

Annex I

TEMPLATE FOR THE DRAFT COST GUIDELINES FOR THE PHASE-DOWN OF HFCs (For discussion at the 79th meeting)

The present annex contains the draft cost guidelines for the phase-down of HFCs based on the relevant elements of decision XXVIII/2 agreed by the Parties at their Twenty-eight Meeting. For the following elements there was a common understanding by the Executive Committee to move the relevant text to the draft cost guidelines: flexibility in implementation that enables parties to select their own strategies and priorities in sector and technologies; cut-off date for eligible capacity; second and third conversions; and eligible incremental cost (consumption manufacturing sector). The draft cost guidelines will continue to be updated upon further discussions on the elements of decision XXVIII/2 by the Executive Committee.

Flexibility in implementation that enables parties to select their own strategies and priorities in sectors and technologies

1. Article 5 countries will have flexibility to prioritize HFCs, define sectors, select technologies and alternatives and elaborate and implement their strategies to meet agreed HFC obligations, based on their specific needs and national circumstances, following a country-driven approach.

Cut-off date for eligible capacity

2. The cut-off date for eligible capacity is 1 January 2020 for those parties with baseline years from 2020 to 2022 and 1 January 2024 for those parties with baseline years from 2024 to 2026.

Second and third conversions

3. To apply the following principles for second and third conversion projects:

- (a) First conversions, in the context of a phase-down of HFCs, are defined as conversions to low-GWP or zero-GWP alternatives of enterprises that have never received any direct or indirect support, in part or in full, from the Multilateral Fund, including enterprises that converted to HFCs with their own resources;
- (b) Enterprises that have already converted to HFCs in phasing out CFCs and/or HCFCs will be eligible to receive funding from the Multilateral Fund to meet agreed incremental costs in the same manner as enterprises eligible for first conversions;
- (c) Enterprises that convert from HCFCs to high-GWP HFCs, after the date of adoption of the Amendment, under HCFC phase-out management plans already approved by the Executive Committee will be eligible to receive funding from the Multilateral Fund for a subsequent conversion to low-GWP or zero-GWP alternatives to meet agreed incremental costs in the same manner as enterprises eligible for first conversions;
- (d) Enterprises that convert from HCFCs to high-GWP HFCs with their own resources before 2025 under the Amendment will be eligible to receive funding from the Multilateral Fund to meet agreed incremental costs in the same manner as enterprises eligible for first conversions; and
- (e) Enterprises that convert from HFCs to lower-GWP HFCs with Multilateral Fund support when no other alternatives are available will be eligible to receive funding from the Multilateral Fund for a subsequent conversion to low-GWP or zero-GWP alternatives if necessary to meet the final HFC phase-down step.

Sustained aggregate reductions in HFC consumption and production

Eligible incremental cost

Consumption manufacturing sector

4. In accordance with paragraph 15(a) of decision XXVIII/2, to make the following categories of costs eligible and to include them in the cost calculation associated with the phase-down of HFCs in the consumption manufacturing sector:

- (a) Incremental capital costs (ICCs);
- (b) Incremental operating costs (IOCs) for a duration to be determined by the Executive Committee;
- (c) Technical assistance activities;
- (d) Research and development, when required to adapt and optimize alternatives to HFCs with low or zero global-warming potential;
- (e) Costs of patents and designs, and incremental costs of royalties, when necessary and cost-effective;
- (f) Costs of the safe introduction of flammable and toxic alternatives.

Production sector

Refrigeration servicing sector

Other costs

Energy efficiency

Capacity building to address safety

Disposal

Eligibility of Annex F substances subject to high ambient temperature exemptions