

Background document

(As referred to in paragraph 42 of the report of the 37th meeting of the OEWG, UNEP/OzL.Pro.WG.1/37/7)

Working draft of informal group consulting on solutions for challenges on funding issues and flexibility of implementation (8 April 2016)

Issue	Like-minded A5 proposal	Like-minded non-A5 proposal	
<p>Overarching principles and timelines</p>	<p>Maintain the MLF as the financial mechanism and agree to significantly increase the level of funding by non A5 countries in order to offset costs arising out of HFC management for A5 parties.</p> <p>A5 parties will have full flexibility to prioritize HFCs, define sectors, select technologies/ alternatives, elaborate and implement their strategies to meet agreed HFC obligations, based on their specific needs and national circumstances, following a country driven approach. The ExCom shall incorporate the principle in the above mentioned paragraph in relevant guidelines and its decision making process.</p>	<p>The MOP decides,</p> <p>To maintain the MLF as the financial mechanism and that additional financial resources will be provided by non A5 parties to offset costs arising out of HFC management for A5 parties if obligations are agreed to.</p> <p>To amend Article 10 of the Montreal Protocol to make HFC control measures eligible under the MLF [through addition of article 2J]</p> <p>To confirm that A5 parties will have the flexibility to prioritize HFCs, define sectors, select technologies/alternatives, elaborate and implement their strategies to meet agreed HFC obligations, based on their specific needs and national circumstances, following a country driven approach. The ExCom shall incorporate this principle in relevant guidelines, project review process, and its decision making process.</p>	<p>The MOP decides,</p> <p>To maintain the MLF as the financial mechanism and that [sufficient] additional financial resources will be provided by non-A5 parties to offset costs arising out of agreed HFC obligations for A5 parties.</p> <p>A5 parties will have [full][maximum] flexibility to prioritize HFCs, define sectors, select technologies/ alternatives, elaborate and implement their strategies to meet agreed HFC obligations, based on their specific needs and national circumstances, following a country driven approach. The ExCom shall incorporate the principle in the above mentioned paragraph in relevant guidelines and its decision making process.</p>
<p>Guidance to the ExCom on incremental costs</p>			
<p><i>Consumption sector</i></p>	<p>In developing new guidelines on methodologies, the following issues should be included :-</p> <p><i>Cost calculation for HFCs consumption sector should include:</i></p> <ul style="list-style-type: none"> • Incremental capital costs, • Incremental operating costs for at least 5years. • Technical assistance activities 	<p>To agree that eligible costs for the consumption sector will be based on the indicative list of categories of incremental costs adopted by Parties at their 4th meeting and include:</p> <ul style="list-style-type: none"> • costs of converting to alternatives, including capital costs of equipment, incremental operating costs, training required for operation of new equipment, taking into account the costs 	<p>In developing new guidelines on methodologies, the following categories of costs will be eligible and [considered][included][addressed] in the cost calculation:</p> <ul style="list-style-type: none"> • Incremental capital costs, • Incremental operating costs [for at least 5 years][review]. • Technical assistance activities • [Research and development for HFCs

	<ul style="list-style-type: none"> • R&D for HFCs alternatives • Technology transfer, including patent cost • Remaining eligible consumption for funding in tonnage will be determined on the basis of the starting point of the national aggregate consumption less the amount funded by previously approved projects in future multi-year agreement templates for HFC phase-down plans (Consistent with Dec. 35/57) 	<p>of low-GWP or zero-GWP alternatives and technologies</p> <ul style="list-style-type: none"> • costs of patents and designs or incremental cost of royalties, when necessary and cost-effective • costs of trials and testing • costs of redesigning equipment and manufacturing facilities when necessary for conversion 	<p>alternatives]</p> <ul style="list-style-type: none"> • costs of patents and designs or incremental cost of royalties[, when necessary and cost-effective] • Supporting safe introduction of flammable and toxic alternatives • Preventing illegal imports of HFCs <p>Remaining eligible consumption for funding in tonnage will be determined on the basis of the starting point of the national aggregate consumption less the amount funded by previously approved projects in future multi-year agreement templates for HFC phase-down plans (Consistent with Dec. 35/57)</p>
<i>Production sector</i>	<p>In developing new guidelines on methodologies, the following issues should be included ÷</p> <p><i>Cost calculation for HFCs production sector should include:</i></p> <ul style="list-style-type: none"> • Loss profit due to shutdown/closure of the production facilities as well as production reduction • Compensation to displaced workers • Dismantling of production facilities • Technical assistance activities • R&D for HFCs alternatives • Technology transfer, including IPR <p>Production activities to include conversion of HCFC production to HFC/HFO</p>	<ul style="list-style-type: none"> • To agree that eligible costs for the production sector will be based on the indicative list of categories of incremental costs adopted by Parties at their 4th meeting and include: • compensation of lost profits and labour for the gradual closure of facilities • costs of converting facilities to produce low-GWP or zero-GWP alternatives when technically feasible and cost effective • costs of research and development related to the production of low-GWP or zero-GWP alternatives with a view to lower the cost of alternatives • costs of patents and designs or incremental cost of royalties, when necessary and cost-effective • costs of redesigning production facilities when necessary • technical assistance activities 	<p>In developing new guidelines on methodologies, the following categories of costs will be eligible and considered in the cost calculation:</p> <ul style="list-style-type: none"> • Loss profit due to shutdown/closure of the production facilities as well as production reduction • Compensation to displaced workers • Dismantling of production facilities • Technical assistance activities • Research and development related to the production of low-GWP or zero-GWP alternatives with a view to lower the cost of alternatives • Technology transfer[, including IPR] <p>[Production activities to include conversion of HCFC production to HFC/HFO]</p> <p>Reduction of emissions of HFC-23, a by-product from the production process of HCFC-22, by reducing its emission rate in the process, destroying it from the off-gas, or by collecting and converting to other environmentally safe chemicals, should be funded by the MLF, to meet</p>

			<p>the obligations of A5 countries specified under the HFC amendment</p> <ul style="list-style-type: none"> [Activities to promote production facilities or regional clearinghouses for low-GWP alternatives]
<p><i>Servicing sector (referenced in CRP.1)</i></p>	<p>Activities to be supported include: HFCs servicing activities, including among others, tools, training for handling HFC alternatives in the servicing sector, <i>Cost calculation for HFCs servicing sector should include:</i></p> <ul style="list-style-type: none"> Public awareness activities Policy development and implementation Training to the technicians on good practice and safety Servicing tools Recycling and recovery of HFCs Additional import costs 	<ul style="list-style-type: none"> costs associated with activities associated with the HVAC and refrigeration servicing sector, including training of technicians, recovery, recycling and reclamation, tools and equipment, training of customs officers, development of codes, standards and technical manuals, awareness-raising, cost effective retrofitting of equipment, taking into account safety issues associated with low-GWP or zero-GWP alternatives, certification programs and training technicians on the safe handling and use of such alternatives, promoting compliance To increase the funding available under Executive Committee decision 74/49(c) up to a maximum of x % above the amounts listed in that decision for Parties with total HCFC consumption up to 360 metric tonnes when needed for the introduction of alternatives to HCFC with low global warming potential (GWP) also in the servicing sector 	<p>In developing new guidelines on methodologies, the following categories of costs will be eligible and considered in the cost calculation for HFCs servicing activities:</p> <ul style="list-style-type: none"> Public awareness activities Policy development and implementation Training of technicians on good practice and safety Training of customs officers Certification programs and training technicians on the safe handling and use of such alternatives Servicing tools Recycling and recovery of HFCs [Additional import costs] [Incremental cost of refrigerants for MVAC servicing/recharging] To increase the funding available under Executive Committee decision 74/49(c) up to a maximum of x % above the amounts listed in that decision for Parties with total HCFC consumption up to 360 metric tonnes when needed for the introduction of alternatives to HCFC with low global warming potential (GWP) also in the servicing sector
<p><i>Cut-off date for eligible capacity</i></p>	<p>Cut-off date to be determined by the MOP.</p>	<p>To request the ExCom to submit to the MOP for its consideration by [XXXX] recommendations on cut-off dates for eligible capacity on a sector-basis based on analysis that takes into account the availability of alternatives in each sector.</p>	<p>The MOP that decides the amendment will decide on the cut-off date.</p>

<i>Energy Efficiency (referenced in CRP.1)</i>	Cost to avoid reduction of energy efficiency of the equipment is eligible for additional funding.	To request the ExCom to develop guidance on energy efficiency, with the objective of avoiding a reduction in the energy efficiency of the technology being replaced.	To request the ExCom to develop guidance on energy efficiency, with the objective of [avoiding a reduction in][providing incentives to promote] the energy efficiency of the technology being replaced [, including the consideration of costs].
<i>Institutional strengthening</i>	Institutional Strengthening should be supported	To request the ExCom to increase IS support in light of new commitments related to HFCs	[To direct the ExCom to] increase institutional strengthening support in light of new commitments related to HFCs.
<i>Disposal (referenced in CRP.1)</i>	Disposal of unwanted HFCs should be supported	To request the ExCom to enable the collection of data to identify unwanted refrigerants in countries that did not benefit from ODS disposal demonstration projects, with a view to fund refrigerant disposal demonstration projects in such countries, taking into account lessons learned in approved projects.	[To consider funding the cost-effective] management of stockpiles of used or unwanted controlled substances and equipment, including destruction, when cost-effective.
<i>Capacity-building to address safety (referenced in CRP.1)</i>	Technical assistance and capacity building should be supported	To request the ExCom to prioritize capacity building and training in the refrigeration sector to address safety issues associated with low GWP or zero GWP alternatives	To request the ExCom to prioritize technical assistance and capacity building should be supported to address safety issues associated with low GWP or zero GWP alternatives
<i>Cost of importing alternatives</i>	Additional cost of importing alternative substance (of payment support) – should be supported		[Additional cost of importing alternative substance (of payment support) – should be supported]
<i>Other activities</i>	Other necessary activities to be agreed in accordance with the indicative list of categories of incremental costs in annex VIII of decision IV/18		[Other necessary activities to be agreed in accordance with the indicative list of categories of incremental costs in annex VIII of decision IV/18]