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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Fifty-fourth Meeting  
Montreal, 7-11 April 2008

**REPORT OF THE FIFTY-FOURTH MEETING OF THE  
EXECUTIVE COMMITTEE**

Introduction

1. The 54<sup>th</sup> Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol was held at the headquarters of the International Civil Aviation Organization (ICAO) in Montreal from 7 to 11 April 2008.
2. The Meeting was attended by representatives of the following countries, Members of the Executive Committee, in accordance with decision XIX/3 of the Nineteenth Meeting of the Parties to the Montreal Protocol:
  - (a) Parties not operating under paragraph 1 of Article 5 of the Protocol: Australia, Belgium, Germany, Japan, Romania, Sweden (Vice-Chair) and the United States of America;
  - (b) Parties operating under paragraph 1 of Article 5 of the Protocol: China, the Dominican Republic, Gabon (Chair), India, Lebanon, Sudan and Uruguay.
3. In accordance with the decisions taken by the Executive Committee at its Second and Eighth Meetings, representatives of the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) both as implementing agency and as Treasurer of the Fund, the United Nations Industrial Development Organization (UNIDO) and the World Bank attended the Meeting as observers.
4. The Meeting was attended by the President of the Implementation Committee and the Co-Chair of the Technology and Economic Assessment Panel. Representatives of the Global Environment Facility (GEF), the Alliance for Responsible Atmospheric Policy and the Environmental Investigation Agency (EIA) also attended as observers.

- (d) That the draft agreement should describe and include the necessary steps for completing the dismantling activities required and the verification confirming that production closure and dismantling had taken place; and
- (e) To approve the 2008 annual programme for the India CFC production closure at the level of funding of US \$6 million plus agency support costs of US \$450,000 for the World Bank.

**(Decision 54/37)**

## **AGENDA ITEM 10: COUNTRY PROGRAMMES**

162. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/54/51, containing the country programme for Eritrea, submitted by UNEP on behalf of the Government of Eritrea, and document UNEP/OzL.Pro/ExCom/54/52, containing the country programme update for Nigeria, submitted by UNDP on behalf of the Government of Nigeria.

163. In the context of the TPMP in Eritrea, the Secretariat had raised a number of issues related to the country's current status of compliance with the Montreal Protocol, including non-compliance with Article 4B of the Protocol.

164. The Executive Committee decided:

- (a) To approve the country programme of Eritrea, without prejudice to the operation of the Montreal Protocol's mechanism for addressing non-compliance, noting that approval of the country programme did not denote approval of the projects identified therein or their funding levels;
- (b) To request the Government of Eritrea to report annually to the Executive Committee on the progress made in implementation of the country programme, noting that the first report should be submitted to the Secretariat no later than 1 May 2009; and
- (c) To approve the Nigeria country programme update, noting that approval of the country programme did not denote approval of the projects identified therein or their funding levels.

**(Decision 54/38)**

## **AGENDA ITEM 11: HCFCs**

**(a) Draft guidelines for the preparation of HCFC phase-out management plans incorporating HCFC surveys (decision 53/37(h))**

165. The representative of the Secretariat presented the draft guidelines for HPMPs (UNEP/OzL.Pro/ExCom/54/53). He said that a staged approach had been proposed to allow countries to develop an over-arching plan to achieve total phase-out, primarily by allowing for

concrete proposals to achieve the first two control measures in 2013 and 2015, while at the same time allowing countries to propose a subsequent stage, or stages if needed, to manage their HCFC phase-out. He also explained that countries had been classified according to those with only servicing needs, and those with both servicing and manufacturing concerns. Countries with HCFC use for servicing would be required to develop an HPMP with activities similar to those being required for RMPs and TPMPs. Countries with manufacturing concerns would develop phase-out activities in the context of national or sector performance- based plans.

166. Members were generally supportive of the staged approach, which would allow the guidelines to be updated as new technologies were developed. However, some concerns were raised over the inclusion of opportunities for co-financing the HPMPs. It was also pointed out that, according to decision XIX/6 of the Nineteenth Meeting of the Parties, all costs associated with phase-out of HCFCs had to be met. An observer also reminded the Executive Committee that paragraph 11(b) of decision XIX/6 indicated that substitutes and alternatives that minimized other impacts on the environment had to be prioritized.

167. The growth of HCFC consumption in Article 5 countries meant that it was essential to address measures to avoid the risk of non-compliance with the 2013 freeze and the 2015 targets as soon as possible. One Member also pointed out that, while it was important to have regulations, legislation and a licensing system covering HCFCs, the requirement for future funding should be limited to licensing systems.

168. Different views were expressed with respect to the possibility of funding individual projects in advance of the submission of HPMPs, as well as the requirements for a starting point for aggregate reductions. The representative of the Secretariat explained that discussions on the starting point for aggregate sustained reductions of consumption were to be found in paragraphs 24 to 26 of document UNEP/OzL.Pro/ExCom/54/53, but that the paper did not propose a definition of the starting point although the precedent was Executive Committee decision 35/57, which allowed a choice between a country's baseline or its most recent consumption, as was the case for CFCs.

169. Following a discussion of the Secretariat's recommendations, during which several Members raised questions concerning starting points for aggregate reductions, licensing systems, sectoral strategies, cost information, co-financing and data collection requirements, it was agreed to set up a contact group, with Germany as facilitator, to discuss those concerns and prepare a revised set of draft guidelines for the preparation of HPMPs.

170. After having considered the revised text submitted by the contact group, the Executive Committee decided to adopt the following guidelines:

- (a) Countries should adopt a staged approach to the implementation of an HCFC phase-out management plan (HPMP), within the framework of their over-arching-strategy;
- (b) As soon as possible and depending on the availability of resources, countries should employ the guidelines herein to develop, in detail, stage one of the HPMPs, which would address how countries would meet the freeze in 2013 and the 10 per cent reduction in 2015, with an estimate of related cost considerations and applying cost guidelines as they were developed;

- (c) The elaboration of stage one of the HPMP and subsequent stages should be developed as follows:
- (i) For countries with consumption in the servicing sector only:
    - a. To be consistent with existing guidelines for the preparation of RMPs/RMP updates pursuant to decisions 31/48 and 35/57; and, if applicable, with the preparation of TPMPs pursuant to decision 45/54;
    - b. To contain commitments to achieve the 2013 and 2015 HCFC control measures and include a performance-based system for HPMPs based on the completion of activities in the HPMP to enable the annual release of funding for the HPMP;
  - (ii) For countries with manufacturing sectors using HCFCs, HPMPs should contain a national performance-based phase-out plan (NPP) with one or several substance or sector-based phase-out plans (SPP) consistent with decision 38/65 addressing consumption reduction levels sufficient to achieve the 2013 and 2015 HCFC control measures and provide starting points for aggregate reductions, together with annual reduction targets;
- (d) For countries that chose to implement investment projects in advance of completion of the HPMP:
- (i) The approval of each project should result in a phase-out of HCFCs to count against the consumption identified in the HPMP and no such projects could be approved after 2010 unless they were part of the HPMP;
  - (ii) If the individual project approach was used, the submission of the first project should provide an indication of how the demonstration projects related to the HPMP and an indication of when the HPMP would be submitted;
- (e) Consideration should be given to providing funding for assistance to include HCFC control measures in legislation, regulations and licensing systems as part of the funding of HPMP preparation as necessary and confirmation of the implementation of the same should be required as a prerequisite for funding implementation of the HPMP;
- (f) In cases where there were multiple implementing agencies in one country, a lead agency should be designated to coordinate the overall development of stage one of the HPMP;
- (g) HPMPs should contain cost information at the time of their submission based on and addressing:
- (i) The most current HCFC cost guidelines at the time of submission;

- (ii) Alternative cost scenarios based on different potential cut-off dates for new capacity if a specific cut-off date had not yet been decided, for funding eligibility of manufacturing facilities as specified in decision 53/37(k), as well as the current policy for a 25 July 1995 cut-off date;
- (iii) Alternative cost scenarios for the operational and capital costs for second conversions;
- (iv) The incremental costs of regulating import and supply to the market of HCFC dependent equipment once proven alternatives were commercially available in the country and describing the benefits to the servicing sector of associated reduced demand;
- (v) Cost and benefit information based on the full range of alternatives considered, and associated ODP and other impacts on the environment including on the climate, taking into account global-warming potential, energy use and other relevant factors;
- (h) Countries and agencies were encouraged to explore potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties;
- (i) HPMPs should address:
  - (i) The use of institutional arrangements mentioned in decision 53/37(e) and (f);
  - (ii) The roles and responsibilities of associations of refrigeration technicians and other industry associations and how they could contribute to HCFC phase-out; and
- (j) HPMPs should, as a minimum, fulfil the data and information requirements, as applicable, listed in the indicative outline for the development of HPMPs, as set out in Annex XIX to the present report.

**(Decision 54/39)**

**(b) Preliminary discussion paper providing analysis on all relevant cost considerations surrounding the financing of HCFC phase-out (decision 53/37(i))**

171. The representative of the Secretariat introduced documents UNEP/OzL.Pro/ExCom/54/54, Corr.1 and Add.1, which provided a preliminary analysis of all relevant cost considerations concerning the financing of HCFC phase-out, including substitute technologies, financial incentives and other environmental benefits. In preparing the paper, the Secretariat had reviewed the existing policies and principles for determining eligible incremental costs and had examined their relevance to HCFC phase-out. It had used HCFC data reported by Article 5 countries to obtain a preliminary understanding of the magnitude of the future actions