

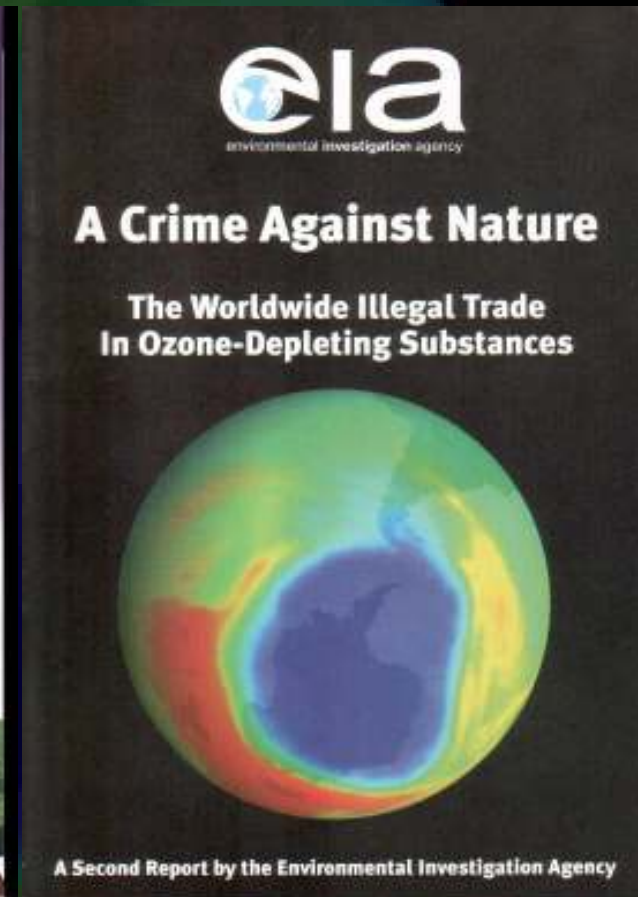
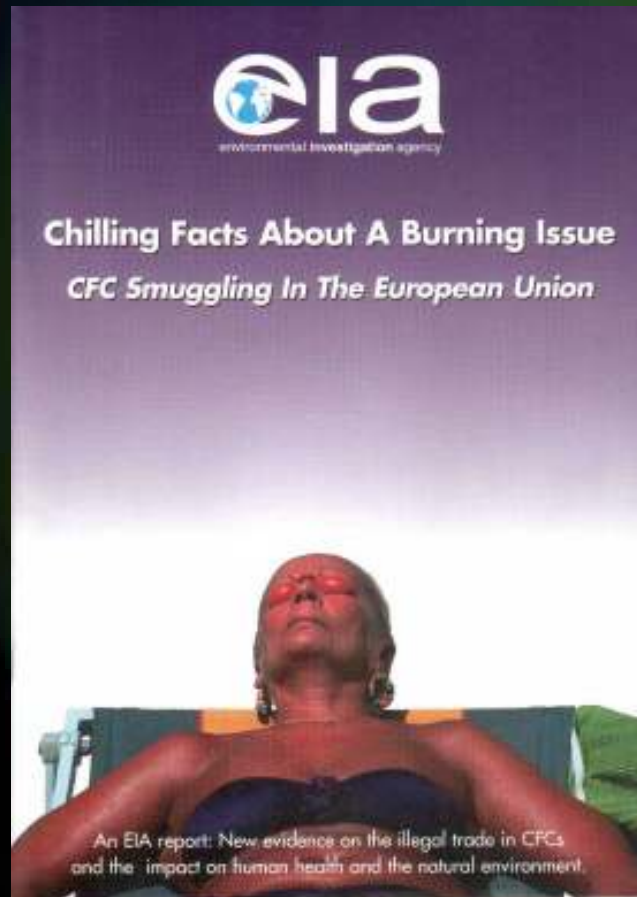
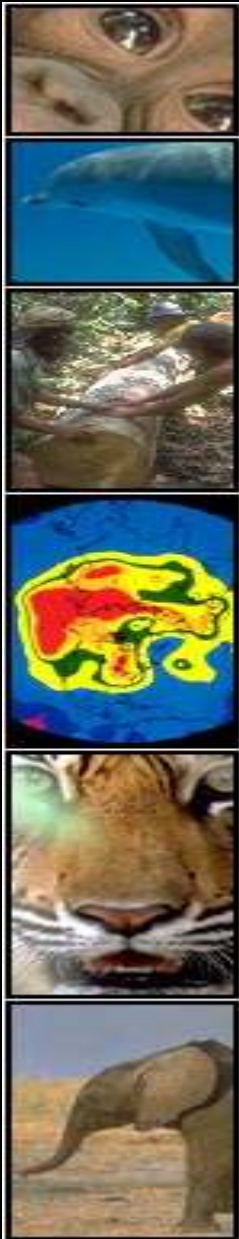


Illegal Trade in Ozone-depleting Substances



environmental
investigation
agency

Introduction to EIA



Profile:

- Established in 1984
- Offices in London and Washington DC
- Specialise in exposing environmental crime
 - illegal logging and trade
 - illegal trade in endangered species
 - smuggling of controlled chemicals

Ozone-depleting Substances

- ODS include CFCs, HCFCs, halons
- Chemicals destroy ozone layer, greenhouse gases – implications for human health and environment
- Trade controlled by Montreal Protocol (1987); phase-out schedules
- Illegal trade emerged in mid-1990s and remains a problem
- Licensing system main response to illegal trade

Illegal Trade in ODS



Illegal Trade in ODS

- In late-1990s 40,000 tonnes a year of CFCs (20% of total trade), worth around \$500 million. In 2006 15,000 tonnes CFCs smuggled into developing countries
- False-labelling, misdeclaration, concealment
- Complex trade routes involving transit countries
- Counterfeit products (contaminated blends)
- Illicit trade in CFCs declining, HCFCs increasing

Flows of ODS

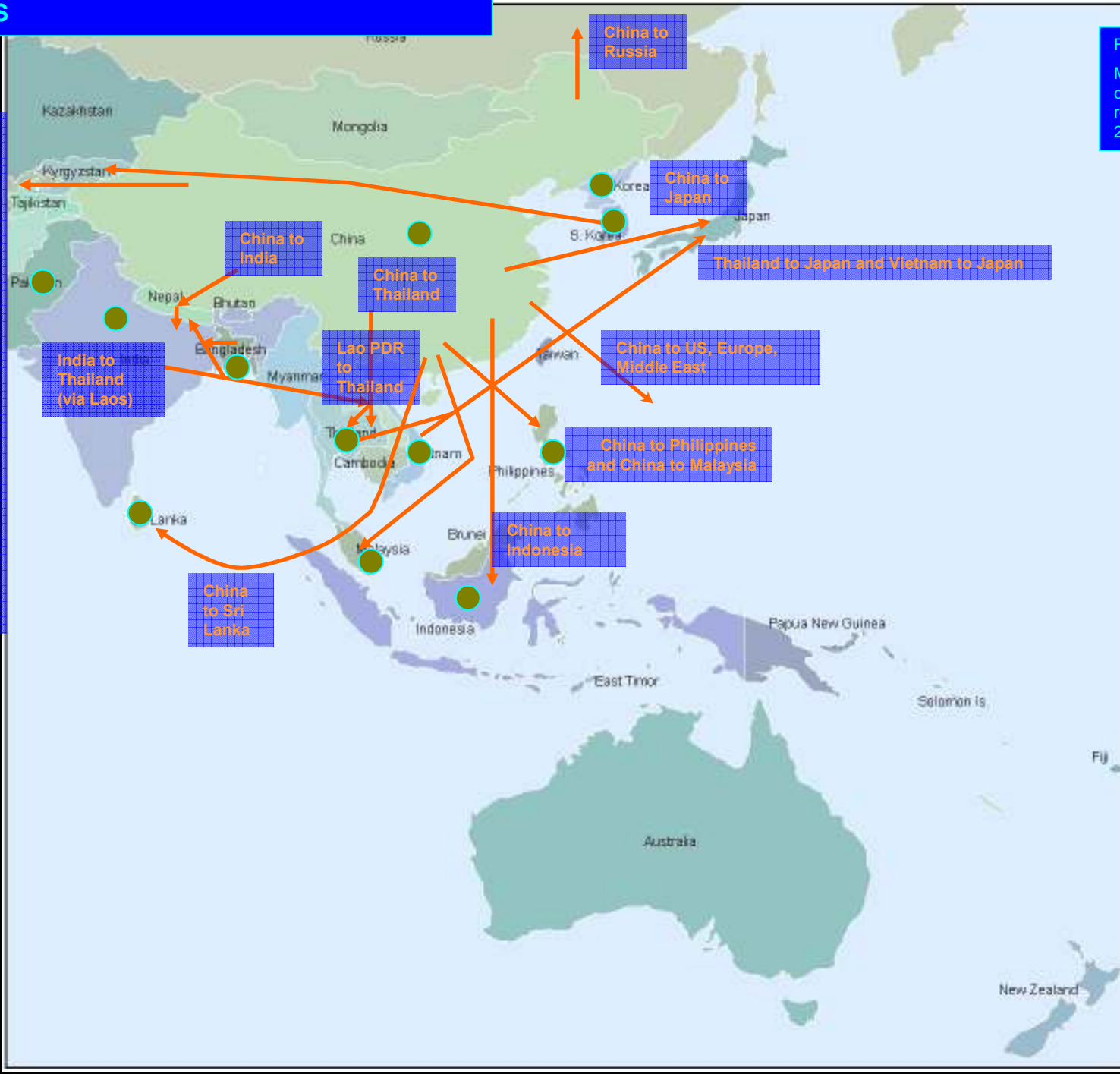
Top: S Korea to Kyrgyzstan via China

China to Uzbekistan

Right: Bangladesh to India

Into India to Nepal and back into India

Additionally (not shown due to space):
China-Vietnam-third country and India-Vietnam-third country



Flows →

Main consuming countries of the region (UNEP 2007) ●

Main flows

- Main source country China (unsurprising as is largest producer)
- Main destinations; US, Russia, South East Asia, Middle East
- Important role of transit countries; Laos to Thailand, Dominican Republic to US

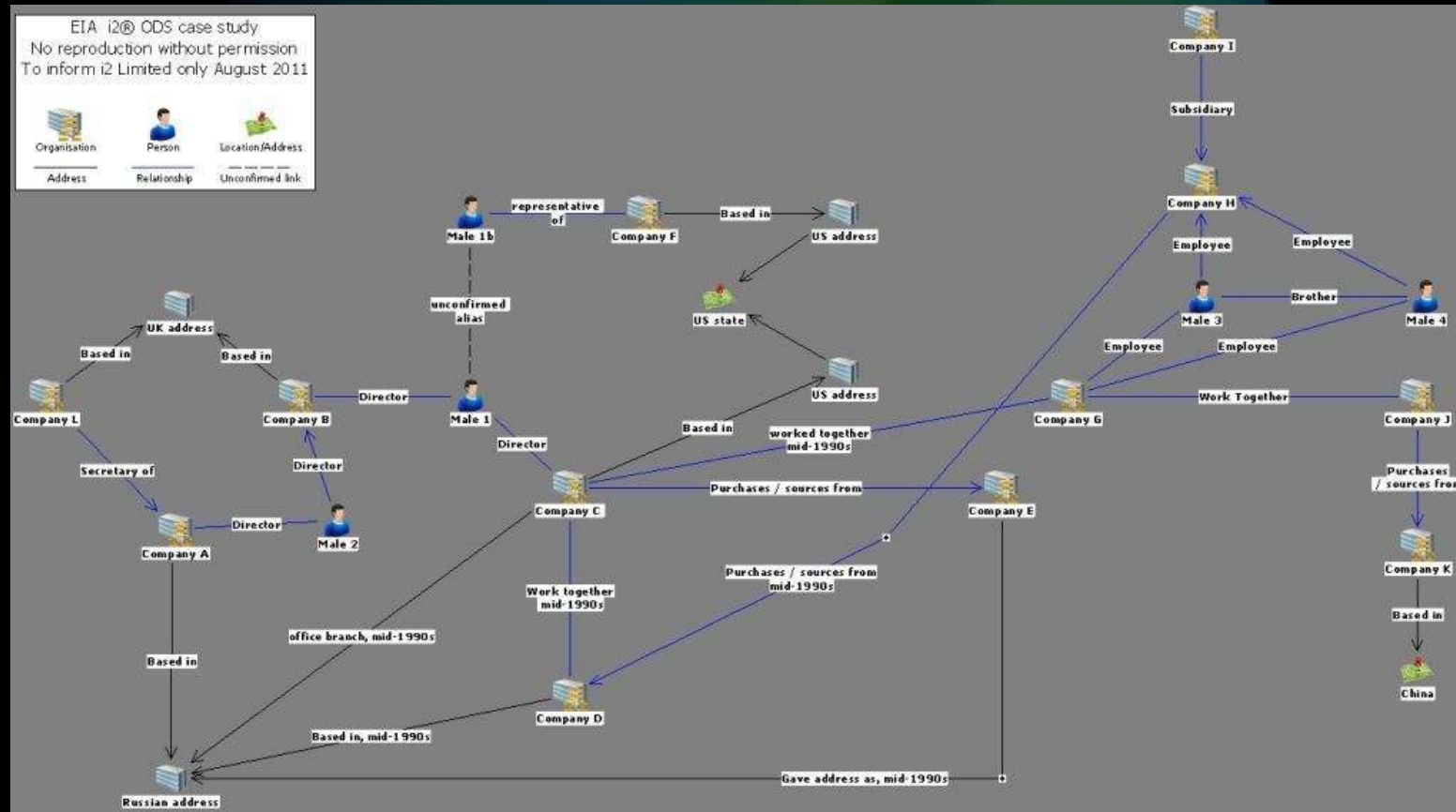
Value and Volume of Flow in EAP Region

- Volume: 3,660 to 12,000 tonnes
- Value: \$68 million to \$220 million
- Based on profit of \$18.5 per kg
- Price in China = \$3.5 kg; avg. price US/EU \$22

Recent Trends in CFC Smuggling

- China ceased production of CFCs in 2008 (extent of stockpiles unclear)
- Global phase-out of CFCs completed January 2010
- Yet illegal trade persists...

Case: China-Russia “recycled” CFCs smuggling



CFCs China to Russia

- 39 tonnes of recycled CFCs from China seized in St. Petersburg port, Russia 2010
- Chinese authorities confirm no licence issued for export of recycled CFCs
- Sales contract between broker based in UK and Russian buyer. Both associated with illegal trade in CFCs in 1990s.
- Consignor based in China; not licensed to export ODS
- Over 600 tonnes of recycled CFCs shipped from China to Russia during 2007/8

Illegal Trade in HCFCs



Threat of illegal trade in HCFCs

- Similar conditions to CFCs black market
- Different phase-out schedules (EU ban import of HCFCs in 2010, Article 5 countries freeze consumption in 2013)
- Production/consumption controls in key non-Article 5 markets (EU/US), coupled with on-going demand (servicing etc.)
- Rapid production growth in Article 5 countries
- Low price – R22 = \$2 kg

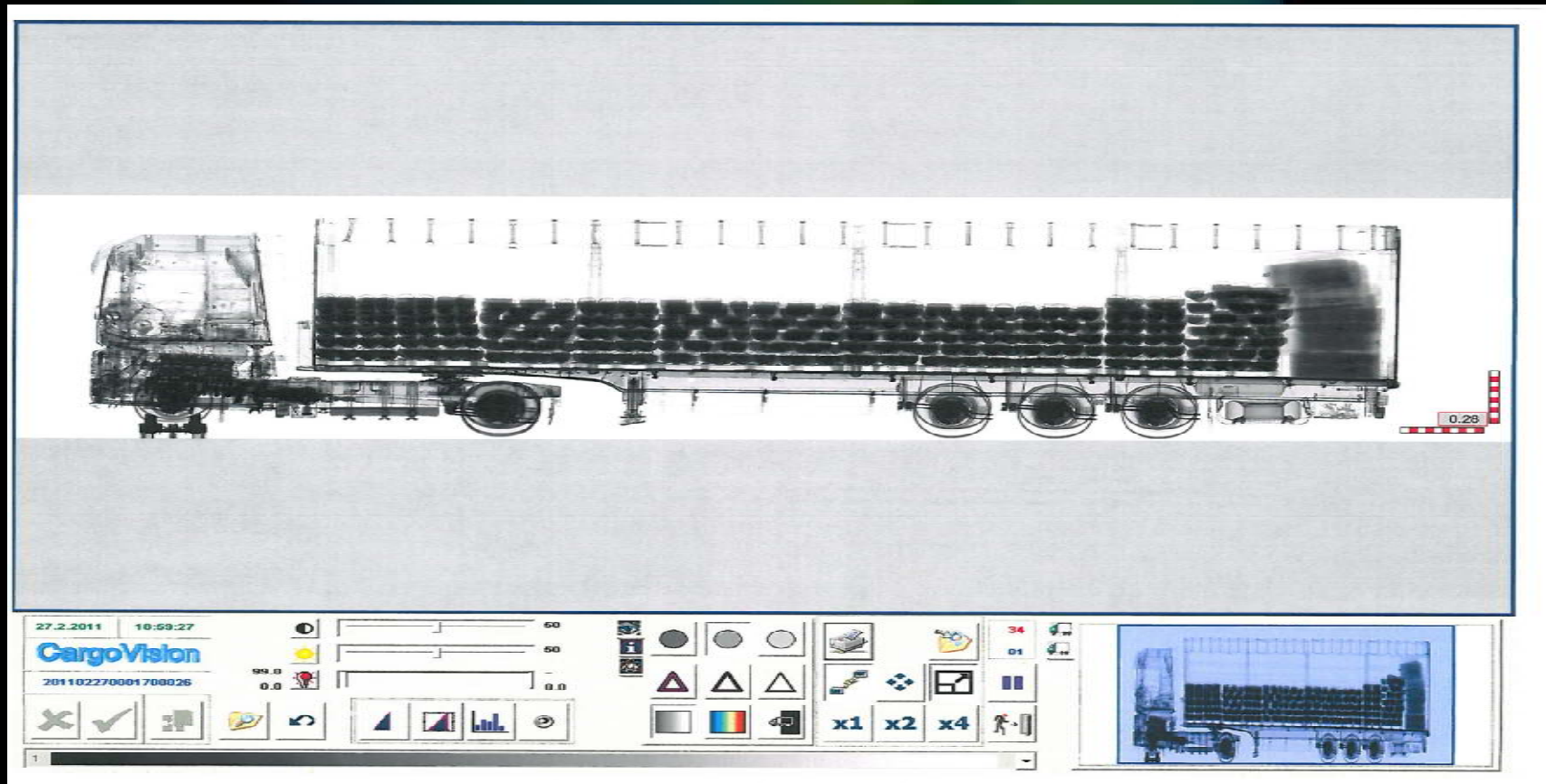
Case: Kroy Corporation, Florida



HCFCs China to US

- Kroy Corporation, based in Miami, found guilty of illegally importing 418 tonnes of HCFC22 between 2007 and 2009.
- Falsely declared as legal HFCs
- Involved transshipment via Dominican Republic using off-the-shelf company
- Company director sentenced to 30 months imprisonment, forfeit \$1.3 million
- US enforcement Operation Catch 22

Case: HCFCs into Finland



HCFCs Russia to Finland

- Seizure of 15 tonnes of HCFC 22 by customs in February 2011 at Vaalimaa on Finnish-Russian border
- Concealed in container on truck; behind layer of ceramics
- Truck from Latvia; claimed to have crossed border by accident, prompting scan of container

Preventing Illegal Trade

- Cross-checking of licences
- National task forces (e.g. US)
- Operations like Sky-Hole Patching
- Customs training (smuggling methods, HFCs)
- Prosecutions rare

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