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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
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**DRAFT PROCEDURES FOR ARTICLE 5 COUNTRIES THAT HAVE HFC CONSUMPTION
BASELINE YEARS FROM 2020 TO 2022 IN ACCESSING ADDITIONAL CONTRIBUTIONS
FOR ENABLING ACTIVITIES**

Background

1. In the context of agenda item 10 on Issues relevant to the Executive Committee arising from the Twenty-eighth Meeting of the Parties to the Montreal Protocol of the 77th meeting,¹ the Executive Committee discussed a note from the Secretariat aimed at seeking guidance from the Executive Committee on a way forward to address decision XXVIII/2. The Executive Committee also discussed how to deal with the additional voluntary contributions from a group of donor countries intended to finance activities for the implementation of the HFC phase-down.
2. Further to a discussion, the Executive Committee, *inter alia*, accepted, with appreciation, the additional contributions announced by a number of non-Article 5 Parties to provide fast-start support for implementation of the Kigali Amendment, and that the additional contributions should be made available for Article 5 countries that had an HFC consumption baseline year between 2020 and 2022² and that had formally indicated their intent to ratify the Kigali Amendment and take on early HFC phase-down obligations in order to support their enabling activities, such as capacity building and training in handling HFC alternatives, Article 4B licensing, reporting, and project preparation activities. The Committee also requested the Secretariat to develop a document describing possible procedures for the above-mentioned countries in accessing the additional fast-start contributions for enabling activities (decision 77/59(d)(i), (ii) and (iii)).
3. The Secretariat has developed the present document in response to decision 77/59(d)(iii).

¹ Montreal, Canada, 28 November – 2 December 2016.

² These include all Article 5 countries that have received assistance from the Multilateral Fund except for the following countries: Bahrain, India, Islamic Republic of Iran, Iraq, Kuwait, Oman, Pakistan, Qatar, Saudi Arabia, and the United Arab Emirates, noting that the United Arab Emirates has not received any funding from the Multilateral Fund in the past.

Structure of the document

4. In paragraph 10 of decision XXVIII/2, the Executive Committee was requested to develop, within two years of the adoption of the Kigali Amendment, guidelines for financing the phase-down of HFC consumption and production, and to present those guidelines to the Meeting of the Parties for the Parties' views and inputs before their finalization. Within the cost guidelines, the Parties, *inter alia*, included the following enabling activities to be funded in relation to HFC phase-down:³ capacity-building and training for the handling of HFC alternatives in the servicing, manufacturing and production sectors; institutional strengthening; Article 4B licensing; reporting; demonstration projects; and development of national strategies.

5. Given the extensive experience available in the Multilateral Fund on the implementation of enabling activities as defined in paragraph 20 of decision XXVIII, a comprehensive discussion of the enabling activities is presented in document UNEP/OzL.Pro/ExCom/78/6.

6. This document describes possible funding modalities for enabling activities to be implemented in Article 5 countries that have HFC consumption baseline years from 2020 to 2022; briefly presents the enabling activities that may facilitate fast-start actions for the implementation of the Kigali Amendment; presents the requirements for submission of funding requests for enabling activities; proposes other enabling activities related to the production sector and demonstration projects for alternatives to HFCs; and presents a recommendation.

Proposed funding modalities

7. For proposing funding modalities for the distribution of the additional contributions of the US \$27 million by a group of donor countries, the Secretariat assessed recent experiences under the Multilateral Fund for allocating funding following the principle of equity across Article 5 countries and bilateral and implementing agencies.

8. At the 55th meeting (July 2008), bilateral and implementing agencies submitted requests for the preparation of HCFC phase-out management plans (HPMP) for 105 Article 5 countries, at a level of funding ranging from US \$75,000 to over US \$1 million.⁴ In order to achieve equity across Article 5 countries and agencies, the Secretariat adopted the following criteria in reviewing the submissions:

- (a) The level of HCFC consumption was used as a proxy for estimating the cost of preparing HPMPs, which proved to be a good indicator during the phase-out of CFCs;
- (b) Historical cost data was used as a reference for similar activities, as preparation of HPMPs was similar to the preparation of other national strategies (e.g., country programmes, national/sector phase out plans, and terminal phase-out management plans);
- (c) Funding requests were broken down into components, facilitating the assessment of the cost of specific activities; and
- (d) Article 5 countries were grouped according to their levels of HCFC consumption and their uses (i.e., countries with zero consumption; countries with HCFC-22 consumption only, or with HCFCs only used in the refrigeration servicing sector; and countries with HCFC use in both the manufacturing and the refrigeration servicing sectors).

³ Paragraph 20 of decision XXVIII/2.

⁴ UNEP/OzL.Pro/ExCom/55/17. A full detail of the analysis is contained in Annex IV to the document.

9. Based on the analysis conducted by the Secretariat, funding levels for the preparation of HPMPs (excluding investment projects) were agreed as follows: US \$30,000 for countries with zero consumption of HCFCs; US \$85,000 for countries with mainly HCFC-22 consumption only in the refrigeration servicing sector; US \$150,000 for mid-consuming countries with HCFC consumption in the manufacturing and refrigeration servicing sectors; and US \$195,000 for large-consuming countries with HCFC consumption in the manufacturing and refrigeration servicing sectors.

10. Based on those funding levels, Article 5 countries were able to prepare an HPMP that included a description of ODS regulations including the licensing system; HCFC consumption data by substance and sector, and the estimated baseline for compliance and starting point for aggregate reduction in HCFC consumption, the HCFC overarching strategy for the period 2013 to 2030 and the strategy and phase-out plan for stage I of the HPMP including specific activities.

11. Following a similar approach as mentioned above, the following criteria could be used for the equitable distribution of funds among Article 5 countries that have HFC consumption baseline years from 2020 to 2022 (Article 5 (Group I) countries):

- (a) HCFC baseline as an indicator of the effort needed to initiate activities to ratify the Kigali Amendment, noting that actual HFC baselines will be established only in 2023;
- (b) Historical funding levels as a reference for similar enabling activities; and
- (c) Break down the funding requests into components to facilitate the assessment of the cost of each specific activity.

12. Using HCFC baselines, Table 1 shows the indicative levels of funding for enabling activities in Article 5 (Group I) countries:⁵

Table 1. Indicative funding levels for enabling activities in Article 5 (Group I) countries

HCFC baseline (ODP tonnes)	Number of countries	Funding (US \$)	
		Per country*	Total
< 0.4	17	43,600	741,200
>0.4 < 6.0	39	92,650	3,613,350
>6.0 < 90.0	61	163,500	9,973,500
>90.0 < 1,150	17	212,550	3,613,350
>1,150	2	218,000	436,000
Total			18,377,400

(*) Including 9 per cent agency support costs. For Article 5 countries with consumption below 0.4 ODP tonnes, the funding proposed of US \$40,000 is US \$10,000 higher than that provided for the development of their HPMPs, given the challenges faced by very small-consuming Parties. For Article 5 countries with a consumption baseline above 1,150 ODP tonnes the funding proposed is US \$218,000.

13. Should the Executive Committee consider the funding approach proposed in Table 1, the total funding for those fast-start enabling activities for Article 5 (Group I) countries would be US \$18,377,400, leaving a balance of US \$8,622,600 from the additional contributions that may be used for other enabling activities. The Executive Committee may wish to revise this funding distribution as it feels necessary.

Potential enabling activities

14. The enabling activities described in paragraph 20 of decision XXVIII/2 are intended for the long-term support to Article 5 countries in implementing their HFC phase-down activities. However, with the additional contributions to the Multilateral Fund from a group of donor countries, the following

⁵ Information from Table 5 of document UNEP/OzL.Pro/ExCom/77/70/Rev.1.

enabling activities may facilitate fast-start actions for the implementation of the Kigali Amendment by relevant Article 5 (Group I) countries:

- (a) Assessment of the country's current regulatory framework in the context of preparation for the ratification of the Kigali Amendment, and ensuring its compliance obligations under the Montreal Protocol;
- (b) Review of the country's customs codes to include controls for HFCs to facilitate monitoring of imports and exports, to meet the requirements of Article 4B of the Montreal Protocol requiring each party to have an operational licensing system in place;
- (c) Review of the national policy and regulations in areas where HFC consumption could be reduced, *inter alia*:
 - (i) Issuing bans on the import of HFC-based equipment or HFCs contained in pre-blended polyol systems, when cost-effective alternatives are available in the country;
 - (ii) Developing policies and/or technical regulation setting minimum energy efficiency standards for equipment;
 - (iii) Developing and/or adapting safety standards for the properly handling and operating with flammable refrigerants;
- (d) Review of the current data reporting approaches and methodologies to allow for reporting HFC consumption (and production where applicable) data under Article 7 of the Montreal Protocol and the progress report on the implementation of the country programme, based on the results of the implementation of the surveys of ODS alternatives at the national level funded by the Multilateral Fund (where available); and
- (e) Establish institutional arrangements (or strengthen existing ones) for the implementation of HFC phase-down activities with relevant authorities responsible for climate change, and energy efficiency to ensure a streamlined approach to HFC phase-down.

15. The activities listed above are consistent with the approach followed by the Executive Committee when considering early actions during previous amendments and adjustments to the Montreal Protocol to facilitate their speedy ratification.

Other potential activities

16. The Executive Committee may wish to consider the following additional activities from the balance of US \$8,622,600 from the additional contributions to the Fund:

- (a) Enabling activities that would help initiate the process of HFC-23 emission reduction in HCFC-22 producing Article 5 (Group I) countries, noting the 1 January 2020 compliance obligation, *inter alia*:
 - (i) Development of policy and regulations to ban the venting of HFC-23 and mandatory reporting on HFC-23 emissions;
 - (ii) Technical assistance for process optimization and leakage control;
 - (iii) Establishing a framework for HFC-23 emission monitoring, data collection and reporting; and

- (iv) Awareness-raising and information dissemination on HFC-23 emission control; and
- (b) Projects to demonstrate low-global warming potential alternatives in sectors and sub-sectors where HFCs are the predominant technologies and where there is no experience in the Multilateral Fund, based on the principles for demonstration projects already followed by the Executive Committee.

Requirements for submission of funding requests

17. Requests to access the additional contributions by Article 5 (Group I) countries should meet the following requirements:

- (a) Funding requests should be accompanied by a letter from the Government concerned indicating the Government's intent to complete the ratification of the Kigali Amendment within a period to be decided by the Executive Committee, and the Government's commitment to initiate early action for HFC phase-down;
- (b) Bilateral and implementing agencies will be requested to include in a "special" business plan (separate from the business plan of the Multilateral Fund) funding requests for enabling activities for each Article 5 country that had submitted such a request. Guidelines on business planning will apply to the special business plan (e.g., need for endorsement letters received from Article 5 countries included in the BP, among others);
- (c) Funding requests will need to be included as part of work programmes or work programme amendments of implementing agencies, listed separately from the activities currently funded from the Multilateral Fund;
- (d) Project proposals should contain detailed descriptions of each of the enabling activities that would be undertaken including institutional arrangements, cost breakdown and timing of implementation consistent with guidelines of the Executive Committee;
- (e) Project duration should be no more than 18 months from their time of their approval, after which balances will be returned in 12 months to the Multilateral Fund; and
- (f) Any submission should also include an indication from both the country concerned, and the bilateral/implementing agency that implementation of the enabling activities will not delay implementation of the HCFC phase-out projects.

18. Funding for the implementation of projects for enabling activities that would be approved by the Executive Committee may be released by the Treasurer to the relevant bilateral/implementing agency only when the necessary additional contributions (which are outside the Multilateral Fund) have been received by the Treasurer.

Recommendation

19. The Executive Committee may wish:

- (a) To take note of document UNEP/OzL.Pro/ExCom/78/10 on Draft procedures for Article 5 countries that have HFC consumption baseline years from 2020 to 2022 in accessing additional contributions for enabling activities;

- (b) To consider whether:
- (i) The enabling activities contained in the document are those required for fast-start actions to implement the Kigali Amendment;
 - (ii) The possible funding modalities described in the document may be used for the distribution of the additional funds among Article 5 (Group I) countries; and
 - (iii) To request bilateral and implementing agencies to prepare a special business plan strictly following the same requirements for business plan submissions, containing funding requests for enabling activities in Article 5 (Group I) countries, for the additional contributions by a group of donor countries to the Multilateral Fund.
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