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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-fourth Meeting
Montreal, 25-29 July 2011

**REPORT ON THE EXPERIENCE GAINED IN THE IMPLEMENTATION OF ODS DISPOSAL
PROJECTS (DECISION 58/19)**

Background

1. The Executive Committee, at its 58th Meeting adopted the interim guidelines for the funding of demonstration projects for the disposal of unwanted ozone depleting substances (ODS) in accordance with paragraph 2 of decision XX/7 of the Meeting of the Parties through decision 58/19. In paragraphs (c) and (d) of this decision, the Executive Committee requested the Secretariat, *inter alia*, to provide to the second meeting of the Executive Committee in 2011, a report on the experience gained in the implementation of the disposal projects, using reports from bilateral and implementing agencies and other relevant sources of information. The Executive Committee will then consider whether to review the interim guidelines and related definitions at the 64th meeting in light of the experience gained and any additional information and guidance available at that time.

2. This report provides information to the Executive Committee in line with paragraphs (c) and (d) of decision 58/19 as mentioned in the paragraph above.

3. From the 57th Meeting, the Executive Committee had considered requests from implementing agencies for funding to prepare projects on ODS destruction, in response to decision XX/7 from the Twentieth Meeting of the Parties regarding the environmentally-sound management of banks of ODS. In the second paragraph of this decision, the Parties had requested “the Executive Committee to consider as a matter of urgency commencing pilot projects that may cover the collection, transport, storage and destruction of ozone-depleting substances. As an initial priority, the Executive Committee might consider projects with a focus on assembled stocks of ODS with high net global warming potential, in a representative sample of regionally diverse Parties operating under paragraph 1 of Article 5.” The Meeting of the Parties pointed out that it was understood that “this initial priority would not preclude the initiation of other types of pilot projects, including on halons and carbon tetrachloride, should these have an important demonstration value. In addition to protecting the ozone layer, these projects will seek to generate practical data and experience on management and financing modalities, achieve climate benefits, and would explore opportunities to leverage co-financing.” This decision formed the basis for the development of the interim guidelines for the funding of demonstration projects for the disposal of ODS adopted by the Executive Committee at the 58th Meeting.

Progress since the 58th Meeting

4. Even prior to the adoption of the interim guidelines, the Executive Committee had approved funding for the preparation of pilot projects for ODS destruction starting at the 54th Meeting, for a regional ODS demonstration project in Asia and the Pacific. Between the 57th and 60th Meetings, it approved funding for a further 13 countries. These countries were selected to enable the implementation of pilot projects that will cover a representative geographical spread to facilitate achievement of results that are easily replicable in similar countries within the same region. The Executive Committee also approved a technical assistance project for one country (Nepal) which was designed as a demonstration project for a low-volume consuming (LVC) country. These approvals are listed in the table below:

Table 1: Approvals for ODS disposal demonstration projects

Country	Region	Agency	Meeting	Funds approved (US\$)
<i>Approvals for Project preparation for ODS disposal demonstration projects</i>				
Algeria	Africa	UNIDO	59	85,000
Brazil	LAC	UNDP	57	40,000
China	South Asia	UNDP	59	85,000
Colombia	LAC	UNDP	59	40,000
Cuba	LAC	UNDP	59	40,000
Ghana	Africa	UNDP	57	30,000
India	South Asia	UNDP	61	80,000

Country	Region	Agency	Meeting	Funds approved (US\$)
Indonesia	SEAP	World Bank	57	50,000
Lebanon	West Asia	UNIDO	61	85,000
Mexico	LAC	UNIDO/World Bank	58	100,000
Nigeria	Africa	UNIDO	60	60,000
Philippines	SEAP	World Bank	57	50,000
Turkey	ECA	UNIDO	57	60,000
<i>Approvals for ODS disposal demonstration project implementation</i>				
Cuba	LAC	UNDP	62	525,200
Ghana	Africa	UNDP	63	198,000
Nepal (TAS)	SA	UNEP	59	157,200
Mexico	LAC	UNIDO/France	63	1,427,915
TOTAL				3,113,315

Experience in the use of decision 58/19 interim guidelines for funding the preparation of demonstration projects for the disposal of unwanted ODS

5. From the 59th Meeting onward, the implementing agencies used these interim guidelines to provide information to support the funding requested for pilot projects on ODS disposal. The Secretariat also applied the same guidelines in the review of these submissions. The experience gained so far had been limited to examining information provided to support requests for project preparation for the countries listed above for which the Executive Committee had approved funding.

6. In applying the guidelines to the requests for project preparation for ODS disposal demonstration projects, the Secretariat observed that the specific information elements required by the guidelines to support the submissions provided an insight into the country's situation with regard to unwanted ODS. The Secretariat, in offering comments or seeking clarification was able to ensure that there was a consistent understanding on the basic aspects of the ODS destruction process from collection, storage transport and the destruction process itself. While there was an understanding that the actual project preparation exercise would yield better data and information that would be submitted with the full project, the guidelines provided an opportunity for discussion between the Secretariat and the agencies on important consideration highlighted by the Executive Committee as essential characteristics of the final demonstration project. Co-financing options also needed to be explored at that point to ensure sustainability without additional future funding from the Executive Committee.

7. Through the comments and responses between the Secretariat and the implementing agencies during the project preparation exercise, the Secretariat gathered that very often the information required in the guidelines was not easy to obtain. In some cases, countries were also hesitant to commit themselves to specific co-financing options which could limit their ability to implement the project in an efficient manner as well as constrain their opportunities for gaining credits from carbon finance. In a similar manner, they were likewise cautious about identifying a specific manner by which the waste ODS could be destroyed (i.e. through a cement kiln or plasma technology) and wanted to be able to make these decisions once the full project was developed. It was also observed that the requirements to explore the national policy and regulatory infrastructure in place and link the potential project with existing similar initiatives for chemical waste management was useful in developing synergies for the projects. These were evident in two demonstration projects that were approved by the Executive Committee which showed clear links with already funded or pipelined projects with funding from the Global Environment Facility (GEF) or from national energy efficiency initiatives such as in Ghana and Mexico.

8. Out of the approved project preparation requests, only three full demonstration projects had been submitted so far and where approved by the Executive Committee, one at the 62nd and two at the 63rd meetings for Cuba, Ghana and Mexico respectively. According to information provided by the agencies

in their progress report submitted to the Fund Secretariat for the consideration of the 64th Meeting, the common reasons for the delays in the submission of the full demonstration project for ODS disposal include the following:

- (i) The country gave priority to completing HCFC phase-out management plans (HPMPs) instead of the ODS disposal project as the former was needed for compliance with the HCFC control measures;
- (ii) Delays were experienced in getting an agreement with the country with respect to the approach for ODS disposal, resulting in delayed contracting of a consultant;
- (iii) For larger countries, the survey of already collected ODS took longer than expected; and
- (iv) Some experienced difficulties in identifying sources of co-financing the project as required by decision 58/19. Several projects appear to explore carbon markets as co-financing options and the downturn in these markets made it more difficult than originally anticipated to conceptualize related approaches.

Experience in the use of the guidelines for implementing ODS disposal projects

9. The Secretariat conducted an extensive review of the full proposals for the ODS demonstration projects submitted at the 62nd and 63rd meetings. In its review, the Secretariat concluded that the additional information provided as required by decision 58/19 gave a more robust source of data to enable project approval. It was also noted that the opportunities for co-funding especially from potential carbon credits that could be generated from these projects took into account scenarios and information that was not envisaged at the initial stage of the development of the guidelines.

10. Project implementation for the approved projects in Cuba, Ghana and Mexico is just at the initial stages. In all cases, agreements still need to be finalised between the countries and the implementing agency before implementation can commence. It is therefore not possible to provide information on the experience gained from the implementation of these projects at the current time.

11. At the 59th Meeting (November 2009), the Executive Committee approved a pilot ODS disposal project for Nepal submitted in line with decision 58/19 for the implementation of UNEP. The project was designed to demonstrate an approach for the final disposal/destruction of a specific amount of ODS already stored and ready for destruction in a low-volume consuming (LVC) country, and sought to generate data and experience on options for ODS disposal considering two possibilities: (1) the use of a mobile destruction facility that could be rented and shipped back to the country of origin once the ODS was safely destroyed, or (2) transporting the waste ODS to a recycling facility outside the country. The results of the project were expected to be useful to LVC countries and provide cost effective options for countries that have small volumes of unwanted ODS that require destruction.

12. According to UNEP, Nepal decided to choose the option of shipping the ODS waste to a destruction facility outside the country, as the use of the mini-plasma machine was proving to be expensive. The Government made this decision based on costs, ease of operations, time for destruction, and the potential for carbon credits to finance the project's sustainability. There were a number of challenges associated with the Nepal project, including testing the purity of the stock to see whether these would qualify for carbon credits to support the waste export option. Another challenge was the national regulation that prohibited export of ODS which was overcome through a one-time exemption allowed specifically for this purpose. Currently, terms of reference and tenders for the export option are being finalised and it is expected that the project will continue to be on track for completion in 2011 as indicated in UNEP's progress report.

Conclusion

13. The experience with the use of the interim guidelines for the preparation of pilot ODS disposal projects and in developing full demonstration projects has been positive. The current status of implementation of the approved demonstration projects, where all are only in their initial stages, as well as the delays in the completion of the already approved preparation funding provided does not as yet generate sufficient experience gained during the implementation of the projects as basis for a review of the guidelines at this stage.

14. By definition, demonstration projects are expected to be short and time bound, as the experiences gained in their implementation would provide lessons for future approaches. The main challenges in implementing these ODS disposal projects, or in preparing the full demonstration projects for the Committee's consideration, as gathered from the progress reports submitted by the implementing agencies, focus on the conflicting priorities that the countries have with completion of the HPMPs.

15. Based on the above, it is concluded that it is too soon into the project implementation period for approved ODS disposal demonstration projects to evaluate experience that will allow for consideration be given to revising current guideline as required in decision 58/19(c) and (d).

Secretariat's recommendation

16. In light of the information given above, the Secretariat recommends that the Executive Committee:

- (a) Notes the report on the use of the interim guidelines for the funding of demonstration projects for the disposal of unwanted ODS while mindful that there is as yet very little experience in the implementation of the full pilot projects;
- (b) Requests implementing agencies to provide an update to the Secretariat on how these guidelines were used in carrying out the approved pilot ODS disposal projects as their implementation progresses, no later than the 68th Meeting;
- (c) Requests the Secretariat to prepare a report for the consideration of the Executive Committee at the 69th Meeting based on (b) above, and summarizing the experiences gained with recommendations for future action; and
- (d) Requests the Secretariat to continue using the interim guidelines and applying them also to pilot projects for low-volume consuming (LVC) countries until the Committee has considered the report in (c) above.