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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-eighth Meeting
Montreal, 6-10 July 2009

Addendum

ANNOTATED PROVISIONAL AGENDA

5. Status of resources and planning:

(c) Status on implementation of delayed projects and prospects of Article 5 countries in achieving compliance with the next control measures of the Montreal Protocol

Document [UNEP/OzL.Pro/ExCom/58/6](#) contains five parts. Part I has been prepared in response to decisions 32/76(b) and 46/4, which requested the Secretariat to prepare an update for each Meeting of the Executive Committee on the status of compliance of Article 5 countries. Part II contains information on those Article 5 countries that are subject to decisions of the Parties and recommendations of the Implementation Committee on compliance. Part III presents data on the implementation of country programmes. Part IV presents the methodology for risk assessments for the use of interested Article 5 countries in conducting their own assessment per decision 57/5(b). Part V addresses projects with implementation delays and projects for which additional status reports were requested.

Issues to be addressed:

- Report from Australia on the status of the PIC strategy in Vanuatu.

Action expected from the Executive Committee: The Executive Committee may wish to consider:

- (a) Noting:
- (i) With appreciation, the status reports on projects with implementation delays submitted to the Secretariat by the Governments of Australia,

Germany, Japan, and the four implementing agencies addressed in UNEP/OzL.Pro/ExCom/58/6;

- (ii) The completion of one of the 19 projects listed with implementation delays and the removal of another project from the list of projects with implementation delays due to progress;
- (iii) That the Secretariat and the implementing agencies would continue monitoring those projects listed Annex IV as having had “some progress” and report to the 59th Meeting;
- (b) Requesting additional status reports on the projects listed in Annex V to the present document to be submitted to the 59th Meeting;
- (c) Requesting an update on the status reports required for the following projects during the 58th Meeting:

Agency	Code	Project Title
Australia	VAN/REF/36/TAS/02	Implementation of the PIC Strategy: assistance for enforcing ODS regulations and training programme for customs officers

- (d) Cancelling by mutual agreement of the implementing agencies and countries concerned those projects as follows:

Agency	Code	Project Title
Canada	BEN/PHA/49/PRP/15	Project preparation for a HPMP in Benin
Canada	TRI/FUM/49/TAS/08	Technical assistance to MBR in Trinidad and Tobago
UNIDO	IVC/ARS/46/INV/23	Phase-out of CFC-12 in the manufacture of cosmetics aerosols by conversion to hydrocarbon aerosol propellant (HAP) at COPACI, Abidjan in Cote d’Ivoire.

7. Project proposals

- (b) **Draft report on criteria and guidelines for the selection of ODS disposal projects (decision 57/6)**

Document UNEP/OzL.Pro/ExCom/58/19 has been prepared by the Secretariat pursuant to decision 57/6 the Executive Committee on criteria and guidelines for the selection of ODS disposal projects taking into account decision XX/7 of the Twentieth Meeting of the Parties, and the contact group discussions on ODS disposal project selection held at the 57th Meeting.

Issues to be addressed:

- Reuse of collected refrigerant, as originally envisaged in many RMPs and TPMPs to avoid early retirement of refrigeration equipment, and whether the Executive Committee wishes to provide the flexibility to reuse collected CFC.
- Usefulness of a tracking system for recovered ODS for destruction within schemes related to carbon markets, to reduce incentives to illegally produce CFC for destruction. The Executive Committee might wish to consider whether this needs to be pursued further at this point in time.

- A list of demonstration projects currently under preparation is included with the document which might fulfill the minimum requirements of decision XX/7 for demonstration projects; the Executive Committee might wish to consider how to address additional project requests in light of the information provided by the Secretariat.

Action expected from the Executive Committee: The Executive Committee might wish to consider:

- (a) For each separate category of activities for ODS disposal, namely collection, transport, storage and destruction, the definitions set out in document UNEP/OzL.Pro/ExCom/58/19;
- (b) Funding a limited number of demonstration projects under the following conditions:
 - (i) The funding would be limited to a maximum level of US \$13.2/kg of ODS to be destroyed for non-LVC countries. Should the project not foresee activities related to all three areas (transport, storage and destruction), this threshold would be adjusted accordingly;
 - (ii) No funding would be available for demonstration projects for the collection of ODS except as a contribution to an already existing, separately funded, collection effort for CFCs, and only if the existing project also includes components related to transport;
 - (iii) Funding would be provided for a maximum of one demonstration project for the disposal of halon and one for the disposal of CTC, provided the respective projects have an important demonstration value;
 - (iv) That any further disposal demonstration project would be excluded from the Fund's business plan until project proposals, in line with the criteria in this decision, have been submitted for at least 80 per cent of those projects presently included in the business plans;
- (c) Requesting bilateral and implementing agencies to report on progress and experiences gained in demonstration projects on disposal annually to the first meeting of the Executive Committee, in the first year after project approval. These reports should cover the amounts of the different ODS collected or identified, transported, stored and destroyed, as well as financial, managerial and co-funding arrangements;
- (d) Requesting bilateral and implementing agencies, when submitting activities for funding which are related to the disposal of ODS, to provide:
 - (i) In the case of requests for project preparation funding:
 - a. An indication of the category or categories of activities for the disposal of ODS (collection, transport, storage, destruction), which will be included in the project proposal;
 - b. An estimate of the amount of each ODS that is meant to be handled within the project;

- c. The basis for the estimate of the amount of ODS; this estimate should be based on known existing stocks already collected, or collection efforts already in a very advanced and well documented stage of being set up;
 - d. For collection activities, information regarding existing or near-future, credible collection efforts and programmes that are in an advanced stage of being set up and to which activities under this project would relate;
 - e. For activities that focus at least partially on CTC or halon, an explanation how this project might have an important demonstration value;
- (ii) In the case of project submissions:
- a. Updated information as required for project preparation funding, with more elaborated and firm data;
 - b. A detailed description of the foreseen management and financial set-up;
 - c. A clear indication how the project will secure co-funding; this co-funding should be available, at least partially, before the end of 2011. In case of activities of the collection type, any co-funding necessary in line with (b) (iii) above would need to be secured before the project is submitted to the Executive Committee;
 - d. For projects that do not cover the actual cost of destruction, the project proposal should include valid assurances that the amount of ODS mentioned in the proposal will be actually destroyed, and that agencies would submit proof of destruction with the financial closure of the project.

9. Cost considerations surrounding the financing of HCFC phase-out:

(b) Analysis of new approaches on second-stage conversions, determination of cut-off date and other outstanding HCFC policy issues (decision 57/34)

Document UNEP/OzL.Pro/ExCom/58/47 was prepared in response to decision 57/34. It presents an analysis of the outstanding issues on HCFC phase-out that the Executive Committee will need to address including, the cut-off date, second-stage conversion and eligible incremental costs for HCFCs. The paper analyzes proposals submitted by two Members of the Executive Committee on the funding of second-stage conversion projects and the calculation of eligible incremental costs for HCFCs. It also discusses an issue regarding the starting points for aggregate reductions in HCFC consumption as stated in the HPMP guidelines. The paper concludes with a set of recommendations for the Executive Committee's consideration.

Issues to be addressed:

- The options for an eligible cut-off date for installation of HCFC-based manufacturing equipment

- Providing funding for the second-stage conversions of enterprises that were converted from CFC to HCFC technology through the Multilateral Fund
- Methodologies for calculating eligible incremental costs, in particular operating costs, during the first stage of the implementation of HPMPs
- Cost effectiveness thresholds for HCFCs
- Technological upgrades and conversions before the end of the equipment's useful life
- Applicability of the low-volume consuming country category with regard to HCFCs
- Starting points for aggregate reductions in HCFC consumption

Action expected from the Executive Committee: In light of the mandate provided by the 19th Meeting of the Parties to the Montreal Protocol, and the information given above, the Executive Committee may wish to consider adopting the following criteria for funding HCFC phase-out in the consumption sector in Article 5 countries:

Cut off date

- (a) Not to consider any projects to convert to HCFC-based capacity installed after [2003], [2005] or [21 September 2007];

Second stage conversion

- (b) Full funding of eligible incremental costs of second-stage conversion projects would be considered in those cases where an Article 5 Party clearly demonstrates in its HPMP that such projects would be necessary to comply with the Montreal Protocol HCFC targets up to and including the [35 per cent reduction step by 1 January 2020], [67.5 per cent per cent reduction step by 1 January 2025], and/or are the most cost-effective projects that the Party concerned could undertake in order to comply with the Montreal Protocol HCFC targets up to and including the [35 per cent reduction step by 1 January 2020] [67.5 per cent per cent reduction step by 1 January 2025];
- (c) Funding for all other second-stage conversion projects not covered under paragraph (b) above, would be limited to reimbursing the difference between the cost of HCFC-based equipment and non-HCFC-based equipment, [and providing funding for installation, trials, training and IOC];

Starting points for aggregate reductions in HCFC consumption

- (d) For those Article 5 countries that submitted projects in advance of completion of their HPMP, the starting points for aggregate reductions in HCFC consumption should be established [at the first submission of an HCFC demonstration and/or investment project] [when the HPMP is being submitted for consideration by the Executive Committee];
- (e) In calculating starting points for aggregate reductions in HCFC consumption, Article 5 countries would be able to choose between the most recent reported HCFC consumption under Article 7 of the Montreal Protocol at the time of the submission of the HPMP and the average of consumption forecast for 2009 and 2010, excluding HCFC consumption from manufacturing enterprises that would not be eligible for funding;
- (f) The agreed starting points for aggregate reductions in HCFC consumption [would] [would not] be adjusted downward in cases where calculated HCFC

baselines based on reported Article 7 data are lower than the starting points.

Eligible incremental costs of HCFC-phase out projects

Option I

- (g) IOC would be calculated at a flat percentage rate of [5 to 10 percent] of the lowest eligible agreed ICC of the HCFC phase-out project, or the average of agreed ICC associated with the HCFC sector concerned;
- (h) The IOC calculated according to the above paragraph (g) would be provided directly to Article 5 governments for designing country-appropriate policies and/or programmes to encourage climate-friendly HCFC phase-out. For those Article 5 governments that are unable to receive the calculated IOC, only IOC associated with training and testing the new alternative technology would be paid directly to the manufacturing enterprise, without including any payment for the purchase of alternative chemicals;

Option II

- (i) For the first stage of HPMP implementation to achieve the 2013 and 2015 HCFC phase-out compliance targets, to apply the following principles in regard to eligible incremental costs of HCFC-phase out projects:
 - (i) To request bilateral and implementing agencies, when preparing HCFC phase-out projects in the foam, refrigeration and air-conditioning sectors, to use as a guide the technical information contained in document UNEP/OzL.Pro/ExCom/55/47;

HCFC phase-out in the foam sector

- (ii) IOC would be considered at US \$2.25/metric kg of HCFC consumption that would be phased out at the manufacturing enterprise for a transitional period of one year;
- (iii) For group projects linked to systems house, the IOC should be calculated on the basis of the of the total HCFC consumption of all downstream foam enterprises that would be phased out;

HCFC phase-out in the refrigeration and air-conditioning manufacturing sector

- (iv) IOC would be considered at US \$8.10/metric kg of HCFC-22 consumption that would be phased out at the manufacturing enterprise;
- (v) Consistent with decision 31/45, IOC would not be considered for enterprises categorized under the assembly, installation and charging of refrigeration equipment sub-sector;
- (vi) IOC would be applied for a transitional period of [xx months];

HCFC phase-out in the refrigeration servicing sector

- (vii) Article 5 countries should include in their HPMP, as a minimum:

- a) A commitment to meeting, without further requests for funding at least the freeze in 2013 and the 10 per cent reduction step in 2015 in the refrigeration servicing sector. This shall include a commitment by the country to restrict imports of HCFC-based equipment if necessary to achieve compliance with the reduction steps and to support relevant phase-out activities;
- b) Mandatory annual reporting on the implementation of activities undertaken in the refrigeration servicing sector in the previous year, as well as a thorough and comprehensive work plan for the implementation of the following year's activities; and
- c) A description of the roles and responsibilities of major stakeholders, as well as the lead implementing agency and the cooperating agencies, where applicable.

(viii) Funding would be provided as follows on the understanding that project proposals would still need to demonstrate that the funding level was necessary to achieve the 2013 and 2015 phase-out targets:

- a) For Article 5 countries that would need to phase-out up to 20 metric tonnes (1.1 ODP tonnes) of HCFCs, a fixed amount of up to US \$100,000;
- b) For Article 5 countries that would need to phase-out over 20 metric tonnes (1.1 ODP tonnes) and up to 8,000 metric tonnes (440.0 ODP tonnes), a fixed amount for non-investment type of activities as shown in the table below, plus technical assistance activities calculated at US \$1.00/metric kg (US \$18.20/ODP kg) of HCFC consumption in the refrigeration servicing sector, and an additional 20 per cent of the resulting amount for implementation, monitoring, and reporting;

Up to 100 m. tonnes (5.5 odp t)	Up to 300 m. tonnes (16.5 odp t)	Up to 500 m. tonnes (27.5 odp t)	Up to 1,000 m. tonnes (55.0 odp t)	Up to 5,000 m. tonnes (275 odp t)	Up to 8,000 m. tonnes (440 odp t)
110,000	130,000	180,000	270,000	410,000	490,000

- c) For Article 5 countries that would need to phase-out over 8,000 metric tonnes (440.0 ODP tonnes) of HCFCs, a fixed amount of up to US \$13,490,000;
- (ix) The Article 5 government concerned would have flexibility in utilizing the resources available under the refrigeration servicing sector to address specific needs that might arise during project implementation to facilitate the smoothest possible phase-out of HCFCs;

HCFC phase-out in the aerosol, fire extinguisher and solvent sectors

- (x) To consider on a case-by-case basis the eligibility of the incremental capital and operating costs for HCFC phase-out projects in the aerosol, fire extinguisher and solvent sectors.

12. Report on emission reductions and phase-out of CTC (decision 55/45)

Document UNEP/OzL.Pro/ExCom/58/50 provides a report of the Secretariat on emission reductions and phase-out of CTC in response to decision 55/45. The document includes information on emission related data from atmospheric scientists, Article 7 data reporting and from industry experts, and examines a number of chemical production processes and associated CTC production, destruction, feedstock and emission.

Issues to be addressed: None.

Action expected from the Executive Committee: The Executive Committee might wish to:

- (a) Note the report on emissions of CTC in Article 5 and non-Article 5 countries contained in Annex I to document UNEP/OzL.Pro/ExCom/58/50;
- (b) To draw the report to the attention of relevant bodies, in particular the Scientific Assessment Panel and the Technology and Economic Assessment Panel;
- (c) Consider whether it wishes to:
 - (i) Request the Secretariat to continue its work towards a resolution of the discrepancy between estimates of CTC emissions arising from atmospheric data and those arising from reported Article 7 data and industry estimates;
 - (ii) Approve a total funding of US \$100,000 for that purpose for the years 2009 and 2010; and
 - (iii) Establish a small steering group of four members to be convened via telephone and e-mail to decide on the specific activities to be undertaken by the Secretariat; and
- (d) Request a report on the activities undertaken and results achieved for the 61st Meeting of the Executive Committee
