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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-second Meeting
Montreal, 29 November - 3 December 2010

Addendum

PROJECT PROPOSAL: BHUTAN

This document is issued to **add** the letter of 2 December 2010 from the Government of Bhutan to demonstrate the country's strong national commitment to support their request for accelerated phase-out of HCFCs as attached.



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དཔལ་ལྷན་འབྲུག་གཞུང་།
National Environment Commission
Royal Government of Bhutan



NEC/Ozone/HPMP/2010/ 9149

December 2, 2010

Dear Ms. Nolan,

This letter is in continuation of Bhutan's HPMP submission and the subsequent letter highlighting the national commitment of the country to phase out its complete use of HCFCs by 2020. This decision was taken by the Government at the highest political level after extensive stakeholder consultations with the line Ministries, industry stakeholders and the civil society. The Plan is developed in a single stage approach aimed at achieving complete phase-out of HCFCs by 2020 and keeping an allowance of 2.5 percent of the baseline consumption (5.6 MT) for meeting servicing needs till 2025. The plan will bring in a quota system by 2011 and impose an import ban on HCFC based equipment by 2013. The decision on phasing-out of HCFC by 2020 is based on the countries determination to maintain the national policy of negative carbon emission status.

This HPMP represents:

- (a) an accelerated phase out commitment by the Kingdom of Bhutan beyond that required by Decision XIX/6 of the Montreal Protocol, which will result in an HCFC phase out ten years before other Article 5 countries.
- (b) The country has committed in kind assistance for 4% of the total estimated cost of the HPMP.
- (c) commitment to seek significant levels of co-financing (10% of the total estimated cost) from non-Multilateral Fund sources for the climate benefits associated with the HCFC phase out.
- (d) Significant additional in-kind co-financing from the Government of Bhutan.

Context:

As you are aware, the Royal Government of Bhutan became a Party to the Vienna Convention for the Protection of the Ozone Layer, as well as the Montreal Protocol on Substances that Deplete the Ozone Layer and its four Amendments in 2004, becoming one of the last countries to ratify this Protocol. Despite being a late entrant, Bhutan has shown exemplary commitment to the Protocol and fulfilled all obligations. These multilateral legal instruments were both ratified by the 82nd session of the National Assembly in 2004 in order to join hands with the international community to protect the environment and human health through sound management of Ozone Depleting Substances and to ensure sustainable development and inter-generational equity in pursuit of Gross National Happiness through conservation and enhancement of quality of environment.

The Constitution of the Kingdom of Bhutan, is the principal legal instrument in Bhutan that provides the overarching constitutional mandate for the protection and conservation of the environment. Article 5 of the Constitution specifically states:

“Every Bhutanese is a trustee of the Kingdom’s natural resources and environment for the benefit of the present and future generations and it is the fundamental duty of every citizen to contribute to the protection of the natural environment, conservation of the rich biodiversity of Bhutan and prevention of all forms of ecological degradation including noise, visual and physical pollution through the adoption and support of environment friendly practices and policies.”

Bhutan’s approach to development is based on the philosophy of ‘Gross National Happiness’(GNH), which advocates a multi-dimensional development approach that seeks to maintain harmony and balance between economic, emotional and environmental well-being of the people and nation. Bhutan 2020 – a Vision Document outlines human development, cultural preservation, balanced and equitable economic development, good governance, and environmental sustainability as the main pillars to work towards the realization of GNH. Bhutan’s ratification of the Protocol and the HPMP needs to be viewed in this context.

Institutional Structure:

The National ozone Unit is housed in the National Environment Commission (NEC), an independent authority and the highest decision making body on all matters relating to the environment and its management in Bhutan. It has been appointed by the Royal Government of Bhutan as the focal agency to take responsibility of implementing the provisions under the Vienna Convention on protection of the Ozone layer and the Montreal Protocol on substances that deplete the ozone layer. The NEC consists of members as follows from main stakeholders with the Head of the Secretariat as the member secretary of the Commission.

1. Prime Minister as Chairman
2. Minister of Agriculture and Forests
3. Minister of Works & Human Settlement
4. Minister of Economic Affairs
5. Member of Parliament (Chair of the Parliament Environment Committee)
6. Director of the Bhutan Trust Fund for Environmental Conservation
7. Executive Director of the Royal Society for the Protection of Nature (an NGO)
8. Head of the National Environment Commission Secretariat as the Member Secretary

The accelerated phase out of HCFCs by 2020 is a policy that has been approved by this highest body of the Government at the level of the Prime Minister.

Bhutan signed the United Nations Framework Convention for Climate Change (UNFCCC) in 1992 and ratified by 73rd National Assembly in 1995 and acceded to the Kyoto Protocol in August of 2002. The National Climate Change focal unit for Bhutan also lies with the

National Environment Commission. The overall coordination of the multilateral environmental agreements (MEAs) is carried out by the Policy and Coordination Services of the NEC. Therefore, two bodies within the NEC, the Policy and Coordination Services and the Steering Committee of the NEC monitors progress of all projects related to MEA that are under the purview of the NEC. This institutional structure will ensure that the HCFC phase out is linked closely to the carbon-negative policy of the Government.

National Policy on Carbon Negativity:

With these strong commitments towards preservation and protection of the environment, in the climate conference held in Copenhagen in December 2009, further more commitments were made by the Prime Minister towards cutting down CO₂ emission by the Government Bhutan,. The country has committed to keep absorbing more carbon than they emit- and to maintain the country's status as a net sink for Green House Gases (GHG). Estimated annual GHG emission is around 1.5 million tones of carbon against a sequestration amount of 6.3 million tones. Therefore the country has a negative 4.7 million tonnes of carbon emissions. The country has strongly committed to remain, as one of the few countries in the world, with a negative carbon emissions and to enhance and sustain this status.

The HCFC phase-out management plan of Bhutan stems from the above mentioned firm commitment of the country to protect and preserve the environment, and its strong commitments to maintain the carbon neutral emission status. Based on this, the country has committed to phase-out HCFCs by 2020, ten years earlier than what is required in the accelerated phase-out schedule (MOP Decision XIX/6), following a single stage approach. Again, equipments that will be imported into the country will be based on non ODS and very low GWP alternatives so that carbon negative status can be strengthened. Activities under HPMP have, therefore, been designed to assist Bhutan to maintain this carbon negative status.

Bhutan's Strategy:

To achieve the above dual targets of carbon negativity and HCFC phase out, Bhutan will follow a three-pronged approach comprising of the following elements:

1. Limit the supply of HCFC
2. Reduce the demand of HCFCs for servicing existing equipment
3. Limit new demand of HCFCs

This three-pronged approach aims to reduce the dependence on HCFCs until the final phase-out in 2020. The implementation plan includes measures which include combination of (a) regulations and enforcement instruments, (b) training and capacity building, (c) Information exchange and advocacy programmes, and (d) project initiatives. The early HCFC phase-out targets of Bhutan add a new environmental challenge to the existing ones. HCFC phase-out concerns not only the industry and government but also consumers as well,

but the government and industry and other relevant stakeholders are prepared to take up the challenges.

Co-financing for Climate co-benefit activities:

Decision XIX/6 Paragraph 11 (b) requests the Executive Committee to give priority to cost-effective projects and programmes which focus on: *“Substitutes and alternatives that minimize other impacts on the environment, including on the climate, taking into account global-warming potential, energy use and other relevant factors”*. Given that the two commonly used alternative refrigerants for air conditioning are HFC-blends R-410A and R-407C with similar or higher GWP than HCFC-22, the new system must have better energy efficiency in order to have overall climate benefit. The introduction of the energy efficiency Standard Labeling Programme (SLP), together with a Framework for Efficient and Low HCFC Economic Development (FELHED) will ensure that the shift toward non-HCFC alternative will follow the intent of MOP decision and fulfill the national policy of carbon negativity.

The Government of Bhutan has decided to phase-out HCFCs by 2020 in line with the national policy of maintaining, enhancing and sustaining carbon neutrality. Therefore, the Government will mobilize co-financing to the tune of USD 45,000 to implement the two national policies of SLP and FELHED in conjunction with HPMP implementation. The Government has already initiated action to initiate these policies in close consultation with the Bureau of Energy Efficiency in India. Further, financial assistance given under this HPMP will be completed by 2020. Even though HCFC phase-out is completed by 2020 monitoring, evaluation and reporting would be carried out on regular basis until 2040 from Government funding. DANIDA Climate fund assistance is also being sought to provide co-financing for some of the activities of the HPMP such as training and capacity-building. In addition, the government will provide in-kind co-financing for managing the linkages of the HPMP with the other carbon-negativity programmes.

Milestones for 2010-2015:

Some of the key milestones Bhutan will achieve in the next five years are:

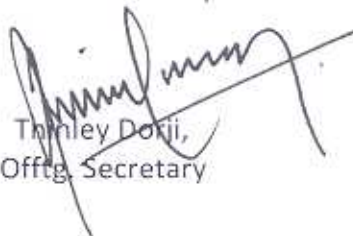
- A notification by the Royal Government of Bhutan on restricting HCFC and HCFC based equipment import will be issued as a first step to control and manage HCFCs in Bhutan in 2011. Action on this has already been initiated.
- The NOU will strengthen the existing import/export licensing system incorporating a quota system as per the new requirements in early 2011. Action on this has already been initiated.
- HCFCs and HCFC-based equipment import will be discouraged through introduction of a green environmental taxation system that will be established at the end of 2012.
- A ban on HCFC-based equipment by 2013.
- Capacity building workshops for the enforcement chain in 2011-2013.

- Establishment and development of standards for introduction of energy efficient appliances by 2013.
- Ensuring that all HCFC-based appliances and equipment are retrofitted or replaced with non-HCFC alternatives by 2020. These alternative technologies also need to be with low or negligible GWP and be energy-efficient.
- For appliances and equipment that cannot be so retrofitted or replaced with satisfactory alternative technology in line with the above, only recycled or reclaimed HCFCs will be used from 2020 onwards, until their retirement at end of life.

In view of the above, the Government would urge the 62nd Excom to approve the total single stage phase out of HCFCs by 2020 and assist Bhutan in meeting its twin objectives of carbon negativity and HCFC phase out.

Thanking you for your kind consideration.

Sincerely,


Tonley Dorji,
Offg. Secretary



To
Ms. Maria Nolan
Chief Officer
Multilateral Fund Secretariat
Montreal
Canada