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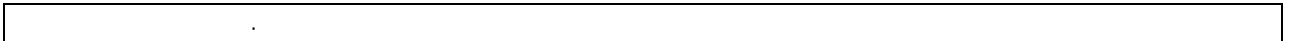
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**LETTER FROM THE FUND SECRETARIAT TO OTHER INSTITUTIONS
IN RESPONSE TO DECISION 55/43(i)**

29 September 2008

Dear,

The Multilateral Fund for the Implementation of the Montreal Protocol (Multilateral Fund) is a major UN environmental funding institution, replenished through contributions from industrialized countries that are Party to the Montreal Protocol by, on average, US \$150 million per year on a three-yearly basis. The Multilateral Fund provides assistance to more than 140 developing countries to meet specific and quantifiable targets set by the Montreal Protocol for the complete phase-out of the consumption of certain chemicals that deplete the ozone layer.

At their 19th Meeting in September 2007, the Parties to the Montreal Protocol agreed an accelerated phase-out schedule for one widely used group of ozone depleting substances, namely HCFCs. In taking this decision the Parties mandated the Multilateral Fund and its Executive Committee to give priority to projects and programmes that focus on alternatives that also minimize other impacts on the environment, including on climate and energy use. At its 55th Meeting in July this year, the Executive Committee requested the Fund Secretariat to approach other institutions with the objective of identifying individual, regional or multilateral funding mechanisms that might be suitable and compatible as sources for timely co-financing to top up Multilateral Fund ozone funding in order to achieve additional climate benefits.

Based on the above, I would like to explore whether your institution would be interested in discussing the potential for collaborative projects to address both climate and ozone depletion. These projects would aim to achieve a reduction in energy consumption and related CO₂ emissions as well as reducing the emission of industrial greenhouse gases in developing countries, while at the same time eliminating the use of ozone depleting substances as per the mandate of the Multilateral Fund.

In the brief note enclosed with this letter I have compiled for your information some facts regarding our institution, our new tasks, and the opportunities I recognize for collaboration on a project-level basis. In addition, I have enclosed a brochure called "Creating a real change for the environment", which might provide you with some insight into our organization beyond the content of the enclosed concept note. While further information is also available on our website www.multilateralfund.org, you are also very welcome to contact me for any specifics needed.

At the present point in time I would appreciate receiving a general expression of either your interest, or lack thereof. This would allow us to subsequently enter into more specific exchanges of information to ascertain if our respective frameworks and mandates are generally compatible, how collaborative action could be developed, and to decide on the next steps to take.

I am looking forward to your reply, if possible by 17 October.

Sincerely yours,

Maria Nolan
Chief Officer

Enclosures

Addressees of the Multilateral Fund Secretariat's Letter dated 29 September 2008

Ms. Monique Barbut
CEO and Chairperson
Global Environment Facility (GEF)
1818 H Street , NW, MSN G6-602
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Mr. Marc-Antoine Martin
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Directeur Général de l'Agence Française de Développement
et Président de Proparco
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Manager
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Sustainable Development Vice-Presidency
The World Bank
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Mr. Daniele Ponzi
Acting Head
Gender, Climate Change and Sustainable Development Unit
African Development Bank
BP. 323 1002
Tunis Belvédère, Tunisia

Mr. Roberto Vellutini
Manager, Infrastructure and Environment Sector
Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577, USA

Mr. Terry McCallion
Director, Energy Efficiency and Climate Change
European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN, United Kingdom

**BRIEF NOTE PREPARED BY THE MULTILATERAL FUND SECRETARIAT
(Letter dated 29 September 2008 on potential of co-financing)**

The Multilateral Fund for the Implementation of the Montreal Protocol was established in the year 1991 with the purpose of phasing out ozone depleting substances (ODS) in presently more than 140 countries. During its successful operation over the past 18 years, US \$2.3 billion in funding was approved, and the phase-out of more than 250,000 tonnes of annual consumption of such ODS was achieved. While it was known that there are strong links to the mitigation of climate change, the magnitude of achievements in this regard became clear only recently. The Multilateral Fund is probably the funding mechanism that has achieved the highest level of reduction in use and probable consequent reduction in emission of greenhouse gases, estimated to be in the order of 1,050 million tonnes of CO₂ equivalent per year.

This figure is based solely on the fact that many ODS are also powerful greenhouse gases, and their replacements might or might not have lower greenhouse warming potential (GWP). The difference between the GWP of the ODS and the replacement selected is the basis for the above given figure for CO₂ emission savings. The reductions have been achieved through the work of several implementing agencies of the Multilateral Fund (principally UNDP, UNEP UNIDO and World Bank), which were funded predominantly on a grant basis to carry out a wide range of projects. The work of the Multilateral Fund has now entered into a new phase dealing with substances of a shorter atmospheric lifetime. In this phase, while some ozone-friendly replacements are benign to the climate, others are similarly or sometimes even more potent greenhouse gases than the substances to be replaced; this affects the possible climate impact of the work of the Multilateral Fund significantly.

The total figure for annual consumption of such ODS in developing countries - being an approximation of future annual emissions - is in the order of 360,000 metric tonnes, representing 550 million tonnes of CO₂ equivalent per year. The Multilateral Fund will over time address the consumption of these substances up to their complete phase-out. Based on the mandate of the Fund, the alternatives have to be primarily chosen to have no effect on the ozone layer, taking into account their applicability and their costs. In particular cost considerations might therefore prove in many cases to be a significant barrier to the use of the most climate friendly technologies.

The substances of shorter atmospheric lifetime to be phased out now are often used for manufacturing insulation foam and to provide refrigeration. Almost all companies manufacturing such equipment in developing countries are directly supported in their transition to a non-ODS technology. Other typical activities facilitate the gradual non-availability of the substances, and the necessary upgrade of service technicians' capabilities and the facilities used. The track record of the Multilateral Fund is excellent for ensuring the broad success of such undertakings both on a project-by-project as well as on a country-wide basis.

Refrigeration and foam insulation is very closely linked to energy consumption. While foam insulation is particularly important for building heating efficiency, refrigeration is very prominent as a consumer of electricity in developing countries. The IEA estimated that through the use of energy efficient air conditioners, the electricity consumption in China's warmer provinces could be reduced by 260 TWh, leading to reduced emissions of CO₂ by up to 216 million tonnes until the year 2020¹. It seems sensible and relatively easily possible to combine the conversion of manufacturers to non-ODS

¹ Energy Efficiency of Air Conditioners in Developing Countries and the Role of CDM; Satoru Koizumi, International Energy Agency, November 2007

technology with technology upgrades such as improving the quality of insulation and the energy efficiency of refrigeration equipment. It appears that only limited additional resources would be required since the predominant part of project management, outreach and contractual costs have to be funded only once. Again, the Multilateral Fund has an excellent track record in controlling and optimizing these costs.

The funding provided to the Multilateral Fund is approved by the Meeting of the Parties of the Montreal Protocol. The Parties to the Protocol have indicated their strong desire to support mitigation of climate change through projects supported by that Fund, while at the same time there is no mandate to spend additional funds for mitigation of climate change. The Multilateral Fund is scheduled to be replenished in November of this year, with an assumed volume of between US \$350 to 500 million for the triennium 2009-2011.

Due to the prescriptive and sanction-supported character of the Montreal Protocol, as well as due to the support through this funding institution, the use of CFCs has been reduced from more than 260,000 tonnes to 30,000 tonnes (2007) and will be essentially eliminated in 2010 in a very broad user base. At the same time, import controls on ODS and other administrative measures have been established and are effectively supervised and verified. The group of substances now to be addressed is likely to enjoy a similar success, and it would be very unfortunate not to take the opportunity offered to maximize the positive climate impact by enhancing projects to enable these impacts to be addressed.

**REPLIES RECEIVED FROM THE INSTITUTIONS EXPRESSING INTEREST IN
DISCUSSING THE POTENTIAL FOR COLLABORATIVE PROJECTS TO ADDRESS BOTH
CLIMATE CHANGE AND OZONE DEPLETION**

Email received from the Inter-American Development Bank

7 October 2008

Dear Ms. Nolan,

In response to your letter, this is to express IDB's interest in discussing possible collaborative efforts to address climate change and ozone depletion with your Secretariat.

Sincerely yours,

Roberto Vellutini
Manager, Infrastructure and Environment
Inter-American Development Bank
(202) 623-2159
robertov@iadb.org



Global Environment Facility

UNEP/OzL.Pro/ExCom/56/2

Annex I

Monique Barbut
Chief Executive Officer
and Chairperson

1818 H Street, NW
Washington, DC 20433 USA
Tel: 202.473.3202
Fax: 202.522.3240/3245
Email: mbarbut@TheGEF.org

October 15, 2008

Ms. Maria Nolan
Chief Officer
Multilateral Fund
1800 McGill College Ave
Montreal, Quebec
Canada

Dear Ms. Nolan:

I refer to your letter dated 29 September, 2008, in response to the request of the Executive Committee, and requesting an expression of interest for discussing the potential for collaborative projects to address both climate change and ozone depletion.

I am pleased to confirm that in principle of course we are open to such collaboration. Indeed as you know there are a limited but growing number of projects in our portfolios that are co-financed by both institutions. Starting with isolated initiatives such as the Thailand project approved in 2002, a cluster of projects that aim to accelerate the phase-out of CFC-based chillers with more energy-efficient CFC-free ones have recently been approved or will be considered soon for approval by the GEF Council (including in Brazil, Columbia, India, and the Philippines).

These projects dealt mostly with CFCs in the past, but as we move ahead with implementing the decisions of the 19th MOP, I anticipate that similar such projects will present themselves in the future to address the phase out of HCFCs. In fact, the GEF-4 strategy for climate change mitigation, and singularly energy efficiency, anticipated this movement of the international community by highlighting the potential for interventions targeting HCFCs in addition to energy efficiency benefits. I expect this trend to carry over into the next replenishment phase of the GEF.

I look forward to continuing dialogue with you on this issue, and I believe that we can work together to address some of the bottlenecks that were perceived in the past regarding the processing of jointly supported projects.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Barbut', is written over a horizontal line. The signature is stylized and cursive.