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| **MULTILATERAL FUND FOR THE**  **IMPLEMENTATION OF THE MONTREAL PROTOCOL** |
|  |
| Inter-agency Coordination Meeting  Montreal, 25-27 February 2020 |
| MLF/IACM.2020/1/18 |
| 17 February 2020 |

# **GUIDE FOR THE SUBMISSION OF STAND-ALONE INVESTMENT PROJECTS**

# **PURSUANT TO DECISIONS 78/3(g) AND 79/45**

**(UPDATED, FEBRUARY 2020)**

# **Background**

# At its 78th meeting, the Executive Committee decided to consider approving a limited number of HFC-related projects in the manufacturing sector only[[1]](#footnote-1), to gain experience in the incremental capital costs (ICCs) and incremental operating costs (IOCs) that might be associated with phasing down HFCs in Article 5 countries (decision 78/3(g)). The Executive Committee further agreed to adopt additional criteria that these projects should meet, and to consider further stand-alone investment projects on a rolling basis after the first meeting in 2019 (decision 79/45).

# Subsequently, at the 84th meeting, the Executive Committee decided to consider proposals for HFC-related stand‑alone investment projects up to the 87th meeting, in accordance with the criteria set out in decisions 78/3(g), 79/45 and 81/53, and prioritizing projects in the stationary air-conditioning, commercial refrigeration and mobile air-conditioning sectors (decision 84/53).

# The main objective of approving HFC-related stand-alone investment projects in the manufacturing sector only is to allow the Committee to gain experience in calculating the ICCs and IOCs that might be associated with phasing down HFCs in Article 5 countries. Accordingly, stand-alone investment projects submitted should be representative of the type of conversions from HFC to low-GWP technologies expected in Article 5 countries to contribute to HFC phase-down (i.e., it is not a demonstration project window), and should present in a clear manner the conversion cost structures, indicating which ones are incremental and require Multilateral Fund assistance. Bilateral and implementing agencies are therefore required to closely monitor, record, and report the incremental costs incurred during project implementation.

# **Submission requirements for project preparation (PRP)**

# Table 1 (below) presents a checklist meant to assist bilateral and implementing agencies in the submission of PRP requests for HFC-related stand-alone investment projects in the manufacturing sector. If an HFC investment project has been approved for an Article 5 country that has not ratified the Kigali Amendment, no further HFC investment project could be approved until the country has submitted the instrument of ratification to the United Nations headquarters in New York. In the cases where no PRP funding is requested, the elements of the checklist should be addressed in the full project proposal.

# **Table 1. Requirements for HFC stand-alone investment requests (decisions 78/3(g), 79/45 and 84/53)**

| **Pre-requisite** | **Yes/No** | **Comments/justification/ information where applicable** |
| --- | --- | --- |
| Has the project been included in the 2020-2021 business plan? |  |  |
| Has the beneficiary country ratified the Kigali Amendment or submitted a formal letter indicating the government’s intention to ratify the Amendment; that no further funding action would be available until the instrument of ratification had been received by the depositary at the United Nations Headquarters in New York; and that any amount of HFC reduced as a result of the project would be deducted from the starting point? (include ratification confirmation or commitment letter) |  |  |
| Does the proposal include the amount of HFC reduced by substance? |  |  |
| Is the project related to an individual identified enterprise deciding to convert to a mature technology existing in the country and/or at regional level? |  |  |
| Does the project have broad replicability to the country or region or sector? |  |  |
| Does the project take into account geographic distribution? |  |  |
| Does the beneficiary country acknowledge that any amount of HFC reduced through the approved Multilateral Fund support would be deducted from the starting point? |  |  |
| Does the proposal include a commitment to provide during the project implementation detailed information on ICC, IOC as well as other non-incremental costs incurred, and a commitment that the project completion report will be comprehensive with detailed information on the eligible ICCs, IOCs, any possible savings incurred during the conversion and relevant factors that facilitated implementation? |  |  |
| Is project duration two years or less from the time of approval? |  |  |
| Has the full project included an independent technical review? |  |  |
| Is priority being given to projects in the stationary air-conditioning, commercial refrigeration and mobile air-conditioning sectors? |  |  |
| Has the Multilateral Fund operational policy on gender mainstreaming been taken into consideration? |  |  |

# The funding request for the preparation of HFC-related stand-alone investment projects should include the information requested in the checklist above, as well as: a description of the project objective, name of the enterprise, sector/sub-sector, amount and type(s) of HFC to be phased down, technology selected, and the estimated duration of the conversion. The level of funding for the preparation of investment projects is up to US $30,000.

# **Submission requirements for full project proposals**

# Annex I to the present guide contains the project structure to be used when submitting project proposals in line with decision 78/3(g).

# In line with decision 81/30(a)(ii), stand-alone HFC investment projects are to be submitted, in full, at least 14 weeks in advance of the Executive Committee meeting at which they are to be considered, irrespective of the level of funding requested from the Multilateral Fund, and should comply with all the requirements for HFC stand-alone investment projects listed in Table 1.

# Potential projects should be included in the bilateral and implementing agencies’ 2020/2021 business plans, as appropriate.

# **Reporting format for incremental costs**

# Considering the urgency in finalizing the HFC phase-down cost guidelines, and that project proposals submitted under decision 78/3(g) are intended to assist the Executive Committee to better understand the incremental costs of phasing down HFCs, a partial report on costs incurred after the first year of implementation (out of the two-year duration) is required. Annex II to the present guide presents the agreed format to report ICC and IOC. Notwithstanding the submission of the detailed information on incremental cost, at the time of completion of the project bilateral and implementing agencies are required to submit the mandatory project completion report in line with existing policies and guidelines.

**Annex I**

**PROJECT COVER SHEET**

**Project titlE Bilateral/implementing agency**

|  |  |  |
| --- | --- | --- |
|  |  |  |

|  |  |
| --- | --- |
| **National co-ordinating agency** |  |

**LateSt reported consumption data for HFC addressed in project**

**A: Article-7 data (METRIC tonnes, [insert year], as of [insert month and year])**

|  |  |  |
| --- | --- | --- |
| HFCs | mt |  |
| mt CO2-eq |  |

**B: COUNTRY PROGRAMME SECTORAL DATA (METRIC tonnes, [insert year], as of [insert month and year])**

|  |  |  |
| --- | --- | --- |
| HFCs | mt |  |
| mt CO2-eq |  |

|  |  |  |
| --- | --- | --- |
| **HFC consumption remaining eligible for funding** | mt |  |
| mt CO2-eq |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Current year Business Plan ALLOCATIONS** |  | **Funding US $** | **Phase-out** | |
| (a) |  | mt |  |
| mt CO2-eq |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **PROJECT TITLE:** | |  |  |
| HFC-[xxx] used at enterprise: | | mt |  |
| mt CO2-eq |  |
| HFC-[xxx] to be phased out through this project: | | mt |  |
| mt CO2-eq |  |
| HFC-[xxx]/alternatives to be phased in: | | mt |  |
| mt CO2-eq |  |
| Climate benefit | | mt CO2-eq |  |
| Project duration (months): | |  |  |
| Initial amount requested (US $): | |  |  |
| Final project costs (US $): | |  |  |
|  | Incremental capital cost: |  |  |
|  | Contingency (10 %): |  |  |
|  | Incremental operating cost: |  |  |
|  | Total project cost: |  |  |
| Local ownership (%): | |  |  |
| Export component (%): | |  |  |
| Requested grant (US $): | |  |  |
| Cost-effectiveness: | | US $/kg |  |
| US $/mt CO2-eq |  |
| Implementing agency support cost (US $): | |  |  |
| Total cost of project to Multilateral Fund (US $): | |  |  |
| Status of counterpart funding (Y/N): | |  |  |
| Project monitoring milestones included (Y/N): | |  |  |

**PROJECT TITLE**

1. PROJECT OBJECTIVE
2. SECTOR BACKGROUND (including estimation of HFC consumption)
3. ENTEPRISE PROFILE

|  |  |
| --- | --- |
| Enterprise name |  |
| Full address |  |
| Year founded |  |
| Date of initiation of manufacturing using HFC |  |
| Contact person and position |  |
| Phone/Fax |  |
| E-mail |  |
| Article 5 ownership |  |
| Exports to non-Article 5 countries (%) |  |
| No. of employees |  |
| Manufacturing lines using HFC |  |
| Manufacturing lines converted by the project |  |
| Total manufacturing lines |  |

3.1. ENTERPRISE BACKGROUND AND HFC CONSUMPTION (last three to five years)

3.2. DESCRIPTION OF THE MANUFACTURING PROCESS (including the manufacturing volume and plant layout)

3.3. DESCRIPTION OF BASELINE EQUIPMENT (include all the parameters in the table below, and photos if possible)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Baseline Equipment** | | | | | | |
| **Equipment** | **Type** | **Capacity/Model** | **Manufacturer** | **Serial #** | **Year** | **Action needed** |
|  |  |  |  |  |  |  |
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1. TECHNOLOGY OVERVIEW (including a discussion on the alternatives available and considered; reason for the selection of the alternative; and analysis of the availability, price and existing conditions for the application of the technology selected)
2. PROJECT DESCRIPTION (including production/equipment modifications proposed and their justification)
3. PROJECT COSTS (including the overall cost differentiating between incremental and non‑incremental costs in cases when the conversion project is part of a larger project being considered by the enterprise – e.g., re-location, expansion)

6.1 INCREMENTAL CAPITAL COST (provide detailed table including all incremental items, unit cost, quantity required, total cost and source of the cost estimate. Capacity of equipment procured and any unavoidable technology upgrade should be included. For each item considered incremental by the project, please include an explanation why it is incremental and why the existing item in the baseline cannot be used with the new technology)

6.2 INCREMENTAL OPERATING COST (provide detailed table including all incremental items, unit cost, quantity required, total cost and source of the cost estimate. Any other element included in the IOC in addition to the difference in price in the cost of the baseline and alternative substance must be justified in the project proposal)

6.3 CO-FINANCING (where applicable, include the amount of funds being provided by the beneficiary enterprise)

6.4 PROPOSED MULTILATERAL FUND GRANT

6.5 COST-EFFECTIVENESS (calculated based on the incremental cost and on the proposed Multilateral Fund grant requested, if the value is different)

# IMPLEMENTATION TIMELINE AND MILESTONES

8. PROJECT IMPLEMENTATION AND MONITORING (provide a description of the administrative and legal arrangements that will allow the implementation of the project in a period no longer than two years)

9. PROJECT IMPACT (provide impact in terms of HFC phased-out, as well as other environmental or energy efficiency related impact and any other market and regulatory impact (e.g., if it is the only enterprise consuming HFC in the sector, a regulation will follow to avoid future use, or import of HFC-based equipment may be banned).

10. GENDER POLICY (apply the operational policy on gender mainstreaming throughout the project cycle, giving due attention to identifying entry points to promote gender equality and women’s empowerment).

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| --- | --- | --- | --- | --- |
|  |  |  |  |  |

1. Such approvals would be on the understanding: that any Article 5 country submitting a project proposal should have ratified the Kigali Amendment or submitted a formal letter indicating the government’s intention to ratify the Amendment; that no further funding would be available until the instrument of ratification had been received by the depositary at the United Nations Headquarters in New York; and that any amount of HFC reduced as a result of the project would be deducted from the starting point. [↑](#footnote-ref-1)