

**United Nations
Environment
Programme**Distr.
GENERAL

UNEP/OzL.Pro/ExCom/96/56

14 April 2025

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninety-sixth Meeting
Montreal, 26-30 May 2025
Item 10(a) of the provisional agenda¹

**OUTSTANDING MATTERS RELATED TO THE GUIDELINES FOR FUNDING THE
PHASE-DOWN OF HFCs IN ARTICLE 5 COUNTRIES****Introduction**

1. Since the adoption of the Kigali Amendment at the Twenty-eighth Meeting of the Parties to the Montreal Protocol in 2016, the Executive Committee has been working on developing guidelines for financing the phase-down of hydrofluorocarbon (HFC) consumption and production, including cost-effectiveness thresholds, and the Secretariat has produced a number of documents to assist the Committee in its ongoing deliberations. The Executive Committee has been providing the Parties with annual updates on progress in its discussions through its reports to the Meetings of the Parties.
2. At the 95th meeting, the Executive Committee decided on the criteria for funding HFC phase-down in the consumption sector for stage I of Kigali HFC implementation plans (KIPs) in Article 5 countries, as detailed in decision 95/86.
3. At the same meeting, the Executive Committee also agreed² to include, in its discussions at subsequent meetings, the proposal by the Government of Canada on the formula for determining the starting point and the methodology for determining the reductions from remaining HFC consumption eligible for funding,³ and other remaining outstanding matters.⁴ The present document is prepared to facilitate the discussion of these outstanding matters by the Executive Committee.

Outstanding matters related to the HFC phase-down cost guidelines

4. Discussions of the following elements of decision XXVIII/2 were concluded: flexibility in implementation that enabled Parties to select their own strategies and priorities in sectors and technologies

¹ UNEP/OzL.Pro/ExCom/96/1

² Paragraph 375 of document UNEP/OzL.Pro/ExCom/95/94

³ Annex LIV to document UNEP/OzL.Pro/ExCom/95/94

⁴ Annex LV to document UNEP/OzL.Pro/ExCom/95/94

(paragraph 13); eligible incremental costs for consumption manufacturing sectors (subparagraph 15(a)), production sector (subparagraph 15(b)) and refrigeration servicing sector (subparagraph 15(c)); cut-off dates for eligible capacity (paragraph 17); second and third conversions (paragraph 18); capacity building to address safety (paragraph 23); other costs (paragraph 25); and eligibility of Annex F substances subject to high-ambient-temperature exemptions (paragraph 35). As part of the report of the Executive Committee to the Thirty-Seventh Meeting of the Parties, the aforementioned development of the guidelines will be presented in line with paragraph 10 of decision XXVIII/2⁵ for the consideration of the Parties.

5. The HFC phase-down cost guidelines agreed in decision 95/86 included all the aforementioned elements except for capacity building to address safety (paragraph 23) as this was integrated into the discussions on the refrigeration servicing sector, and other costs (paragraph 25) as the parties to the Montreal Protocol may identify other items to be added to the indicative list of incremental costs emanating from conversion to alternatives with low global-warming potential (GWP). The agreed HFC phase-down cost guidelines also included text on the element on the sustained aggregate reductions in consumption (paragraph 19) and further indicated that the formula for determining the starting point and the methodology for determining the reductions from remaining HFC consumption eligible for funding would form part of those guidelines when agreed by the Executive Committee. The status of discussion on the matter is provided in paragraphs 8 and 9.

6. On the remaining elements of decision XXVIII/2, namely, energy efficiency (paragraph 22) and disposal (paragraph 24), relevant to the HFC phase-down cost guidelines and not being included therein, the former has been addressed under a separate agenda item since the 83rd meeting with a number of decisions⁶ taken and new documents (UNEP/OzL.Pro/ExCom/96/57 and UNEP/OzL.Pro/ExCom/96/58) being issued at the present meeting.

7. On the latter, at its 90th meeting, the Executive Committee decided *inter alia* to provide flexibility to Article 5 countries to include, in their HCFC phase-out management plans (HPMPs) and KIPs, activities related to environmentally sound management of used or unwanted controlled substances including disposal; to request the Secretariat to develop criteria for a funding window to provide Article 5 countries with assistance to prepare an inventory of banks of used or unwanted controlled substances, and to develop a plan for the collection, transport and disposal (including consideration of recycling, reclamation and cost-effective destruction) of such substances, and to continue its deliberations on operationalizing paragraph 24 of decision XXVIII/2 in the context of the discussion of the cost guidelines for the phase-down of HFCs in Article 5 countries (decision 90/49). At the 91st meeting, the Executive Committee established a funding window for the preparation of national inventories of banks of used or unwanted controlled substances and a plan for the collection, transport and disposal of such substances, including consideration of recycling, reclamation and cost-effective destruction (decision 91/66). At the 93rd meeting, the Executive Committee requested the Secretariat to prepare, for consideration at the 97th meeting, a report providing an overview of the report of the Technology and Economic Assessment Panel and the outcomes of the workshop that would be held in line with decision XXXV/11; and of the status of implementation and preliminary outcomes of the projects submitted under decision 91/66, with a view to considering the establishment of a funding window in line with decision XXXV/11 (decision 93/104).

⁵ To request the Executive Committee to develop, within two years of the adoption of the Amendment, guidelines for financing the phase-down of HFC consumption and production, including cost-effectiveness thresholds, and to present those guidelines to the Meeting of the Parties for the parties' views and inputs before their finalization by the Executive Committee.

⁶ Decision 89/6 on additional activities for inclusion in existing and future HPMPs for LVC countries, when needed for the introduction of alternatives to HCFCs with low or zero GWP and for maintaining energy efficiency in the refrigeration servicing sector; decision 91/65 on a funding window for pilot projects to maintain and/or enhance energy efficiency in the context of HFC phase-down; decision 94/60 on the operational framework for enhancing energy efficiency when phasing down HFCs in the manufacturing of several types of equipment/appliances for three years with an augmentable funding window; and decision 95/87 on a funding window for energy efficiency revolving fund for end users and the existing framework (decision 94/60) for manufacturing of components and heat pumps.

Methodology for determining the starting point for sustained aggregate reductions

8. At the 92nd meeting, the Executive Committee discussed a methodology for determining the starting point for sustained aggregate reductions described in document UNEP/OzL.Pro/ExCom/92/46. During the discussions, later continued in a contact group, a member found the methodology proposed by the Secretariat interesting; another member mentioned that although his delegation had been in favour of the starting point being measured in metric tonnes (mt), the Secretariat's proposal included appropriate mechanisms that appeared to address the previously raised concerns about funding liability under the carbon dioxide-equivalent (CO₂-eq) tonnes approach. He was therefore open-minded to the approach to be taken. Issues that needed further discussion and raised by members included: the need to clarify the methodology for including the HCFC component of the HFC baseline in the starting point and an appropriate level for the starting point; that the policy for the final phase-down step was still under consideration; that subparagraph 18(e) and paragraph 19 of decision XXVIII/2 were to be read in conjunction; that an incentive might be needed for Article 5 countries to transition to low-GWP refrigerants as quickly as possible; that further consideration should be given to the transfer of ineligible consumption, including at ineligible enterprises, from the manufacturing to the servicing sector, including approaches other than that identified in the document; that it might be desirable to review the methodology in 2029; addressing phase-out achieved without assistance from the Multilateral Fund; and the need for more precise wording in subparagraph 6(a) of the document.

9. The Executive Committee did not conclude its deliberations on the methodology for determining the starting point at the 92nd meeting and, therefore, continued its discussions on the matter at the 93rd meeting, when some members reiterated the need to continue making progress on agreeing on a methodology for determining the starting point. Support was expressed for measuring the starting point in CO₂-eq tonnes, with one member noting that such an approach would ensure consistency with KIPs. Another member said that there was a need to take into account the impact of the COVID-19 pandemic on HFC consumption, including with respect to determining the starting point. Another member, recalling his delegation's openness in principle to considering the methodology proposed by the Secretariat for the starting point, said that he looked forward to discussing the matter further in a contact group.

10. The paper on the starting point for sustained aggregate reductions, prepared for the 92nd meeting,⁷ discussed in the contact group on the cost guidelines for the phase-down of HFCs and reissued at the 93rd meeting as document UNEP/OzL.Pro/ExCom/93/97, will be available as a background document for the present meeting.

11. In addition, at the 93rd meeting, the Government of Australia proposed a working text on the starting point for sustained aggregate reductions in HFC consumption.⁸ At the 94th and 95th meetings, the Executive Committee did not have an opportunity to discuss the working text and agreed to continue its consideration of the matter at subsequent meetings using that working text, included as annex I to the present document.⁹

Calculation of the cost and reductions from the starting point in the servicing sector for the Kigali HFC implementation plans in non-low-volume-consuming countries

12. At the 93rd meeting, a methodology for calculating costs and reductions from the starting point in the servicing sector for non-low-volume-consuming countries (LVC) countries was developed. The methodology, detailed in annex I of document UNEP/OzL.Pro/ExCom/93/97, had already been used to determine reductions in HFC consumption eligible for funding, and a decision was proposed to continue its use. However, the implications of the new methodology, particularly regarding the impact on the starting point for KIPs, necessitated further discussions, which have continued since the 93rd meeting.

⁷ UNEP/OzL.Pro/ExCom/92/46

⁸ Annex LXII of document UNEP/OzL.Pro/ExCom/93/105

⁹ Paragraph 375 of document UNEP/OzL.Pro/ExCom/95/94

13. At the 94th meeting, the representative of Canada introduced a proposed draft decision on the continued application of the approach, developed by the Secretariat and used since the 93rd meeting of the Executive Committee, to cost-effectiveness calculation in the servicing sector in KIP for non-LVC countries. Several members said that more time was needed to consider carefully the impact of adoption of the proposed draft decision. The Executive Committee decided to consider, at the 95th meeting, the proposal by the Government of Canada (decision 94/18).

14. At the 95th meeting, following an exchange of views, the Executive Committee agreed to discuss the proposal by the Government of Canada, as set out in the annex to document UNEP/OzL.Pro/ExCom/95/31, in the contact group established to discuss the guidelines for funding phase-down of HFCs in Article 5 countries.¹⁰ Subsequently, the Committee agreed to include in its discussions at subsequent meetings, the proposal by the Government of Canada,¹¹ which is included as annex II to the present document.

Recommendation

15. The Executive Committee may wish:

- (a) To note document UNEP/OzL.Pro/ExCom/96/56 on the outstanding matters related to the guidelines for funding the phase-down of HFCs in Article 5 countries; and
- (b) To continue its deliberations on the outstanding matters related to the guidelines for funding the phase-down of HFCs in Article 5 countries in light of the document referred to above.

¹⁰ Paragraph 146 of document UNEP/OzL.Pro/ExCom/95/94

¹¹ Paragraph 375 of document UNEP/OzL.Pro/ExCom/95/94

Annex I

**WORKING TEXT ON THE STARTING POINT
FOR SUSTAINED AGGREGATE REDUCTIONS IN HFC CONSUMPTION**

Submitted by the Government of Australia

(Annex LXII of document UNEP/OzL.Pro/ExCom/93/105)

1. The Executive Committee decided:
 - (a) To note the paper on the starting point for sustained aggregate reductions in HFC consumption contained in document UNEP/OzL.Pro/ExCom 93/97;
 - (b) That the unit of measurement for the starting point would be CO₂-equivalent tonnes, on the understanding that the reductions from the starting point would be accounted for in accordance with the approach outlined in paragraphs 8 to 15 of document UNEP/OzL.Pro/ExCom 93/97;
 - (c) That the quantities of HFCs with lower global-warming potential phased in by enterprises under manufacturing conversions supported by the Multilateral Fund would be eligible for funding if necessary for the country concerned to meet the final HFC phase-down step, irrespective of whether the country had sufficient remaining consumption eligible for funding, in line with paragraph 18(e) of decision XXVIII/2 and the agreed eligibility requirements of the Multilateral Fund;
 - (d) That during each stage of a Kigali HFC implementation plan for a country with HFC consumption in the manufacturing sector, the bilateral and implementing agencies concerned would identify and report on any HFC consumption at ineligible enterprises, ineligible consumption, and HFC consumption phased out in manufacturing enterprises without assistance from the Multilateral Fund; and
 - (e) To note that, [as was the case with the HCFC cost guidelines], for low-volume-consuming countries with consumption in the servicing sector only, no starting point would be applied as funding would be based on the modality represented by the table contained in decision 92/37.

Annex II

WORKING TEXT ON THE CALCULATION OF THE COST AND REDUCTIONS FROM THE STARTING POINT IN THE SERVICING SECTOR

Submitted by the Government of Canada

1. The Executive Committee decided to note the approach ~~[used]-developed~~ by the Secretariat ~~since~~ at the 93rd meeting ~~[in document UNEP/OzL.Pro/ExCom/93/97]~~ for calculating the ~~[reductions of HFC consumption eligible for funding to be deducted from the starting point and the cost of HFC phase-down]~~ maximum funding eligible for the HFC phase-down in the refrigeration servicing sector in stage I of the Kigali HFC implementation plans (KIPs) of non-low-volume-consuming (non-LVC) countries and to agree that this approach should continue to be applied in stage I of the KIPs for non-LVC countries.
