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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-first Meeting
Montreal, 5-9 July 2010

BILATERAL COOPERATION

PROJECT TITLE	BILATERAL AGENCY
Terminal phase-out management plan (second tranche) in Central African Republic	France
Terminal phase-out management plan (second tranche) in Lao People's Democratic Republic	France
Phase-out of HCFC-22 in the room and unitary air-conditioning equipment manufacturing sector in Argentina	Italy
HCFC phase-out management plan (phase I, first tranche) in Ghana	Italy
Study on mechanisms and strategies for accounting emission reductions related to HCFC phase-out in the post-2012 climate regime: synergies between Montreal Protocol and the carbon finance in the introduction of alternatives of HCFCs	Italy
Project preparation for a demonstration project to validate the trans-critical CO ₂ refrigeration technology for application to ice-block makers at Austin Laz in Nigeria	Japan

Note on the organization of the document

1. This document provides an overview of requests from bilateral agencies, and whether these are eligible for approval by the Executive Committee in light of the maximum level of bilateral cooperation available for 2010. It cross-references relevant meeting documents that include a discussion on the bilateral requests, and contains the standard recommendation on the year of assignment for bilateral cooperation. There are two requests that are fully addressed in this document: One from the Government of Italy on the Study on mechanisms and strategies for accounting emission reductions related to HCFC phase-out in the post-2012 climate regime: synergies between Montreal Protocol and the carbon finance in the introduction of alternatives of HCFCs and one from the Government of Japan on the Project preparation for a demonstration project to validate the trans-critical CO₂ refrigeration technology for application to ice-block makers at Austin Laz.

2. A total of six projects for bilateral cooperation with a value of US \$1,208,535 (including agency fees) have been received by the Secretariat for approval at the 61st Meeting. Two from the Government France, three from the Government of Italy and one from the Government of Japan as shown in Table 1.

Table 1

VALUE AND NUMBER OF PROJECTS FOR BILATERAL COOPERATION, BY BILATERAL AGENCY (including agency fees)

Bilateral Agency	Total Amount Requested (US \$)	Number of Projects
France	207,355	2
Italy	967,280	3
Japan	33,900	1
Total	1,208,535	6

REQUEST FROM THE GOVERNMENT FRANCE

Introduction

3. Table 2 provides a summary of the request for bilateral co-operation from the Government of France. The value of this request (US \$207,355) does not exceed 20 per cent of France’s contribution for 2010 (US \$2,039,952).

Table 2

SUBMISSION FROM THE GOVERNMENT OF FRANCE

Project Title	Country	Total Amount Requested (US\$)	Amount Recommended (US\$)
Terminal phase-out management plan (second tranche)	Central African Republic	45,000	(1)
Terminal phase-out management plan (second tranche)	Lao People's Democratic Republic	138,500	(2)
Agency Fee		23,855	
TOTAL		207,355	

(1) UNEP/OzL.Pro/ExCom/61/31

(2) UNEP/OzL.Pro/ExCom/61/41

CENTRAL AFRICAN REPUBLIC: Terminal phase-out management plan (second tranche) (US \$45,000)

4. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/61/31.

LAO PEOPLE’S DEMOCRATIC REPUBLIC: Terminal phase-out management plan (second tranche) (US \$138,500)

5. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/61/41.

REQUEST FROM THE GOVERNMENT OF ITALY

Introduction

6. Table 3 provides a summary of the request for bilateral co-operation from the Government of Italy. The value of this request (US \$967,280) plus US \$237,300 at the 60th Meeting does not exceed 20 per cent of Italy’s contribution for 2010 (US \$1,644,329).

Table 3

SUBMISSION FROM THE GOVERNMENT OF ITALY

Project Title	Country	Total Amount Requested (US\$)	Amount Recommended (US\$)
Phase-out of HCFC-22 in the room and unitary air-conditioning equipment manufacturing sector	Argentina	339,000	(1)
HCFC phase-out management plan (phase I, first tranche)	Ghana	197,000	(2)
Study on mechanisms and strategies for accounting emission reductions related to HCFC phase-out in the post-2012 climate regime: synergies between Montreal Protocol and the carbon finance in the introduction of alternatives of HCFCs	Global	320,000	Individual consideration
Agency Fee		111,280	
TOTAL		967,280	

(1) UNEP/OzL.Pro/ExCom/61/28

(2) UNEP/OzL.Pro/ExCom/61/39

ARGENTINA: Phase-out of HCFC-22 in the room and unitary air-conditioning equipment manufacturing sector (US \$339,000)

7. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/61/28.

GHANA: HCFC phase-out management plan (phase I, first tranche) (US \$197,000)

8. The comments and recommendations of the Fund Secretariat are found in document UNEP/OzL.Pro/ExCom/61/39.

GLOBAL: Study on mechanisms and strategies for accounting emission reductions related to HCFC phase-out in the post-2012 climate regime: synergies between Montreal Protocol and the carbon finance in the introduction of alternatives of HCFCs (US \$320,000)

Project description

9. The Government of Italy has resubmitted to the 61st Meeting of the Executive Committee a request for funds to identify a suitable scheme for the accounting of greenhouse gas emission reductions (ERs) from HCFC phase-out activities at the level of funding of US \$320,000 plus support costs. This was initially submitted to the 60th Meeting but was deferred. The current proposal is the same as that provided to the previous meeting, on designing an operational financial scheme to explore synergies between the Montreal Protocol and carbon finance to enable the introduction of low climate impact alternatives to HCFCs. A detailed proposal is attached as an Annex to this document.

Fund Secretariat's comments

10. The Secretariat noted that this proposal is very similar to the resource mobilisation proposals submitted by UNDP, UNIDO and the World Bank. It appears from the proposal that it would also build capacity within the bilateral agency to develop such methodologies, an activity which is not necessarily considered as an incremental cost to the Multilateral Fund.

11. The Secretariat had detailed discussions with the representative from the Government of Italy and sought clarifications on the issues raised above. In these discussions, it was clarified that the main reason for submitting this proposal is to minimise the possible delays that could be incurred in determining climate benefits of HCFC phase-out required under decision XIX/6. With the proposed methodology development and consultation with potential donors and understanding their requirements, the study is intended to anticipate the actions and emerging issues associated with co-financing aspects of HCFC phase-out. Once the study is completed, sources of funding could be identified together with their specific requirements. The Executive Committee has so far approved funds for over 144 countries for HPMP preparation. There is an expectation that HPMPs submitted to the Executive Committee for approval should consider and include financial incentives and opportunities for co-financing, in accordance with decision 54/39. These elements for co-financing could be relevant for ensuring that HCFC phase-out results in benefits in accordance with paragraph 11(b) of decision XIX/6 as mentioned above.

Secretariat's recommendation

12. The Executive Committee may wish to consider the request of Italy for funding the project on a study on mechanisms and strategies for accounting emission reductions related to HCFC phase-out in the post-2012 climate regime: synergies between Montreal Protocol and the carbon finance in the introduction of alternatives to HCFCs based on the proposal presented, and any discussions on the special funding facility that took place at the 30th Open-Ended Working Group Meeting of the Parties.

REQUEST FROM THE GOVERNMENT OF JAPAN

Introduction

13. Table 4 provides a summary of the request for bilateral co-operation from the Government of Japan. The value of this request (US \$33,900) plus US \$566,243 at the 60th Meeting does not exceed 20 per cent of Japan's contribution for 2010 (US \$5,382,029).

Table 4

SUBMISSION FROM THE GOVERNMENT OF JAPAN

Project Title	Country	Total Amount Requested (US\$)	Amount Recommended (US\$)
Project preparation for a demonstration project to validate the trans-critical CO ₂ refrigeration technology for application to ice-block makers at Austin Laz	Nigeria	30,000	Individual consideration
Agency Fee		3,900	
TOTAL		33,900	

NIGERIA: Project preparation for a demonstration project to validate the trans-critical CO₂ refrigeration technology for application to ice-block makers at Austin Laz (US \$30,000)Project description

14. Japan submitted a request for the preparation of a demonstration project for the commercial refrigeration sector in Nigeria. The counterpart enterprise, Austin Laz, was established in 1982 and is one of the major manufacturers of commercial refrigeration systems in Nigeria. The project will evaluate the technical and commercial viability of the use of CO₂ as a refrigerant to replace HCFC-22 in split-type commercial refrigeration equipment, in particular at low temperatures (freezing).

15. The project preparation funds will be used to develop an investment proposal that will, when implemented, develop replicable models for use in other similar manufacturing enterprises and establish the technical performance and economic feasibility of CO₂ refrigeration technology for low-temperature applications, and support the development of methodologies and gathering of experience for calculating incremental cost for this particular technology.

Fund Secretariat's comments

16. At the 57th Meeting, consistent with decision 55/43(b), where the Executive Committee decided it would "choose those projects that best demonstrated alternative technologies and facilitated the collection of accurate data on incremental capital cost and incremental operating costs or savings, as well as other data relevant to the application of the technologies", all requests for HCFC demonstration projects for the refrigeration, solvent and foam sectors, except for five projects in the latter sector, were removed from the agencies' 2009-2011 business plans. This decision therefore allowed the submission of only these five projects to subsequent meetings of the Executive Committee for consideration.

17. At the 59th Meeting, due to an increase in requests for demonstration project preparation in the agencies' work programmes for alternative technologies other than the five agreed by the Executive Committee in decision 57/6, the Committee in decision 59/9 agreed "to allow additional HCFC projects that demonstrated alternative or new technology and that could provide the information required by decision 55/43 to be included in the 2010 business plans of the bilateral and implementing agencies".

18. The Secretariat reviewed the submissions in line with the decisions quoted above, as well as the requirement of decision 56/16 (i). It noted that the project in question is included in Japan's business plan for 2010 that will be discussed at this 61st Meeting. The Secretariat and the Government of Japan, who had originally submitted a demonstration project with the same title without a prior request for preparation funding, agreed that a number of open questions in the project proposal as originally submitted could be addressed further if time and funds for further project preparation would be available.

The Government of Japan therefore agreed to the Secretariat's suggestion to replace their project submission by a request for project preparation funding. Japan indicated further that it is intended to submit the final project proposal in time for the 62nd Meeting.

19. The use of CO₂ in commercial refrigeration has advanced over the last years in non-Article 5 countries, in particular in low-temperature (freezing) applications. It is used there as the most common alternative to two-stage HCFC-22 and one-stage HFC-404A systems where, in certain configurations, it can provide higher efficiency and avoid the use of a high- or medium-GWP substance in the refrigeration cycle; at the same time, CO₂ is non-flammable, allowing the use of considerable amounts of the substance in publicly accessible areas. It is therefore an interesting candidate for certain applications where no or few other low-GWP solutions are available. It has, however, significantly different characteristics from HCFC or HFC substances, in particular a fundamentally higher pressure level requiring different tools and service considerations.

20. The Secretariat notes that significant information on the enterprise has been part of the submission, including information on its HCFC use, its contribution to the total HCFC use in the country, and the amount of ODS presently consumed in the application covered by this demonstration project. An overall description of the CO₂ refrigeration technology to be demonstrated was also provided.

21. The Secretariat discussed with Japan the trade-off between the significant potential environmental benefits that CO₂ technology in the commercial refrigeration sector might provide, against consequences related to the significant change in technology as compared to the status quo, and the related change in requirements in relation to, e.g., service of equipment. The Government of Japan advised that the demonstration project is intended to help to understand the challenges better and develop ways on how to deal with them.

Secretariat's recommendation

22. In light of the comments of the Secretariat above, the Executive Committee may wish to consider approving the request from Japan for project preparation for a demonstration project to validate the trans-critical CO₂ refrigeration technology for application to ice-block makers at Austin Laz, Nigeria, at a level of US \$30,000 plus agency fees of US \$3,900.

GENERAL RECOMMENDATION

23. The Executive Committee may wish to request the Treasurer to offset the costs of the bilateral projects approved at the 61st Meeting as follows:

- (a) [US \$XXXXXX] (including agency fees) against the balance of France's bilateral contribution for 2010.
- (b) [US \$XXXXXX] (including agency fees) against the balance of Italy's bilateral contribution for 2010; and
- (c) [US \$XXXXXX] (including agency fees) against the balance of Japan's bilateral contribution for 2010.
