

**16 April 2026**

## **Public Version**

**The following is Refspecs's response to the Commerce Commission's Statement of Issues (Sol) dated 31 March 2026.**

### **Refrigerant Markets**

#### Definition

Refspecs accepts that HFC and natural refrigerants constitute separate product markets primarily because they are used in different refrigeration systems. With the phasing down of HFC refrigerants over the next 10 years, new and replacement installations (particularly the larger ones) are now being specified to use natural refrigerants, for which there are no supply restrictions. The CO<sub>2</sub> natural refrigerant is manufactured in NZ by BOC at a low cost, and a second manufacturer (Coregas) is likely to enter. Natural refrigerant systems are being imported by installers.

For smaller systems that require less capital investment, such as up to 15 hp which is what Refspecs supplies, HFC based systems will be the preferred option for new or replacement installations over the short term. The cost, performance, quality (eg having no ozone depleting properties) and future availability of types of refrigerants (future proofing) is a factor when deciding what system to purchase. It is similar to when decisions are made to purchase either a petrol, diesel or EV vehicle. Once that decision is made, the customer is committed to using the appropriate gas for the life of the system. There will be a growing competitive constraint between the HFC and natural refrigerant systems which carries over to the supply of refrigerants themselves.

For existing HFC systems (which will be the prevailing system in operation for many years) that require recharging, service engineers will have no option but to use a compatible HFC refrigerant. As explained above, some system that run on older generation refrigerants (eg R404a) can easily be adjusted to use New Generation (eg R449a) which are lower GWP refrigerants.

Prices of HFC refrigerants are the same whether they are used for new systems or existing systems. Thus, any competitive constraint between the supply of new natural and HFC systems carries through to the general price of HFC gas.

Refspecs believes the refrigerant market is national, even though its branches hold stock. Refrigerants are transported in "jugs" which are sent to installers. Installers carry their own stock of refrigerants which they can draw on if urgently required, and purchase replacement supply from wholesalers.

#### HFC Refrigerants

The Sol focuses on competition for HFC supply from the holders of Grand parented (GP) permits with little weight given to holders of special permits (SP). **Appendix 1** is a spreadsheet which combines GP and the 2026 SP permit holders. As noted in the Sol, five GP holders (excluding Refspecs) also hold SPs, which increases their combined holdings of HFC permits to import as shown. Attachment H also shows that the combined share of import permits is 40%, which means 60% is allocated to others. As has been explained previously (email 4 March), SP holders are active in the supply of HFC refrigerant at wholesale. We provided an example of [-----] recently offering to sell six jugs of R410a for \$1285 with free delivery. Refspecs had to match that to get the sale. Such pricing sets benchmarks as to what customers expect. This activity will not change if the acquisition proceeds.

Securing SP each year is not a barrier where the applicant is willing to meet the criteria set by EPA. Applications are objectively graded and allocations are made based on that. While it is true that requests for SP exceed the amount available, much of that is from applicants requesting more in anticipation of being scaled back to what they plan to import.

When BOC offered its GP for sale, we understand that little interest was generated. This is mainly because importers/ wholesalers make reasonably low margins on HFC. As explained previously, Refspecs wished to purchase additional GP to better service its customer base and complement sales of equipment going forward. BOC came back and asked Refspecs to purchase more as it was unable to off-load all of its GP due to lack of interest from others. Relatively low margins being obtained suggests that the wholesale HFC supply market is very competitive at the wholesale level. Refspecs believes its customers make far larger margins when selling at retail/ end customer.

The HFC refrigerant supply market is also affected by:

- a. the importation recycled HFC (which is outside of the permit system);
- b. recycling HFC in New Zealand;
- c. exporting HFC for destruction or sale.

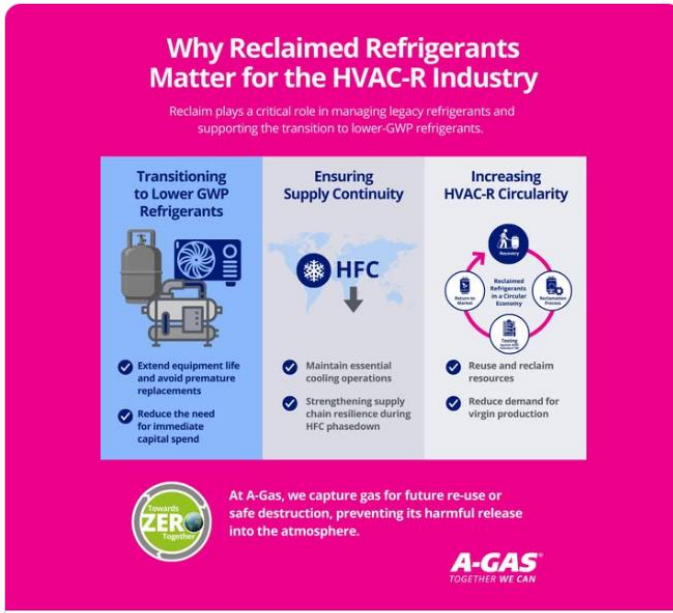
Recycled HFC can be imported without limit at any time during the year. All that is required is to fill out a EPA form – see <https://www.epa.govt.nz/hazardous-substances/certificates-permits-and-permissions/hydrofluorocarbon-gases-hfcs-import-and-export/types-of-import-permit-and-how-to-apply/>.

Refspecs understands that Daikin and A-Gas are involved in recycling HFC refrigerants. The EPA should be able to provide information on what volumes are being imported.

**Appendix 2** is Daikin's price list which includes recycled R32, R410a and R134a. Refspecs does not know why the list prices are set higher than new HFC refrigerants; it may be perceived to be a premium more environmentally acceptable option to some customers because it has been recycled.

A-Gas recycles HFC reclaimed from older systems which takes place in Auckland.

<https://www.facebook.com/agas.newzealand/>



HFC refrigerants are also exported from New Zealand. Data provided by EPA shows that A-Gas, Azelis, Glowbal, RefDestruct and others have exported HFC refrigerants – see **Appendix 3 – Participant Data**. Some exports are for destruction overseas. RefDestruct runs a swap program where they give a customer a free charge of R449a if they receive R404a in return. The R404a is then exported for destruction, and they receive NZ Carbon Units in return. Refspecs considers others are probably exporting because of holding excess quota that cannot be sold in New Zealand (eg by Azelis and Glowbal).

Recycling HFC can be undertaken in NZ and reclaimed refrigerant can be retained for sale in the New Zealand market and not exported if more profit can be made locally.

### Hamilton and Tauranga

Refspecs considers that Cooling Equipment and others can adequately service and supply customers in the Waikato and Bay of Plenty areas without needing to have branches in Hamilton and Tauranga.

Refspecs only recently opened a branch in Tauranga in 2024. It had some support from customers which helped making the decision to do so. Cooling Equipment can easily do likewise, based around servicing its customers in the kiwi fruit industry in the Bay of Plenty. Prior to 2024, Refspecs had a sales engineer with a van that held some component stock, based out of his home in Tauranga. Prior to then, Tauranga was serviced from Hamilton.

The cost to set up the Tauranga branch in leased premises was only about [ \$ ] (see **confidential Appendix 4**). In addition, about [ \$ ] of stock was transferred to the branch ([ \$ ] from the DC and [ \$ ] from the van) to get it running. **Appendix 5** are photos of the Tauranga branch. Only a small floor area is required to set up a branch.

The cost to set up the Hamilton branch in 2018, which is bigger, was [ \$ ] plus stock.

Both Hamilton and Tauranga are sizeable refrigeration markets which can support branch operations. Opening a branch can generate more business if a competent branch manager is employed who can develop relationships with customers. In our experience, customers are not at all sticky and move around for better prices and service. As the Commission is aware, customers often seek quotes for product which shows there is limited loyalty to their suppliers. It is considered that there are very low barriers to entry and expansion into these regions.

In addition to Cooling Equipment, Glowbal is a candidate to set up a branch as it supplies refrigerant and offers a good range of components. Its catalogue is available here <https://www.glowbal.co.nz/>. The products listed from page 8 to 18 compete against Refspecs – and mainly are from the same supplier/manufacturer.

Cooling Supplies stock fans and other refrigeration tools and scales, and oils and refrigerant. Refspecs purchases refrigerant (R32) and oils from this company. <https://www.coolingsupplies.co.nz/>

C&Y NZ, which is Auckland based, could readily add refrigeration to its air conditioning supply business and they already have a Hamilton branch. To obtain supply of product is easy, such as from attending trade shows where manufacturers offer product to all and sundry.

Daikin is potentially a direct entrant. Daikin has recently commenced offering a full range of refrigeration equipment and components in Australia, which is likely to be replicated in New Zealand. They sell refrigerants (noted above). As previously advised, [ ]

Even without a branch, these areas can be adequately serviced from outside the region, as is currently the situation. Cooling Equipment offers a large range which can be ordered via its website. As prices and supply can be easily obtained online, customers use that information to drive down prices from local branches. There are enough products that are “universal” and interchangeable with what the merged entity stock.

By way of example, Refspecs services customers throughout the South Island from its Christchurch branch and HO in Auckland. The branch manager there looks after the northern regions, making planned trips to visit customers and seek orders (4 days every 2 months). Likewise, sales engineers visit customers in the West Coast, South Canterbury, Otago and Southland (also at least once every 8 weeks to the West Coast, Otago & Southland and twice a month to Timaru and Ashburton). Orders made from outside of Christchurch for equipment and components are dispatched and normally arrive within 24 hours, with larger or out of stock items sent from Auckland direct to customers, which may take few days more.

A breakdown of sales to South Island locations supplied from the Christchurch branch is attached in **Appendix 6.[Confidential]**

There are suppliers of components and tools via supplier websites in NZ and overseas, and including trading websites including TradeMe, Ebay and Temu.

Please contact us if any clarification is required.