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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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**PRIORITIES FOR THE TRIENNIUM 2006-2008, BEYOND THE NEEDS IDENTIFIED
BY THE MODEL ROLLING THREE-YEAR PHASE-OUT PLAN, TAKING INTO
ACCOUNT THE REMAINING US \$40 MILLION IN UNALLOCATED FUNDS FOR
THE TRIENNIUM (FOLLOW-UP TO DECISIONS 49/4 (C) AND (G))**

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Introduction

1. At its 49th Meeting and following the consideration of the status of implementation of the 2006 business plans, the Executive Committee decided:

“(c) To include an item in the agenda for its 50th Meeting on priorities for the triennium, beyond the needs identified by the compliance oriented model, taking into account the remaining US \$40 million in unallocated funds for the triennium”; and

“(g) To request the Secretariat to prepare a brief document, for consideration by the Executive Committee at its 50th Meeting, outlining all remaining phase-out obligations of Article 5 Parties by year and by triennium and any decisions by the Executive Committee and the Meeting of the Parties that could be pertinent to the discussion referred to under sub-paragraph c above” (decision 49/4).

Remaining ODS phase-out obligations

2. The remaining ODS phase-out obligations can be defined as those reductions that are expected to occur after the year 2006 and which have not been accounted for in existing funded activities. The remaining ODS phase-out obligations of Article 5 Parties are presented in Table 1 below by year and by triennium.

Table 1

REMAINING ODS PHASE-OUT OBLIGATIONS FOR ARTICLE 5 PARTIES BY YEAR AND TRIENNIUM

ODS/Year	2007	2010	2015	2016	2040
<i>(Triennium)</i>	<i>(2006-2008)</i>	<i>(2009-2011)</i>	<i>(2015-2017)</i>	<i>(2015-2017)</i>	<i>(2038-2040)</i>
A1 CFC	85% Reduction	100% Reduction			
A2 Halon		100% Reduction			
B1 Other CFC	85% Reduction	100% Reduction			
B2 CTC		100% Reduction			
B3 TCA		70% Reduction	100% Reduction		
C1 HCFC				Freeze	100% Reduction
E1 MBR			100% Reduction		

3. Table 1 indicates that the only phase-out obligations for controlled substances remaining after the year 2010 are methyl chloroform (TCA), hydrofluorocarbons (HCFCs), and methyl bromide (MBR).

Relevant Decisions of the Parties and the Executive Committee

4. This section presents decisions of the Parties and the Executive Committee that may be relevant to the Executive Committee’s consideration of how to utilize the US \$40 million that has not yet been allocated from the budget for the 2006-2008 triennium.

5. The possible use of funds from the un-allocated budget for some issues raised by implementing agencies concerning the sustainability of CFC and halon consumption and production phase-out beyond 2009, regulation of excess co-production of CTC, and regulation of non-controlled uses of methyl bromide for quarantine and pre-shipment are not addressed because there are no relevant decisions of the Parties or the Executive Committee.

Committing the whole of the budget for 2006-2008

6. In adopting the budget and the 2006-2008 replenishment amounting to US \$470 million, the Seventeenth Meeting of the Parties decided “that the Executive Committee should take action to ensure, as far as possible, that the whole of the budget for 2006-2008 is committed by the end of 2008, and that Parties not operating under paragraph 1 of Article 5 should make timely payments in accordance with paragraph 7 of decision XI/6” (decision XVII/40, paragraph 3).

Accelerated phase-out of methyl bromide

7. The Executive Committee maintained methyl bromide projects for countries that had received support for the 2005 controls in the light of commitments to accelerate methyl bromide phase-out significantly before the year 2015 (decisions 48/8(a)(i) and 48/9(a)(i)). As shown in Table 1, total methyl bromide phase-out is scheduled for Article 5 countries in 2015.

HCFC activities deferred until 2008

8. The Executive Committee considered HCFC activities in the context of both investment projects and HCFC surveys. HCFC phase-out is scheduled for non-Article 5 and Countries with Economies in Transition (CEITs) by 2020 but not until 2040 for Article 5 countries with the freeze beginning in 2016 as shown in Table 1. On this basis, the Executive Committee decided to remove all HCFC investment projects from UNDP’s business plan (decision 48/6(b)(iv)). It also decided to withdraw all HCFC activities from UNEP’s and UNIDO’s business plans with the understanding that those activities would be considered at the first meeting of the Executive Committee in 2008 provided that:

- “The compliance priorities of Article 5 countries for the triennium had been addressed and there were enough funds remaining from the prioritized activities;
- The proposed HCFC surveys were in accordance with Executive Committee guidance based on lessons learned from approved UNDP surveys and Germany’s study in China; and
- When considering the allocation of the funds remaining for HCFCs activities, the Executive Committee would take into account the level of funding approved by decision XVII/40 of the Seventeenth Meeting of the Parties” (decisions 48/7(c) and 48/8(a)(v)).

Activities for combating illegal trade

9. The Seventeenth Meeting of the Parties decided:

- “to encourage further work on the Green Customs initiative of the United Nations Environment Programme in combating illegal trade in controlled ozone-depleting substances as well as further networking and twinning activities in the framework of regional networks aimed at the exchange of information and experience on both licit and illicit trade in controlled ozone-depleting substances between the Parties, including enforcement agencies”; and
- to request the Executive Committee to consider “the recommendations contained in the Report on the Evaluation of Customs Officers Training and Licensing System Projects ... in particular where they relate to customs training and other elements of capacity building that are needed in combating illegal trade in controlled ozone-depleting substances” (decision XVII/16, paragraphs 7 and 8).

10. At its 48th Meeting the Executive Committee maintained an activity for combating illegal trade in the business plans for one region (decision 48/5(i)).

Non-investment methyl bromide activities

11. The Sixteenth Meeting of the Parties decided “to reinforce the fact that Parties operating under paragraph 1 of Article 5 of the Montreal Protocol that use little or no methyl bromide need technical and financial assistance from the Multilateral Fund to enable them to identify environmentally safe strategies and plans effectively to implement the methyl bromide provisions of the Montreal Protocol” (decision XVI/8). Although the Executive Committee removed the global methyl bromide information exchange project from UNDP’s business plan (decision 48/6(b)(ii)), the round table workshop on methyl bromide and a farmer field school in Africa (decision 48/7(b)(i) and (ii)), it did so on the understanding that these activities might be resubmitted in the future following in-depth coordination between UNDP, UNEP and UNIDO.

Additional funding initiatives outside of business plans and budgets

12. At its 45th Meeting, the Executive Committee decided to allocate funds for verification reports for 10 per cent of the terminal ODS phase-out management plans (TPMPs) (decision 45/54(d)). This allocation was not foreseen in the business plans of the implementing agencies or as part of the resource allocation considered for the triennium.

13. Other funds might be allocated by the Executive Committee for studies, for example such as a study on Recovery, Recycling, Reclamation, Transportation and ODS destruction that are not foreseen in the business plans for the triennium, resource allocation, or the budgets approved by the Executive Committee.

14. Any changes agreed to budgets for the core units of UNDP, UNIDO, and the World Bank; the Compliance Assistance Programme (CAP); the Secretariat/Executive Committee; and/or the Treasurer would also have an impact on the budget for the triennium. The triennium allocation for budgets assumes an average 3 per cent annual growth excepting the budget of the Fund Secretariat that assumes no annual growth for non-salary items and the budget of the Treasurer that is fixed up to 2010 with no annual growth.

MDI activities and funding to Parties that received all eligible funding but risk non-compliance

15. At its Seventeenth Meeting, the Parties considered *inter alia* the risk that countries which manufacture metered dose inhalers (MDIs) may find it difficult to phase-out CFCs used for their manufacture without incurring economic losses to their countries, and the serious risk that for some Parties operating under paragraph 1 of Article 5 consumption levels in 2007 of chlorofluorocarbons for MDI uses may exceed the allowable amounts and decided:

- 1) “To consider at the Eighteenth Meeting of the Parties a possible decision which would address the difficulties that some Parties operating under paragraph 1 of Article 5 may face in relation to metered-dose inhalers;
- 2) To request the Executive Committee to examine situations such as these and consider options that might assist this potential situation of non-compliance;
- 3) To request the Executive Committee to consider appropriate regional workshops to create awareness and educate stakeholders, including doctors and patients, on alternative metered-dose inhalers and on the elimination of chlorofluorocarbons in metered-dose inhaler uses and technical assistance to Article 5 Parties to phase-out this use; and
- 4) To request the Open-ended Working Group at its twenty-sixth meeting to consider the issue” (decision XVII/14).

16. At its 48th Meeting, the Executive Committee decided to remove MDI regional awareness programmes (decision 48/7(b)(iv)) and an MDI project preparation activity (decision 48/6(b)(i)) from the business plans of UNDP and UNEP.

17. At the twenty-sixth meeting of the Open-ended Working Group Meeting, the Parties agreed to forward a draft decision entitled “Facilitating the transition of non-chlorofluorocarbon (CFC) MDIs in Parties operating under paragraph 1 of Article 5”. It includes *inter alia* requests to the Executive Committee:

- 1) “To accord increased priority to funding projects [in metered-dose inhaler producing] Parties operating under paragraph 1 of Article 5 that facilitate the transition from chlorofluorocarbon metered-dose inhalers [within the context of the existing Multilateral Fund guidelines and project agreements];
- 2) To request the Executive Committee of the Multilateral Fund to consider reviewing its decision 17/7 with regard to existing cut-off dates for consideration of metered-dose inhaler conversion projects in the light of the reality of the pace of technological advances in the metered-dose inhaler conversion sector and the potential uncertainty in the supply of pharmaceutical grade CFCs (see document UNEP/OzL.Pro.WG.1/26/7, Draft Decision F, paragraphs 1 and 2).

18. The square brackets [] included in the draft decision would limit the decision to MDI producing countries within the context of existing guidelines. This would enable funding for those countries with projects that were consistent with the existing guidelines and agreements. Excluding the brackets would provide funding to Parties that have received funding for all eligible activities but risk non-compliance for CFC MDIs.

ODS destruction removed from business plans

19. In requesting the TEAP to prepare terms of reference for *inter alia* environmentally sound recovery, transport and final disposal of ODS containing equipment and of the associated CFCs, the Parties indicated “that the said terms of reference shall be submitted to the Parties at the twenty-sixth meeting of the Open-ended Working Group, and that provision will be made for resources for this purpose in the 2006-2008 replenishment of the Multilateral Fund” (decision XVII/17, paragraph 5).

20. In considering ODS destruction activities included in the implementing agencies’ initial business plans, the Executive Committee maintained only one of them in the plans, moving it to 2008 (decision 48/5(h)) and removing all the others (decisions 48/5(g), 48/6(b)(iii), 48/8(a)(iv)).

21. During consideration of the terms of reference submitted to the Parties at the twenty-sixth meeting of the OEWG pursuant to decision XVII/17, the Parties forwarded a draft decision containing several square brackets [] concerning whether TEAP or the Multilateral Fund should conduct a study based on the terms of reference (UNEP/OzL.Pro.WG.1/26/7, Draft Decision D, paragraph 1).

22. At its 49th Meeting, the Executive Committee decided:

“(b) To inform the Parties, through a letter from the Chair of the Executive Committee to the Ozone Secretariat, that:

- (i) The Executive Committee was discussing the above-mentioned terms of reference and was of the view that there were substantial commonalities between those terms of reference and those being considered by the Parties in relation to decision XVII/17 of the Seventeenth Meeting of the Parties;
- (ii) The issues raised by both sets of the above-mentioned terms of reference could be considered by the Executive Committee of the Multilateral Fund, given that it had already held substantial discussions and initiated some work with respect to studying the issue of collection, recovery, recycling, reclamation, transportation and destruction of unwanted ozone-depleting substances;
- (iii) A request could be addressed to the Executive Committee to develop consolidated terms of reference and if agreed by the Executive Committee to initiate a study based on the consolidated terms of reference, and to report to the Nineteenth Meeting of the Parties on the progress made in that respect; and

(c) To consider the issue at the 50th Meeting of the Executive Committee, in light of any guidance provided by the Eighteenth Meeting of the Parties” (decision 49/36).

23. Since the Nineteenth Meeting of the Parties will consider a progress report on any study emanating from decision 49/36, there may not be any time for inclusion of any activities resulting from the study in the agencies' business plans during the current triennium.

Other activities removed from the business plans

24. The Executive Committee removed support of long-term management of halon banks from the business plan (decision 48/7(b)(v)). The Executive Committee has, however, agreed that Article 5 countries with zero halon baselines but a low level of documented installed halon inventories could submit project proposals to manage their halon stocks (decision 47/10(a)).

RECOMMENDATIONS

25. In prioritizing which activities might be considered in allocating the remaining US \$40 million in the business plans for 2006-2008, the Executive Committee may wish to:

- (a) Note the Paper on priorities for the triennium 2006-2008, beyond the needs identified by the model rolling three-year phase-out plan, taking into account the remaining US \$40 million in unallocated funds for the triennium as contained in document UNEP/OzL.Pro/ExCom/50/--;
- (b) Consider priorities for the 2006-2008 triennium for the remaining US \$40 million in unallocated funds including *inter alia* those activities that were considered outside of the compliance oriented model in the initial business plans including:
 - (i) Accelerated phase-out of methyl bromide;
 - (ii) HCFC activities;
 - (iii) Non-investment methyl bromide activities;
 - (iv) Activities for combating illegal trade;
 - (v) Additional funding initiatives outside the business plans and budgets;
 - (vi) MDI activities and funding for Parties that have received all eligible funding but risk non-compliance;
 - (vii) ODS destruction; and
 - (viii) Long-term management of halon banks.