

**United Nations
Environment
Programme**Distr.
GENERALUNEP/OzL.Pro/ExCom/88/69
24 November 2021

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-eighth Meeting
Montreal, 15-19 November 2021¹

**UPDATE ON THE ANALYSIS OF THE IMPLICATIONS OF PARALLEL OR INTEGRATED
IMPLEMENTATION OF HCFC PHASE-OUT AND HFC PHASE-DOWN ACTIVITIES
(DECISION 84/86(a))**

Background

1. At its 80th meeting, the Executive Committee considered the document on the consolidated business plan of the Multilateral Fund for 2018-2020.² The document included a section on the capacity of the Multilateral Fund to address HFC phase-down, noting that the implementation of the Kigali Amendment could expand the scope and complexity of the work of the Executive Committee, the implementing agencies, the Secretariat and the Treasurer. Subsequent to a discussion, where some members pointed out that responsibilities under the Kigali Amendment and in other areas would entail additional work in the future for the Fund's institutions, the Executive Committee requested the Secretariat to submit to the 81st meeting a document on the implications for Multilateral Fund institutions in terms of expected workload in the coming years, including in relation to the Kigali Amendment for the phase-down of HFCs (decision 80/34(f)).

2. In line with decision 80/34(f), at its 81st meeting the Executive Committee considered the document on Implications for Multilateral Fund institutions in terms of expected workload in the coming years, including in relation to the Kigali Amendment for the phase-down of HFCs.³ During the discussion, it was acknowledged that certain aspects needed further consideration, including whether HCFC phase-out and HFC phase-down activities were to be carried out in parallel or in an integrated manner, the implications of that balance for replenishment levels and resource availability, cost-effectiveness, implementation and reporting, and the capacities of Fund institutions and Article 5 countries to carry out such work. Other aspects that merited further discussion included partnerships and co-financing to generate co-benefits in areas such as climate change and energy efficiency. Accordingly, the Executive Committee *inter alia* requested the Secretariat:

¹ Online meetings and an intersessional approval process will be held in November and December 2021 due to coronavirus disease (COVID-19)

² UNEP/OzL.Pro/ExCom/80/16

³ UNEP/OzL.Pro/ExCom/81/55

- (a) To submit to the 84th meeting an analysis, conducted in consultation with the bilateral and implementing agencies, of the implications of parallel or integrated implementation of HCFC phase-out and HFC phase-down activities, taking into account, *inter alia*, resource availability and cost-effectiveness and the capacity of Fund institutions and Article 5 countries, especially national ozone units (NOUs) and programme management units; and
- (b) To take into account in the analysis relevant partnerships and the engagement of Fund institutions with other institutions, particularly in HFC phase-down activities, supported by the Multilateral Fund, in line with the Kigali Amendment (decision 81/69).

3. In response to decision 81/69, the Secretariat prepared document UNEP/OzL.Pro/ExCom/84/65, which included an analysis of the variables that would have an influence on whether activities could be implemented in an integrated manner or in parallel; and presented an analysis of the extent to which HCFC phase-out and HFC phase-down activities are expected to be implemented in an integrated or parallel manner in the production, consumption manufacturing and refrigeration servicing sectors during the 2020-2030 period.

4. In the document the Secretariat also indicated *inter alia* that:

- (a) It could be expected that the workload would increase in the period 2020-2030 as funding for HFC phase-down would be approved in addition to HCFC phase-out activities. As previously reported to the Executive Committee,⁴ HFC phase-down activities, together with ongoing HCFC phase-out activities, were expected to expand the scope and complexity of work under the Multilateral Fund;
- (b) Bilateral and implementing agencies had already witnessed an increase in the volume of work related to the preparation of project proposals and enabling activities to respond to challenges related to the HFC phase-down, such as, for example, the additional regulatory measures to be established and the increased number of substances and blends for which information needs to be collected and reported by the NOUs, the design of a strategy for HFC phase-down compatible with HCFC phase-out, or the preparatory work in the refrigeration servicing sector to facilitate the safe adoption of low-GWP technologies which could be flammable or toxic; and
- (c) The workload of Fund institutions would be determined by mandated multi-year activities, the capacity and readiness of Article 5 countries to handle HCFC phase-out and HFC phase-down activities concurrently, and the scheduling of those activities during the 2020-2030 period.

5. In preparing document UNEP/OzL.Pro/ExCom/84/65, the Secretariat considered it necessary to update the analysis at a future meeting, noting the following:

- (a) It was still early to determine the magnitude of the additional challenge of commencing HFC phase-down while HCFC was still being phased out. There was not a reliable aggregated estimate of the amount of HFC that Article 5 countries would need to reduce to ensure compliance with the Montreal Protocol, as consumption and production data had not started to be collected and reported under Article 7 of the Montreal Protocol;
- (b) The increased workload for the NOUs associated with the HFC phase-down, and the related funding was still expected to be discussed at the 85th meeting in the context of the review of the institutional strengthening projects (IS) including funding levels (decision 74/51(d));

⁴ UNEP/OzL.Pro/ExCom/80/16

- (c) The funding associated with the HFC phase-down would depend on a number of policy decisions by the Parties to the Montreal Protocol and the Executive Committee, including those resulting from the discussions on IS projects, as well as the modalities and levels of funding for the refrigeration servicing sector and the cost-effectiveness thresholds for the manufacturing sectors in the context of the cost guidelines for HFC phase-down, also expected to be discussed at the 85th meeting;
- (d) Potential engagement with other institutions to address matters related to energy efficiency, particularly in the manufacturing sector, would require guidance from the Executive Committee; and
- (e) Potential funding increases for the Fund Secretariat, the Treasurer, the core units of UNDP, UNIDO and the World Bank, and UNEP CAP could only be assessed once the actual workload during the 2020-2030 period was better known.

6. Accordingly, at the 84th meeting, the Executive Committee considered the document prepared by the Secretariat and decided to request the Secretariat to prepare an update of the analysis for the 87th meeting; and to take into account the opportunities for integrated implementation of the phase-out of HCFC and phase-down of HFCs in the refrigeration servicing sector when developing the document on an analysis of the level and modalities of funding for the HFC phase-down in the refrigeration servicing sector requested by decision 83/65 (decision 84/86(b)(ii)).

7. At the same meeting, in discussing requests for preparatory funding for HFC phase-down plans and demonstration pilot projects, included in the work programme amendments of one implementing agency, the Executive Committee requested the Secretariat to prepare for the 85th meeting, in addition to the draft guideline for the preparation of HFC phase-down plans, a document discussing potential strategies, policy measures and commitments, as well as projects and activities that could be integrated within stage I of HFC phase-down plans for Article 5 countries to ensure limits on growth and reductions in HFC consumption that were sustained over time, taking into account the parallel or integrated implementation of HCFC phase-out and HFC phase-down activities, where appropriate (decision 84/54(b)).

Status of the analysis

8. In response to decisions 84/54(b) and 84/86(b)(ii), the Secretariat presented an analysis of the implications of parallel or integrated implementation of HCFC phase-out and HFC phase-down activities in the following documents submitted to the 86th meeting and resubmitted to the 87th meeting and subsequently to the 88th meeting, as their consideration was deferred in light of the COVID-19 pandemic:

- (a) Document UNEP/OzL.Pro/ExCom/88/71 on Potential strategies, policy measures and commitments, as well as projects and activities that could be integrated within stage I of HFC phase-down plans for Article 5 countries (decision 84/54(b)); and
- (b) Document UNEP/OzL.Pro/ExCom/88/72 on the Analysis of the level and modalities of funding for HFC phase-down in the refrigeration servicing sector (decisions 83/65(b) and 84/86(b)(ii)).

9. The detailed analysis included in the two above-mentioned documents addresses the operational aspects of parallel or integrated implementation of HCFC phase-out activities and HFC phase-down activities for Article 5 countries. However, those documents have not included an analysis related to the capacity of the Fund institutions and Article 5 countries, specifically the NOUs.

10. Since the consideration of the matter at the 84th meeting, the Secretariat has continued to observe a gradual increase in the workload associated with the preparatory activities for HFC phase-down being implemented concurrently with ongoing HCFC phase-out activities. As of 8 October 2021, 89 Article 5 countries have ratified the Kigali Amendment, 108 countries have reported HFC consumption for 2018,

2019 or 2020 under the country programme implementation report or under Article 7 of the Montreal Protocol, and those that ratified are currently updating their regulatory frameworks to include HFCs in their licensing systems for production, import and exports.

11. Bilateral and implementing agencies continue to assist Article 5 countries in finalizing their enabling activities for HFC phase-down, hold virtual events to discuss issues related to the implementation of HFC phase-down and provide training on data collection and reporting on HFCs and on handling low-GWP alternative technologies that can be flammable or toxic. At the 87th meeting, the Executive Committee approved the guidelines for the preparation of Kigali HFC implementation plans (KIPs) (decision 87/50) and subsequently approved funding requests submitted by 35 Article 5 countries for the preparation of their KIPs; additional funding requests for the preparation of KIPs in 19 Article 5 countries have been included in the bilateral cooperation and work programme amendments submitted to the 88th meeting. As these plans start to be formulated and implemented, the workload is expected to continue growing for the majority of Article 5 countries, as they are still implementing HCFC phase-out activities. Since the 84th meeting, new stages of HPMPs have been approved for 53 Article 5 countries, and those for 16 additional countries will be considered at the 88th meeting.

12. Notwithstanding the additional progress achieved, due to the constraints imposed by the COVID-19 pandemic, discussions related to a number of policies related to the HFC phase-down, as well as the review of funding of IS projects and the analysis of the administrative cost regime and core unit funding, that were expected to take place after the 84th meeting, have been deferred.

13. Aspects such as the scope of activities and timing of submission of HFC phase-down plans will also be better understood when ongoing discussions on the guidelines for the preparation of HFC phase-down plans, the potential strategies for HFC phase-down and energy efficiency are completed. Meanwhile, the availability of resources for the 2021-2023 triennium will be known once the Parties to the Montreal Protocol will be able to hold their meeting. The Executive Committee may wish to note that at their Thirty-Third Meeting,⁵ the Parties to the Montreal Protocol adopted an updated interim budget of US \$400 million for the Multilateral Fund for the 2021–2023 triennium, until such time as the parties adopt a final decision on replenishment, including a revised budget for the 2021–2023 triennium, on the understanding that the updated interim budget will be provided from the contributions due to the Multilateral Fund and other sources for the 2018–2020 triennium, and from contributions already made by the parties in 2021 (decision XXXIII/1).

14. Potential funding increases for the Fund Secretariat, the Treasurer, the core units of UNDP, UNIDO, the World Bank, and UNEP CAP would need to be assessed in light of the additional information on the actual workload for the 2022-2030 period that will be obtained from the results of ongoing policy discussions by the Executive Committee and from the analysis of additional HFC production and consumption data to be reported by Article 5 countries for 2020 and 2021.

Recommendation

15. The Executive Committee may wish:

- (a) To note the status of the analysis of the implications of parallel or integrated implementation of HCFC phase-out and HFC phase-down activities contained in document UNEP/OzL.Pro/ExCom/88/69; and

⁵ Online, 23–29 October 2021.

- (b) To request the Secretariat to prepare an analysis related to the capacity of the Multilateral Fund institutions and Article 5 countries to address HFC phase-down, for the last meeting of the Executive Committee in 2022.
