Progress by the Executive Committee in the development of guidelines for financing the phase-down of HFCs (Agenda item 4c)

Quito, Ecuador 5-7 November 2018
Mandate

• ExCom was given two years to develop guidelines for funding the phase-down of HFC production and consumption, including cost-effectiveness thresholds, and to get input from the Parties before finalizing the guidelines (decision XXVIII/2)

• ExCom discussed matters arising from the Amendment that were relevant to it at its ExCom 77, and decided to held a special four-day meeting (ExCom 78) to address those matters

• Discussions continued at ExCom 79, ExCom 80 and ExCom 81

• MOP-30: Document UNEP/OzL.Pro/30/10 (paragraphs 5-33) presents status of development of the guidelines for funding the phase-down of HFCs by ExCom. It includes an annex listing the documents considered and the decisions taken
Matters discussed related to Kigali Amendment

- Additional contributions to the MLF
- Information on HFC consumption and production
- Enabling activities and institutional strengthening (IS)
- Draft cost guidelines for funding the phase-down of HFCs
- Key aspects related to HFC-23 by-product-control technologies
Additional contributions to the MLF

• MOP-28: 17 non-Article 5 parties announced a one-time voluntary contribution to the MLF to provide fast-start support for implementation of the Kigali Amendment

• ExCom 77: accepted, with appreciation, additional contributions by: Australia, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom of Great Britain and Northern Ireland and the United States of America

• Additional contributions received from all the 17 non-Article 5 parties, totaled $25.51 million, of which $23.11 million had been disbursed for HFC activities
## Additional contributions to the MLF

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<tr>
<th>Breakdown of disbursements</th>
<th>Million $</th>
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<tr>
<td>Contributions from all 17 countries</td>
<td>25.51</td>
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<tr>
<td>Disbursements as of ExCom 81</td>
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<tr>
<td>Enabling activities in 109 countries</td>
<td>(15.15)</td>
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<td>Preparation of HFC phase-out projects</td>
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<td>Investment projects (phase-out 681,541 CO$_2$ of HFC)</td>
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<td>Evaluation of options for destruction of HFC-23</td>
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<tr>
<td>Balance for ExCom 82</td>
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Information on HFC consumption and production

- By MOP-28, aggregated data on consumption and production of HFCs for all parties was only available in the TEAP Task Force reports under decisions XXV/5 and XXVI/9, and in the scientific journal, Atmospheric Science (Velders et al., 2015)

- By ExCom 80, disaggregated data on HFCs and other ODS alternatives was available in 119 countries, following surveys funded at ExCom meetings in 2015

- Bilateral/implementing agencies were requested to use the findings and lessons from the surveys when assisting countries in implementing enabling activities, with particular attention to strengthening HFC data collection and reporting, which would assist countries in establishing their HFC baselines
Enabling activities

Paragraph 20 of decision XXVIII/2: Parties requested ExCom to include the following enabling activities to be funded in relation to HFC phase-down:

• Capacity-building and training for handling of HFC alternatives in the servicing, manufacturing and production sectors
• Institutional strengthening (IS)
• Article 4B licensing
• Reporting
• Demonstration projects
• Development of national strategies
Enabling activities

The principles for funding enabling activities and on the maximum permissible funding levels were decided, *inter alia*:

- A letter from the Government indicating its intent to make best efforts to ratify the Kigali Amendment as early as possible, if it had not already done so
- A statement that implementation of enabling activities would not delay implementation of HCFC phase-out projects
- A deadline of 18 months which could be extended by up to 12 months, if needed
- Funding for preparation of national implementation plans to meet initial HFC reduction obligations can be provided, at the earliest, five years prior to those obligations once a country has ratified the Kigali Amendment
Enabling activities

• $17.2 million had been approved for 119 Article 5 countries (including 6 Article 5 group 2 countries)

• An additional $1.6 million for 11 Article 5 countries (including 2 Article 5 group 2 countries) has been submitted to the ExCom 82

• $0.95 million for 6 Article 5 countries has been included in the 2019 business plan

• Currently, 35 Article 5 group 1 countries have ratified the Kigali Amendment. For these countries, funding requests for preparation of national implementation plans to meet initial HFC reduction obligations, could be received as early as 2019
Institutional strengthening

• Paragraph 21 of decision XXVIII/2: Parties directed ExCom to increase IS support in light of the new commitments related to HFCs under the Kigali Amendment

• ExCom has recognized that IS support is an essential element in achieving the objectives of the Montreal Protocol since its ExCom 5

• Considering the relevance of IS for the implementation of the Montreal Protocol, and the number of decisions adopted, ExCom 78 decided to consider increasing funding for IS at a future meeting
Draft guidelines for funding phase-down of HFCs

As of ExCom 81: the following elements of decision XXVIII/2 had been included in the draft template of the cost guidelines:

- Flexibility in implementation that enabled parties to select their own strategies and priorities in sectors and technologies
- Cut-off dates for eligible capacity
- Second and third conversions
- Sustained aggregate reductions
- Categories of eligible incremental cost for manufacturing sector
- Categories of eligible incremental cost for the production sector
- Categories of eligible incremental cost for servicing sector
- Eligibility of Annex F substances subject to high ambient temperature exemptions
Elements of decision XXVIII/2 under discussion

Outstanding issues of some of the elements already included in the draft template but requiring further discussions:

• Methodology for determining the starting point for aggregate reductions
• Levels of eligible incremental costs and cost-effectiveness thresholds in the different manufacturing sectors
• Refrigeration servicing sector

Other elements of decision XXVIII/2 not yet in the draft template that remain under discussion

• Key aspects related to HFC-23 by-product-control technologies
• Energy efficiency
• Capacity building to address safety
• Disposal
Starting point for aggregate reductions

• Paragraph 19 of decision XXVIII/2: ExCom was requested to incorporate the principle that the remaining HFC consumption eligible for funding, in tonnage, would be determined on the basis of the starting point of aggregate HFC consumption less the amount of HFCs associated with approved projects, consistent with decision 35/57

• ExCom included the principle in the draft template of the cost guidelines

• ExCom 82 will consider a document containing preliminary information on key considerations that could assist ExCom in developing a methodology for establishing the starting point for sustained aggregate reductions for the consumption and production sectors
Eligible incremental costs and CE thresholds

ExCom discussed eligible incremental costs and cost-effectiveness (CE) thresholds for HFCs, and concluded:

• Applying the CE used for the phase-out of CFCs and HCFCs would simplify the discussion. However, the same CE thresholds may not necessarily be applicable for HFCs.

• There is limited experience at the MLF in phasing out HFCs in certain sectors.

• Associated incremental costs for HFCs may differ from costs associated with other controlled substances.

Accordingly, ExCom decided to approve a limited number of investment projects, to provide detailed information on eligible ICC and IOC associated with phasing down HFCs.
Eligible incremental costs and CE thresholds

HFC projects would be considered on the following conditions:

• Ratification of the Kigali Amendment or receipt of a letter indicating government’s intent to make best efforts to ratify it
• Agreement that no further funding would be available until the instrument of ratification had been received at UN, New York
• Agreement that any amount of HFC reduced as a result of the project would be deducted from the starting point
• Projects should have broad replicability in country/region/sector taking into account geographic distribution
• Projects should be fully implemented in no more than two years

$12.4 million has been approved for 7 HFC-investment projects in 6 countries. An additional $3.9 million for 5 projects in 5 countries has been submitted to ExCom 82

$15.6 million for 5 projects has been included in the 2019 business plan
Refrigeration servicing sector

- ExCom 82 will consider a preliminary document, prepared by the Secretariat in cooperation with the agencies, on all aspects related to the refrigeration servicing sector that support the HFC phase-down.

- ExCom agreed to consider the matter of prioritization of technical assistance and capacity building to address safety issues associated with alternatives with low and zero GWP for all sectors, in light of the above-mentioned document.
Key aspects related to HFC-23 by-product-control

• HCFC-22 producing parties were invited to provide information on quantities of HFC-23 and experience in controlling/monitoring it

• Countries wishing to close HCFC-22 production swing plants were invited to submit preliminary data on their production facilities

• Implementing agencies were invited to submit to ExCom 81 proposals for feasible technology demonstration for HFC-23 by-product mitigation or conversion technologies

• A report on options and costs related to the control of HFC-23 by-product emissions in Argentina, including shipping HFC-23 for destruction, will be considered at ExCom 82

• A document on cost-effective options for controlling HFC-23 by-product emissions, including costs for closure HCFC-22 production swing plants, will be considered at ExCom 82
Energy efficiency

• The Secretariat was requested to provide to ExCom 82 the summary of the Parties’ deliberations at OEWG-40 and MOP-30 in relation to the report by the TEAP on issues related to energy efficiency in response to decision XXIX/10

• The discussions on energy efficiency at MOP-30 will be included in an update to the document submitted to ExCom 82
Disposal

• Previously, the ExCom:
  • Approved criteria and guidelines for the selection of ODS disposal projects
  • Approved $11.3 million for pilot demonstration projects for ODS waste management and disposal in 11 countries, two regional projects and one technical assistance
  • ExCom decided to consider issues related to funding the cost-effective management of stockpiles of used or unwanted controlled substances, including through destruction, in light of the paper on ODS disposal that has been submitted to ExCom 82
Status of HCFC phase-out

- 27 demonstration projects for conversion from HCFC to low-/zero-GWP technologies approved between November 2008 and May 2016, for total funding of $27 million
- Stage I of HPMPs approved for 144 countries and stage II approved for 32 countries: $1.36 billion approved in principle, of which $805.33 million has been disbursed
- Over 19,500 ODP tonnes of HCFCs that will be phased out once HPMPs are completed (60.5% of the starting point)
- Most foam manufacturing and a large portion of air-conditioning manufacturing under conversion, mainly to low-GWP alternatives
- All countries are addressing the refrigeration servicing sector
- One approved phase-out plan for HCFC production (about 95% of total production)
Thank you