

PROTECTING
OUR *Future*
TOGETHER



**REFRIGERANT
MANAGEMENT CANADA**

A N N U A L R E P O R T 2 0 0 2



Leadership Through
Environmental Responsibility

OUR MISSION

The mission of RMC is to provide an environmentally responsible program in partnership with government and the Canadian public that:

- manages the environmentally responsible disposal of Canada's stocks of surplus ODS refrigerants for the Canadian refrigeration and air conditioning industries;

- meets the objective of the Canadian Council of Ministers of the Environment (CCME) to minimize and avoid the ultimate release of these substances to the environment; and

- ensures that all surplus ODS refrigerants will be managed in the most environmentally responsible manner to minimize depletion of the ozone layer.



BOARD OF DIRECTORS

Chair

Tom Boutette - *Boutette and Barnett Trade Distribution Centre*

Secretary/Treasurer

Fred Dawson - *Dupont Canada*

President

Warren Heeley - *Refrigerant Management Canada*

Directors

Ted Aldcroft - *O & Y Commercial Management/BOMA*

Mark Boncardo - *Ineos Fluor Canada Inc.*

Rick Carmichael - *Bathurst Refrigeration Ltd.*

Jim Flowers - *Protocol Resource Management*

Rick Jones - *Kerrisdale Gas & Oil Burner Services Ltd.*

Dennis Larson - *Refrigerative Supply Ltd.*

David McMichael - *Nutemp Mechanical Systems Ltd.*

Beatrice Olivastrì - *Friends of the Earth Canada*

Observers

Bernard Madé - *Environment Canada*

Jason Maurier - *Ontario Ministry of the Environment*



PARTICIPANTS

*“Now finally,
the end of CFCs
is in sight,”
said Beatrice
Olivastrri of
Friends of the
Earth. “This is a
big step forward
to say we're
going to stop
using CFCs.”
The Toronto Star,
Monday,
February 12, 2001*

The following refrigerant manufacturers, importers, and reclaim companies are participants in the RMC program and share in the program's continued success.

Alltemp Products

Atofina Canada

DuPont Canada

Fielding Chemical Technologies

Honeywell Genetron

Ineos Fluor Canada Inc.

Protocol Resource Management

Refrigerant Services



PROTECTING OUR FUTURE TOGETHER: RMC REPORT 2002

Refrigerant Management Canada (RMC) was established in 1999 by the Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI) and the Canadian refrigeration and air conditioning industry as a separately incorporated non-profit corporation. Its mandate is to provide an industry-led program for the environmentally proper handling and disposal of surplus CFC refrigerants.

Since 1985, actions have been taken by the international community to reduce - and ultimately eliminate - the release of ozone depleting substances (ODS) into the atmosphere. Production and importation of CFCs in Canada and other developed countries was halted at the end of 1995. The current challenge for Canada is to eliminate the use of CFCs and ensure that the current inventory is safely reclaimed and disposed of in an environmentally responsible manner. RMC was created to meet this challenge for the stationary refrigeration and air conditioning industry.

In calendar 2001, RMC launched the new program and established the industry levy system on HCFC refrigerants. The initial levy was set at \$1.00 per kilogram and this levy amount has carried through into 2002. By the end of fiscal 2002, over \$3.5 million had been collected into the program. The 2001 year was considered a "funding" year for the program to ensure it has the necessary funds on hand to underwrite the operations of the new corporation.

In the latter portion of 2001, RMC established the standards for the operational aspects of the program, including collection, storage and disposal of recovered CFC refrigerants. These standards are imperative to maintaining the integrity of the program and to providing a program that will meet public expectations at every stage. The RMC Board of Directors developed and approved stringent performance specifications and operating standards that all RMC service providers must meet in order to participate in the program. These specifications include requirements for accurate tracking of all refrigerant entering the program from initial collection through to disposal, annual environmental and financial audits and minimum standards for disposal technologies.

RMC started the operational phase of the new corporation on January 1, 2002. Prior to the start of operations, RMC successfully established agreements with three collection service providers. The collection service providers selected were Fielding Chemical Technologies, Protocol Resource Management, and Refrigerant Services. The collection service providers are linked with a network of refrigerant wholesalers that cover the entire country, and the program is operated as an extension of the current refrigerant reclaim system in Canada. The RMC collection service operation encompasses the collection, testing, bulking, storage and transportation of surplus quantities of refrigerants.

With the assistance of consultant Cantox Environmental Inc., RMC completed the process of determining appropriate disposal facilities that could meet the performance specifications established for the program. This process included distribution of a request

*The first
extended
producer
responsibility
program in
Canada for
ozone depleting
substances.*

*RMC is an
important
environmental
program that
truly benefits
all Canadians.*

**R M C R E P O R T C O N T I N U E D**

*The B.C.
Ministry of
Water, Land and
Air Protection
approves the
RMC Program
as an
acceptable ODS
Stewardship plan.
December 20, 2001*

for proposal (RFP) to Canadian and foreign disposal facilities, and a detailed review by Cantox of each respondent's disposal technology and performance. Four (4) facilities (one each in Canada, the U.S., Australia and Germany) met the standards of the program and were accepted by the RMC Board of Directors.

The RMC Board also established a position on the criteria for disposal facility selection when RMC is ready to ship refrigerant for disposal. This criterion included cost competitiveness, environmental acceptability and the desire to find a long-term Canadian disposal solution to eliminate the need to export Canada's refrigerant surplus for disposal.

As part of the program's commitment to environmental stewardship, the RMC Board of Directors obtained proposals from a number of leading Canadian environmental auditing companies for development of an audit protocol that will ensure RMC and their service provider partners are meeting and exceeding the performance specifications of the program. The proposal accepted was from Jacques Whitford Environment Limited, a ISO 9001 QMS certified company with over 30 years experience in the area of environmental consulting and offices throughout the country. The audit protocols are currently under development and pilot audits of the collection service providers are scheduled for the fall of 2002.

In January 2002, the first provincial regulations requiring seller take back and stewardship programs for ODS came into effect in British Columbia. The B.C. regulations required suppliers and manufacturers of ODS to submit a plan before January 1, 2002 demonstrating how these substances will effectively be collected, stored and disposed of in an environmentally responsible manner. The regulations requires that the plans be implemented before January 1, 2003.

RMC forwarded details on its program to the Ministry in the fall of 2001. The RMC program was approved by the B.C. Ministry of Water, Land and Air Protection on December 20, 2001 as an acceptable ODS stewardship plan that meets the province's regulations. This means that all members of the stationary refrigeration and air conditioning industry in the province who participate in the RMC program will now meet the required provincial regulations.

RMC has also been active with HRAI lobbying the federal and provincial governments to adopt the proposed regulations contained in Canada's Strategy to Accelerate the Phase-out of CFCs and Halons and Dispose of the Surplus Stocks. This strategy was adopted by the Canadian Council of Ministers of the Environment in May of 2001. The strategy contains provisions covering CFC refill bans for commercial refrigeration equipment and chillers, mandatory seller take back and stewardship programs. These proposed regulations provide the appropriate backdrop for the RMC program.



R M C R E P O R T C O N T I N U E D

Public and industry education on the RMC program has also been a high priority over the last year. RMC actively produced and distributed eight editions of the "RMC Wholesaler Update" and the "RMC Bulletin", and over 24,000 copies of the RMC information brochure have now been distributed to the industry and public.

The RMC Web site, www.hrai.ca/rmc, is also "up and running". This resource provides users with a wealth of information on the program and the ability to search for participating wholesalers by company name or by location. In November and December 2001, RMC distributed "How the Program Works" information packages educating wholesalers, contractors and end-users on the operational aspects of the program. Fact sheets and end-user brochures were distributed to over 3,000 contractors across Canada.

Also as part of the "How the Program Works" communications initiative, RMC binders containing information on how the program works, information bulletins, posters and RMC container tags were distributed to all participating wholesaler outlets prior to the start of the program. RMC window decals, that will identify wholesalers as program participants and help increase the visibility of the program, were also distributed.

The program results to the end of June 2002 are very encouraging. With the collection process beginning January 1, 2002, the total volume of refrigerant collected is already over 10,000 kilograms. This is an excellent start to the program considering there are no refill ban regulations in place to date.

In the year ahead, RMC will continue to focus on improving all facets of the program. The first load of recovered CFC refrigerants for disposal will be shipped in the fall of 2002. RMC is currently finalizing terms with the Sensor Environmental facility in Swan Hills, Alberta and transportation carriers for shipment and destruction of the initial refrigerant shipments.

RMC will continue to work with the Federal/Provincial Working Group on ODS and their Halocarbon Alternatives on implementation of the CFC Disposal Strategy and harmonized ODS regulations in the provinces, territories and federal jurisdictions. The RMC Board will also be addressing the issue of HCFCs and how they will fit into the long-term strategy of the program. The ongoing financial stability of the program will also be reviewed, including the future level of the RMC levy, as the actual volumes of refrigerants and the cost of processing them become more apparent over the coming years.

The Chair and Board of Directors would like to express RMC's appreciation for the support it has received from the Canadian refrigeration and air conditioning industry, Environment Canada, the provincial environment ministries, and Friends of the Earth Canada and its service provider partners. This support has helped to establish RMC as an important environmental program that truly benefits all Canadians.

*A key objective
of RMC is to
provide a highly
visible program
open to public
scrutiny at
every stage.*



AUDITED FINANCIAL STATEMENTS

RMC operates under strict standards and guidelines for all segments of its processes to ensure the integrity of the Program.

**Clarke
Henning
LLP**

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AUDITORS' REPORT

**TO THE MEMBERS OF
REFRIGERANT MANAGEMENT CANADA**

We have audited the balance sheet of Refrigerant Management Canada as at June 30, 2002 and the statement of revenue, expense and net assets for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

**"CLARKE HENNING LLP"
CHARTERED ACCOUNTANTS**

Toronto, Ontario
August 20, 2002



AUDITED FINANCIAL STATEMENTS

REFRIGERANT MANAGEMENT CANADA

BALANCE SHEET AS AT JUNE 30, 2002

	2002	2001 (note 5)
ASSETS		
Current assets		
Cash	\$ 399,220	\$ 251,428
Accounts receivable	1,039,318	945,422
	<u>1,438,538</u>	<u>1,196,850</u>
Investments (fair market value \$2,171,000)	2,212,375	-
	<u>3,650,913</u>	<u>1,196,850</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	150,503	147,716
NET ASSETS		
RMC fund (note 2)	3,500,410	1,049,134
	<u>3,650,913</u>	<u>1,196,850</u>

STATEMENT OF REVENUE, EXPENSE AND NET ASSETS YEAR ENDED JUNE 30, 2002

Revenue		
Environmental levies	2,739,708	1,269,369
Investment income	53,811	-
Other income	1,023	-
	<u>2,794,542</u>	<u>1,269,369</u>
Administrative expenses		
Management fee (note 4)	144,000	104,100
Contractors' fees	53,963	39,938
Communications	59,353	37,342
Professional fees	8,127	27,410
Office and general	16,27	17,153
Board and committee	12,109	4,292
Insurance	19,768	-
	<u>313,591</u>	<u>220,235</u>
Operation expenses		
Collection services	18,043	-
Miscellaneous	11,632	-
	<u>29,675</u>	<u>-</u>
Excess of revenue over expense for the year	2,451,276	1,049,134
Net assets, RMC fund - at beginning of year	1,049,134	-
Net assets, RMC fund - at end of year	<u>\$ 3,500,410</u>	<u>\$ 1,049,134</u>



A U D I T E D F I N A N C I A L S T A T E M E N T S

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2002

1. ORGANIZATION AND PURPOSE

Refrigerant Management Canada is a not for profit organization incorporated without share capital under the laws of Canada. The purpose of the Organization is to provide an environmentally responsible program to dispose of Canada's stocks of surplus ODS refrigerants for the Canadian stationary refrigeration and air conditioning industries. The Organization is funded by an environmental levy submitted by refrigerant manufacturers, importers and reclaimers on sales of HCFC refrigerants.

2. SIGNIFICANT ACCOUNTING POLICIES

RMC Fund - The RMC Fund is to be used to fund future operations of the Organization. Operating surpluses are to be transferred to the fund while operating deficits are to be recovered from the fund at the end of each year.

Investments - Investments are recorded at cost plus accrued investment income. Investments are written down to market value where the decline in market value is deemed to be permanent.

Revenue Recognition - The Organization recognizes the environmental levies in the period to which they relate. The levy will be used to fund current operating expenses and the future costs of transportation, handling, storage and proper disposal of the ODS refrigerants. This levy will be reviewed annually to ensure adequate funding is available to fund all operations of the Organization on an ongoing basis.

Use of Estimates - The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Organization's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

3. FINANCIAL INSTRUMENTS

The Organization's financial instruments consist of cash, investments, accounts receivable and accounts payable. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The investments are comprised of provincial and federal bonds with yields from approximately 3 to 5%, maturing from 1 1/2 to 3 1/2 years.

4. RELATED PARTY TRANSACTIONS

In the normal course of business, the Organization entered into transactions with a related party. All transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. The Organization paid a management fee of \$144,000 (\$104,100 in 2001) to Heating, Refrigeration and Air Conditioning Institute of Canada.

5. COMPARATIVE FIGURES

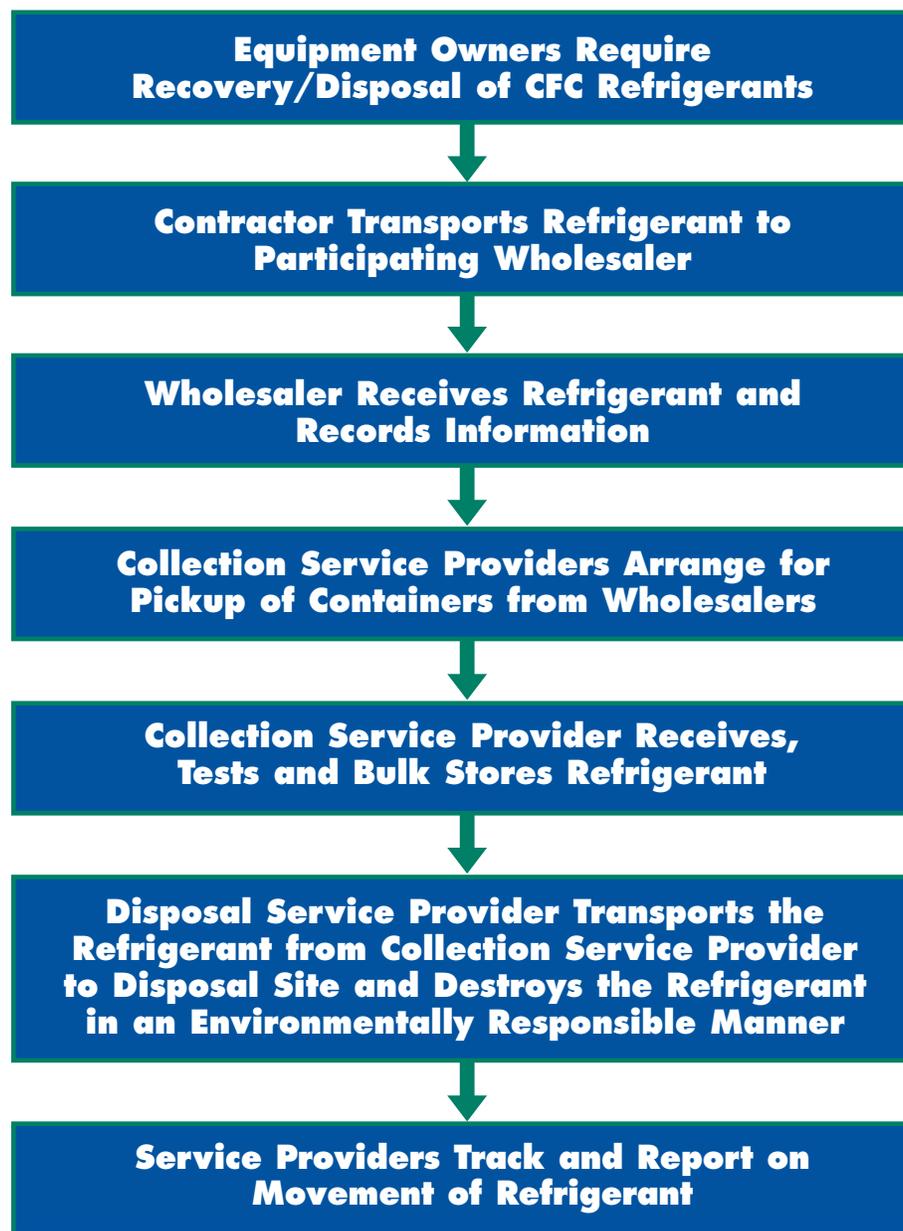
The comparative figures for 2001 are for the period from incorporation on December 22, 2000 to June 30, 2001.

6. STATEMENT OF CASH FLOWS

A statement of cash flows is not included in the financial statement as the required information is readily apparent.



HOW DOES THE RMC PROGRAM WORK?





Leadership Through
Environmental Responsibility

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