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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Seventieth Meeting  
Bangkok, 1-5 July 2013

**DRAFT GUIDELINES FOR FUNDING THE PREPARATION OF STAGE II OF  
HCFC PHASE-OUT MANAGEMENT PLANS  
(DECISIONS 66/5 and 69/22)**

## Introduction:

1. At its 69<sup>th</sup> meeting, the Executive Committee considered a document prepared by the Secretariat containing draft guidelines to determine funding levels for the preparation of stage II of the HCFC phase-out management plans (HPMPs) for Article 5 countries (UNEP/OzL.Pro/ExCom/69/33). The document proposed options for funding for the preparation of stage II of the HPMPs taking into account the timing for the possible submission of such requests, information requirements when submitting requests for project preparation to demonstrate that additional funding is required, as well as a proposal regarding remaining balances from previous HPMP preparation funding approved.

2. In presenting the paper to the Committee, the Secretariat took into account an analysis of the already approved funding for project preparation for stage I of HPMPs, as well as the approvals of full HPMPs for implementation. The document largely focussed on the requirements of the guidelines for the preparation of HPMPs adopted at the 54<sup>th</sup> meeting. Based on the guidelines, stage I HPMPs should cover compliance up to the 10 per cent baseline reduction for HCFC consumption. Stage II was therefore meant to cover up to the 35 per cent reduction target, but in fact might involve allowing countries to propose projects that would exceed that reduction. However, stage I of most of the HPMPs approved covered up to the 35 per cent reduction target, and some low-volume consuming (LVC) countries even chose to accelerate phase-out up to 100 per cent.

3. During the discussion at the 69<sup>th</sup> meeting, members stressed the need to take the necessary time to evaluate stage I HPMPs before approving funding for preparation of stage II, in order to better understand the cost-effectiveness of stage I projects, among others. Other members also expressed concerns that a clear analysis of available alternatives to HCFCs was also needed as part of stage II preparation so as to ensure that stage II was implemented efficiently and project preparation funding was not provided for sectors for which alternative substances were not available. The risk of waiting too long to proceed with the preparation of stage II of HPMPs, which could result in a hiatus between funding for stages I and II, may place some countries in a situation of potential non-compliance was also addressed.

4. The Chair convened a contact group for the purpose of further discussion and agreement on recommendations to plenary. While progress was made in the contact group, there was insufficient time to reach agreement on the draft guidelines for funding the preparation of stage II of HPMPs. It was therefore decided that the text of the draft guidelines, as amended at the 69<sup>th</sup> meeting, be forwarded to the 70<sup>th</sup> meeting for consideration.

5. The Secretariat further noted that at its 68<sup>th</sup> meeting the Executive Committee decided, *inter alia*, “to defer further consideration of the terms of reference for the assessment of the administrative costs regime for the 2014-2017 triennium until its 70th meeting, or until after the preparation of the guidelines for stage II of the HPMP had been approved by the Executive Committee” (decision 68/10). In the event that the Committee adopts stage II of the HPMP project preparation guidelines at the present meeting, it may also wish to consider text for a new recommendation, as follows:

- (h) Requesting the Secretariat to take into account the preparation guidelines for stage II HPMPs approved at this meeting in its proposal for the terms of reference for the assessment of the administrative costs for the 2015-2017 triennium foreseen in decision 68/10 that should be submitted to the 71<sup>st</sup> meeting.

### Working text reflecting the conclusions of the contact group

6. The working text contained in a non-paper distributed at the 69<sup>th</sup> meeting is reproduced below for the Executive Committee's consideration<sup>1</sup>:

7. In determining guidelines for funding levels for the preparation of stage II of the HCFC phase-out management plans (HPMPs) for Article 5 countries, the Executive Committee may wish to consider:

- (a) Noting document UNEP/OzL.Pro/ExCom/69/33 on the draft guidelines for funding the preparation of stage II of HCFC phase-out management plans (HPMP);
- (b) Requesting Article 5 countries, [to take account of decision XIX/6 and] include in the development and finalization of the strategic plan for stage II of the HPMPs:
  - (i) As a minimum, the control target of the Montreal Protocol subsequent to that committed in stage I of their HPMPs;
  - (ii) Should countries decide [to include subsequent Montreal Protocol control measures] [phase-out commitments] including the complete phase-out (i.e. 100 per cent in stage II), they should demonstrate a strong national level of commitment in place;
- (c) Guided by the need to ensure compliance with the control measures of the Montreal Protocol for HCFC phase-out and to ensure continuity of implementation of HPMP activities between stages, requests for stage II HPMP project preparation funding could be submitted no earlier than two years before the end date of their approved stage I HPMP as contained in paragraph 1 of their agreement with the Executive Committee, unless otherwise indicated in the decision of the Executive Committee approving their respective stage I HPMPs;
- (d) Requesting bilateral and implementing agencies when submitting requests for project preparation for stage II of the HPMPs [to demonstrate that substantial progress in the implementation of stage I of their HPMP had been achieved], [consistent with decision 54/39, guidelines for the preparation of HPMP taking into account specific sections that apply to subsequent stages of the HPMP], and to provide:
  - (i) For the overall stage II strategy:
    - a. An indication of the activities that will need to be undertaken for project preparation, with specific costs clearly identified (i.e. surveys, consultation meetings, etc);
    - b. Option 1. [A methodology to gather information to assess availability, [cost, efficiency, environmental and climate impact of] ODS alternatives and include the analysis of such assessment in the overarching strategy for stage II HPMP];

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<sup>1</sup> Non-paper on Agenda item 9 at the 69<sup>th</sup> Meeting: Draft guidelines for funding the preparation of stage II of HCFC phase-out management plans (decision 66/5)

OR:

Option 2. [A description of how the stage II strategy [and criteria] will consider the full range of climate friendly ODS alternatives for transition];

- c. A description of the information that needs to be gathered and updated and why it was not included in stage I;
- (ii) For investment projects in line with decision 56/16:
  - a. Information on the [alternative technologies], number of enterprises where the request for funding is being sought;
  - b. Date of establishment of such enterprises, taking into account decision 60/44(a) on the cut-off date, [including enterprise names and consumption data, where available];
  - c. If the request is for a sector where project preparation was approved in stage I but had not been included in the HPMP submitted an explanation why additional funding is required and a list of activities with corresponding costs to support this request;
- (e) Providing funding for stage II HPMP project preparation [for individual countries] up to the following levels, [upon justification of the amount requested that is in fulfilment of sub-paragraph d(i)]:
  - (i) US \$20,000 [30,000] [if addresses the phase-out of all remaining consumption by 2030 or earlier] for Article 5 countries with a remaining HCFC consumption eligible for funding of 0 to 5 ODP tonnes used only in the refrigeration servicing sector;
  - (ii) US \$30,000 [40,000] [if stage II addresses the phase-out of all remaining consumption by 2030] [2040] for Article 5 countries with a remaining HCFC consumption eligible for funding of 5.1 to 10 ODP tonnes;
  - (iii) US \$50,000 [60,000] [if stage II addresses the phase-out of all remaining consumption by 2030] [2040] for Article 5 countries with a remaining HCFC consumption eligible for funding of 10.1 to 50 ODP tonnes;
  - (iv) US \$70,000 for Article 5 countries with a remaining HCFC consumption eligible for funding of 50.1 to 100 ODP tonnes;
  - (v) US \$90,000 for Article 5 countries with a remaining HCFC consumption eligible for funding of 100.1 to 1,500 ODP tonnes;
  - (vi) US \$ [to be determined] for countries with remaining eligible consumption above 1,500 ODP tonnes;
- (e)bis: Funding for the preparation of any regional [multi-country] [LVC] stage II HPMPs would be determined on a case by case basis;
- (f) Providing funding for any Article 5 country with a manufacturing sector using HCFCs that has not been addressed in stage I of their HPMPs, according to the number of manufacturing enterprises to be converted as per decision 56/16(d) and (f), [based on

their remaining eligible consumption] as follows:

- (i) One enterprise to be converted in a manufacturing sector: US \$30,000;
- (ii) Two enterprises to be converted in a manufacturing sector: US \$60,000;
- (iii) Three to 14 enterprises to be converted in a manufacturing sector: US \$80,000;
- (iv) Fifteen or more enterprises to be converted in a manufacturing sector: US \$150,000; and
- (v) To limit the maximum funding provided for the preparation of the investment component for any country according to the table below:

Remaining eligible consumption (ODP tonnes)	Investment preparation limit (US \$)
Up to 100	100,000
101–300	200,000
301-500	250,000
501–1,000	300,000
1,001 and above	400,000

- (g) Requesting bilateral and implementing agencies to return any balances from project preparation funding provided for stage I HPMP to the Multilateral Fund before a request for stage II project preparation funding may be considered.

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