the proposed rule, **CIP believes that the EPA should reconsider completely eliminating all HCFC-22 allowances beginning in 2015, with the use of stockpiled inventory, reclaimed material, and non-ODS drop-in alternatives being used to satisfy all future needs for this product. However, if an allocation of zero allowances is not adopted, then the starting point in 2015 should be as close as possible to zero, and not exceed the proposed lower alternative of 10,000 MT.**

The EPA notes that a linear draw down is simple, easy to explain, and does not rely on the need to predict the annual servicing need which has become increasingly difficult to accurately accomplish. CIP agrees with this rationale, only as noted above with a three year time frame. Also, as noted in the Proposed Rule, CIP agrees that the three year draw down will provide the largest environmental benefit, since it results in the fewest allowances overall. However, CIP believes the starting point needs to be reduced even further to counteract the impact resulting from the oversupply of allowances in 2013 and 2014, including the 5900 MT of add-on recoupment allowances issued over these two years. While a reduction to zero or as close as possible to zero is supported, when considering only the 10,000 MT starting point which is the lowest of the options explicitly stated in this Proposed Rule, the maximum HCFC-22 allocation would be as follows:

2015 Starting Allocation: 10,000 MT Proposed Alternative

	2015	2016	2017	2018	2019
Allocation	10,000	6666	3333	00	00

In summary, CIP believes that the starting point for the 2015 HCFC-22 allocation of allowances should be reduced to zero or as close as possible to zero, without exceeding the proposed lower alternative of 10,000 MT in 2015, with a three year phase out used to facilitate this transition if any allowances should be allocated.

5. Comments Regarding Other Options

Determining the Allocation by Estimating Servicing Need and Then Accounting for Need That Can Be Met by Sources Other Than New Production

CIP agrees with the EPA conclusion that Option 3 is not viable since this would increase the allocation in the 2014 - 2015 period and would reduce incentives for recovery. Also, this approach is based on a myriad of assumptions that would be difficult to validate.

6. Accounting for Existing HCFC-22 Inventory

CIP feels that as proposed, using a tapered approach to accounting for existing inventory makes practical sense and when combined with a three year draw-down will result in clear and decisive market signals that are fundamental to preparing the market for the complete phase-out of virgin HCFC-22 production and imports by 2020.

7. Determination of the HCFC-142b allocation

As with HCFC-22, CIP agrees with the EPA's belief that a decreasing allocation sends a strong market signal that the production and import of HCFC-142b will be ending, as compared to having a constant allocation over all five years. However, consideration should be given to doing this over a three year draw down period as suggested for HCFC-22.

8. Ban of dry-shipped HCFC-22 condensing units

CIP feels that a dry-shipped units should continue to be allowed to be sold for the repair of existing systems, since the HCFC allocation process adequately controls the availability of the HCFC-22 needed for this replacement equipment. Thus, the sale of these units should not jeopardize the agency's ability to phase out and ensure a smooth transition from HCFC-22. It can be argued that the continued availability of these dry-shipped units could be charged with recovered HCFC-22 that would otherwise be vented as a result of poor handling practices (e.g. topping off of leaking units). **Should the EPA determine that the use of dry shipped units is to be banned, then it is critical that a mechanism be included to ensure that the allocation of allowances be commensurately reduced to offset this drop in demand.**

9. Compliance with HCFC regulations

CIP recognizes that implementing an aggressive draw down in the 2015 final rule with a complete phase-out of HCFC-22 in 2018 could result in an increased value for this product which could increase the incentives for illegal activity. However, CIP feels that this illegal activity is relatively small compared to benefits derived and should be addressed by the EPA's enforcement division. In order to discourage this illegal behavior, additional communications to the public and the service industry can be improved to ensure there is no misunderstanding regarding the regulations that are in place and legal enforcement action taken as needed.

Summary

CIP strongly believes that the EPA should reconsider an **allocation of zero HCFC-22 allowances for the 2015 – 2019 control period**. If any HCFC-22 allowances are allocated, **the EPA should adopt a three year draw down with a starting point as close as possible to zero, without exceeding the lower alternative of 10,000 MT**. This reduction in HCFC-22 allowances should ensure that the value of the HCFC-22 product will be at high enough level to encourage responsible handling, along with robust recovery practices and a viable non-HCFC drop-in alternative industry.

Sincerely,



Don Magid
Regulatory Affairs

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November 11, 2013

Ms. Drusilla Hufford
Director of the Stratospheric Protection Division
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., NW
Washington, DC 20460

*Re: Follow-up to Letter from Combs Investment Property Dated June 17, 2013
Addressing the Need to Make Adjustments to the Allowance System for Controlling
HCFC Production, Import and Export for the 2015 - 2019 Control Period*

Dear Ms. Hufford:

The purpose of this letter is to provide the U.S. Environmental Protection Agency and Office Of Management and Budget with additional input from Combs Investment Property, LP ("CIP") since providing information in our letter dated June 17, 2013 which is attached.

Point 2 of our letter which addressed The Need for Additional Reductions in the Pool of Production and Consumption Allowances to Allocated, stated that a further reduction to less than the mandated 10% should result in a more limited availability of virgin HCFC's and, therefore, the increased use of reclamation services for HCFC's as a result of the tightened supply that will result from this action.

Since June, the oversupply of HCFC-22 has not been alleviated and the commercial situation continues to be dire. Also, **no rebound expected to occur over the coming months, as we are now into the refrigerants "offseason" which typically lasts from July through February. Thus, CIP believes that for the 2015 -2019 control period, it is more critical than ever for the issuance of HCFC-22 allowances be dramatically reduced.** In addition, in this control period the EPA still has an opportunity to reverse the deleterious effects associated with the issuance of 5900 MT of recoupment allowances, by deducting these from the total number of allowances available prior to proceeding with its allocation.

Point 5 of our letter addressed the need to Draw Down Excessive Inventory Levels, and it is our understanding that the EPA has made a concerted effort to collect market data to ensure that a good understanding of stockpoint levels will be available, prior to finalizing the 2015 - 2019 allocation rule. CIP believes that there is still a significant stockpile of HCFC-22 in place that when combined with reclamation efforts, could possibly meet the

need for a significant portion if not all of the demand for HCFC-22 in the 2015 to 2019 control period. With the support of this inventory data, **the EPA should give serious consideration to completely ending the issuance of HCFC-22 allowances after 2014**, which is five years before the 2020 deadline established by the Montreal Protocol. While CIP believes that the stockpile information that is collected should be used in by the EPA in determining its course of action, we also feel that is critical this information remain confidential within the EPA as releasing this data would could significantly affect market behavior and compromise the commercial position of individual companies.

In order to ensure that there is a viable reclamation industry that is able to meet the servicing needs for HCFC-22 along with the eventual phase-out of HFC's, having an excess of HCFC-22 in the market results in a low prices and, therefore, lower quantities of gas being reclaimed. Also, the low cost of gas may result in poor collection practices with some gas possibly being illegally vented to the atmosphere.

CIP feels that concerns that may be raised about a future shortage of HCFC-22 are unwarranted. This is because in addition to fulfilling the currently unmet capacity of the reclamation industry, there is also now the widespread availability of HFC-based alternatives that can be used to meet this need.

In summary, reducing future allowances should result in an additional draw down of the significant inventory overhang, thereby supporting a sustainable reclamation industry while also still ensuring that sufficient supply is available for end-users that need HCFC-22 for servicing equipment.

Thank you very much for your consideration of our concerns. We welcome any questions or comments you may have, along with the opportunity for additional discussion regarding this subject.

Sincerely,

A handwritten signature in cursive script that reads "Don Magid".

Don Magid
Regulatory Affairs

cc: Gina McCarthy, US EPA
Bob Perciasepe, US EPA
David P Donaldson, US EPA
Luke Hall-Jordan, US EPA
Nathan J. Frey, US OMB
David Rostker, US SBA

Combs Investment Property LP

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July 3, 2013

Ms. Drusilla Hufford
Director of the Stratospheric Protection Division
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., NW
Washington, DC 20460

Re: Supplemental input regarding Item 3 in our letter dated June 17, 2013, The Need to Address the Detrimental Effect of Issuing the Additional 2013/2014 Recoupment Allowances in the 2015 – 2019 Production, Import and Export Control Period for HCFC's.

Dear Ms. Hufford,

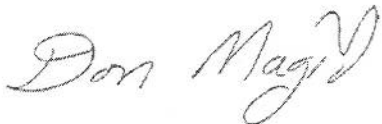
In our letter to the EPA dated June 17, 2013, in Item 3, Combs Investment Properties (CIP) stated that the EPA has an opportunity in the new rule making process for the 2015 to 2019 control period to reverse the unfortunate action of issuing the additional 5,907,588 kgs of HCFC-22 Recoupment Allowances in 2013 and 2014, by deducting these Recoupment Allowances in 2015.

While we suggested in our letter that this be done in 2015, to clarify, CIP feels that this quantity does not need to be deducted solely from the the 2015 allocation totals, but could be spread over multiple years based on the EPA's discretion, with the total 5,907,588 kgs being deducted within the 2015 – 2019 control period.

In addition, the last paragraph of Item 3 suggests that the starting quantity be no larger than 14,186,513 kgs. For clarification, this value is based on the EPA applying the mandated maximum of 10% solely on the HCFC-22 pool of 141,865,581 kgs before any adjustment of recoupment allowances. CIP feels that this approach, rather than using the mandated maximum of 10% on a baseline which includes all HCFC's, more effectively reflects the desired impact from a step down from 2014 to 2015 and, therefore, will provide additional incentive to recover and reclaim HCFC-22.

Again, we thank you very much for your consideration of our concerns and welcome any questions or comments you may have, along with the opportunity for additional discussion regarding this subject.

Sincerely,



Don Magid
Regulatory Affairs

cc: Gina McCarthy, USEPA
Bob Perciasepe, USEPA
Luke Hall-Jordan, USEPA

Combs Investment Property LP

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June 17, 2013

Ms. Drusilla Hufford
Director of the Stratospheric Protection Division
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., NW
Washington, DC 20460

Re: Production of Stratospheric Ozone: Adjustments to the Allowance System for Controlling HCFC Production, Import and Export for the 2015 - 2019 Control Period

The purpose of this letter is to provide the Environmental Protection Agency's with input from Combs Investment Property, LP ("CIP") regarding the Proposed Rule that is being drafted for the 2015 – 2019 Production, Import and Export Control Period for HCFC's.

Looking ahead to the 2015-2019 control period, CIP believes that the EPA should give due consideration to the following observations when the drafting its proposed and ultimately final rule to addresses this control period.

1) Maintain the Current Production and Consumption Baselines

CIP does not believe that moving away from the current production and consumption baselines will result in any environmental benefit, and thus should be kept in place. In the past, it has been suggested that more recent production and import data be used to establish new production and consumption baselines. The current baselines have been in place for both the 2003 to 2009 and 2010 to 2014 control periods, and over the time the annual distribution of allowances will have been reduced to 10% or less for the control period beginning 2014 and nearly 95% of the cumulative quantity from 2003 to 2030. Thus, as this process is very far along and close to achieving its goal of phasing out HCFC's emissions with only ~5% of the total cumulative quantity of HCFC allowances remaining, we feel that the development a new approach for establishing a new baselines would likely be a lengthy and difficult process to implement that would have only a minimal or no effect at all on the total quantity of allowances to be distributed.

2) The Need for Additional Reductions in the Pool of Production and Consumption Allowances to Allocated

We believe that further reductions in the *number* of allowances that EPA in the 2015 to 2019 control period beyond the mandated reduction to a 10% will benefit the environment by even further reducing emissions of HCFC's. A further reduction to less than the mandated 10% will result in a more limited availability of virgin HCFC's and therefore the increased use of reclamation services for HCFC's as a result of the tightened supply that will result from this action.

3) The Need to Address the Detrimental Effect of Issuing the Additional 2013/2014 Recoupment Allowances

In the 2012 to 2014 Final Rule, the EPA issued Recoupment Allowances in addition to the total quantity that would otherwise be issued for 2013 and 2014 rather than allocating them directly from the total quantity of allowances available, which would have therefore kept the total quantity issued constant. **As a result of this action, there was an additional 2,953,794 kgs of HCFC-22 allocated in both 2013 and 2014, or 5,907,588 additional kgs of HCFC-22 over these two years.** These additions, resulted in an increased in the total amount of allowances by 12% in 2013 and 15% in 2014 or an increase of 13% over this critical two year period before the next step-down in 2014.

In fact, since other allowance holders were given the same number of HCFC-22 baseline consumption allowances in 2010 equal to the recoupment totals, **the issuing of these additional recoupment allowances in 2013/2014 has actually resulted in almost 6 metric tonnes of additional HCFC-22 allowances being made available which could be emitted into the atmosphere.**

We believe that the EPA has an opportunity in the new rulemaking process for 2014 to 2019 to reverse this unfortunate action by now deducting these Recoupment Allowances from the total number of allowances available prior to proceeding with its allocation. **Thus for 2015, the total quantity available would be no larger than 14,186,513 kgs less 5,907,588 kgs = 8,278,925 kgs or 5.8% of the original baseline to start.**

4) Adjust the Estimated Market Demand to Reflect Actual Allowance Consumption Data

Data provided by the EPA indicates that there was an significant excess of allowances made available in 2010 - 2012, since roughly 20% of allowances typically were not consumed between 2005 and 2010. The availability of these excess allowances can only have and adverse effect on the development of more reclamation and is in direct contradiction to the EPA's stated goal of promoting a sustainable recycling industry. Clearly, there is no indication that any company has had difficulty sourcing virgin material as needed.

In order to ensure that there is a viable reclamation industry, that will be needed to ensure that HCFC's are still available in significant quantities to meet potential servicing in the years ahead, the availability of virgin must be limited. Thus, CIP believes that the EPA must significantly reduce the quantity of allowances available in order to ensure there is adequate incentive to recover and reclaim HCFC's. Therefore, a reduction of at least 20% should be applied to the allocation of future year allowances.

5) Draw Down Excessive Inventory Levels

While we are not aware of any compilation of annual HCFC inventories since this information is typically treated as being company confidential, CIP believes that there is still a significant stockpile of HCFC-22 that could possibly fill a significant portion of the demand for HCFC-22 in the 2015 to 2019 control period.

The April 13, 2013 final Rule estimates that the current inventory of HCFC-22 could be as little as 22,700 MT and as much as at 45,400 MT. Assuming this range is still valid in 2015, this reflects between 52% and 103% of the total quantity of allowances that will be issued between 2015 and 2019, assuming a straight line reduction of 20% per year between 2015 and 2019.

Therefore, reducing future allowances should result in an additional draw down of this significant inventory overhang, thereby supporting a sustainable reclamation industry while also still ensuring that sufficient supply is available for end-users that need HCFC-22 for servicing equipment.

Summary

In summary, as noted in the Solvay letter dated February 2, 2012 to the EPA, CIP's views are also reflected in the NRDC June 2, 2011 submission to the Docket by the National Resources Defense Council referenced in that letter:

"...NRDC opposes any option that would increase the number of HCFC allowances issued for 2011 or subsequent years. That would increase the burden of ozone-depleting HCFC-22 in the atmosphere, and increase the risk of fatal and non-fatal skin cancers, cataracts, immunological disorders for all Americans and for billions of other people. EPA needs to find a solution to the allocation problem before the agency that does not place any additional burden on the stratosphere, on public health, or on the natural environment."

Thank you very much for your consideration of our concerns. We welcome any questions or comments you may have, along with the opportunity for additional discussion regarding this subject.

Sincerely,

A handwritten signature in cursive script that reads "Don Magid".

Don Magid
Regulatory Affairs

cc: Gina McCarthy, USEPA
Bob Perciasepe, USEPA
Luke Hall-Jordan, USEPA