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Executive Committee of
the Multilateral Fund for the
Implementation of the Montreal Protocol

Thirteenth Meeting
Montreal, 25-27 July 1994

Addendum

REPORT OF THE SUB-COMMITTEE FOR THE REPORT ON THE REVIEW UNDER PARAGRAPH 8 OF ARTICLE 5 OF THE MONTREAL PROTOCOL

(24 July 1994)

1. The second meeting of the Sub-Committee for the Report on the Review under Paragraph 8 of Article 5 of the Montreal Protocol was convened in the offices of the Fund Secretariat in Montreal on 24 July 1994. Following a brief review of organizational matters, the Consultant (representatives of ICF Incorporated and Tata Energy Research Institute) presented a progress report on the Review.
2. The Consultant stated that the data collection phase was nearing completion. All eight country visits have been conducted and 170 interviews of industry, government, trade groups, and others have been completed. In addition, interviews were conducted with UNDP and the World Bank. Other interviews were scheduled with UNEP (Paris and Nairobi), UNIDO, UNEP's science and technology assessment panels, and representatives of countries attending the Thirteenth Meeting of the Executive Committee. Responses to fax questionnaires have been received from eight countries. The Sub-Committee expressed satisfaction with the Consultant's plans to obtain responses from the seven outstanding fax questionnaires.

3. The Consultant indicated that it planned refinements to the phase-out schedule assessment model in the following areas: non-price factors, forecasting ODS prices, differences among Article 5 countries, the assessment of the production sector, and operationalising Fund guidelines. Concerning non-price factors, the Consultant will assess phase-out resulting from other market and institutional forces. After which, it will be assumed that projects with the most cost-effective technologies will be implemented. Concerning ODS forecasts, the study team will use unit abatement costs to develop price forecasts within the model and contact ODS manufacturers to check the price forecasts from the model. Instead of grouping Article 5 countries, the Consultant plans to use ODS consumption in each end use including the following market segments: export-driven consumption, domestic market consumption, and consumption in informal sectors.

4. The Sub-Committee decided that the Consultant should reflect the following assumptions in the report and that these assumptions are for the purposes of this study alone and should not be interpreted as Executive Committee policy.

5. Concerning the operationalisation of Fund guidelines, the Sub-Committee decided:

Period of operational costs

(a) The period for operational costs should be determined as a weighted average, by industrial sub-sector, of the operational cost periods included in projects submitted to the Thirteenth Meeting of the Executive Committee. Additionally, the Consultant will use a four year period for operational costs as an upper boundary for two of the scenarios to be determined by the Consultant.

Residual capital value

(b) The residual capital value of equipment should be assumed as zero except in the production sector where an estimate should be developed. The precision and rigor of the estimate is dependant upon available data and resources.

Halon and TCA recycling

(c) Halon recycling is eligible and should be included. TCA projects with a cost effectiveness below US \$100 per ODP kilogram phased-out should be included.

6. Concerning the production sector, the Sub-Committee decided that the Consultant should use a reasoned approach and readily available technical information to estimate the costs of conversion on a global scale and not on a country or plant basis.

7. Concerning the incorporation of the costs and impact on the ozone layer of HCFCs and methyl bromide, the Sub-Committee decided that:

(a) The Consultant should contact the Technical and Economic Assessment Panel (TEAP) to determine what TEAP plans to propose as a phase-out schedule for these substances and determine to what extent this information could be incorporated into the assessment model either as a separate "off-line" calculation or as part of the model. The Consultant will inform the Sub-Committee of the results of discussions with TEAP by 5 August 1994.

(b) At a minimum, the Consultant should include an overview with a reasonable degree of detail on the present status of non-ODS substitutes for HCFCs and for methyl bromide as well as the status on the degree to which such substitutes are being used or planned to be used. This overview should be in the order of 2-4 pages included in the report and reflected in the executive summary on a half to a full page.

8. The Consultant and the members of the Sub-Committee agreed to the possibility of a Sub-Committee Meeting the day before the next Executive Committee Meeting.
9. The Chairman closed the Meeting at 12:00 noon.