



**Programa de las  
Naciones Unidas  
para el Medio Ambiente**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/55/47  
19 de junio de 2008

ESPAÑOL  
ORIGINAL: INGLÉS

COMITÉ EJECUTIVO DEL FONDO MULTILATERAL  
PARA LA APLICACIÓN DEL  
PROTOCOLO DE MONTREAL  
Quincuagésima quinta Reunión  
Bangkok, 14 al 18 de julio de 2008

**ANÁLISIS REVISADO DE LAS CONSIDERACIONES DE COSTOS PERTINENTES  
RESPECTO DE LA FINANCIACIÓN DE LA ELIMINACIÓN DE LOS HCFC  
(DECISIONES 53/37 I) Y 54/40)**

Los documentos previos al período de sesiones del Comité Ejecutivo del Fondo Multilateral para la Aplicación del Protocolo de Montreal no van en perjuicio de cualquier decisión que el Comité Ejecutivo pudiera adoptar después de la emisión de los mismos.

## **RESUMEN EJECUTIVO**

### Descripción general de los HCFC y las cuestiones relacionadas con la financiación de los HCFC

1. A abril de 2008, el Fondo Multilateral ha aprobado proyectos y actividades cuya ejecución completa se espera que elimine alrededor de 250 000 toneladas PAO de consumo de SAO. Si bien la cifra de 25 765 toneladas PAO de consumo de HCFC en los países que operan al amparo del Artículo 5 parece pequeña en relación con esta cantidad, este consumo en APO se traduce al casi 363 400 toneladas métricas, por lo que la cantidad de HCFC a ser eliminada parece mayor que la lograda por el Fondo hasta la fecha.

2. Actualmente, tres sustancias químicas, HCFC-141b, HCFC-142b y HCFC-22 representan más del 99 por ciento del consumo total de todos los HCFC en los países que operan al amparo del Artículo 5. Estos HCFC se usan principalmente en la fabricación de productos de espumas y equipos de refrigeración y en el subsector de servicio y mantenimiento de refrigeración. El consumo restante de HCFC se usa en aplicaciones especializadas en los sectores de aerosoles, extintores de incendios y solventes. Si bien aún no se cuenta con datos suficientes para consignar cifras precisas, resulta claro que alrededor del 90 por ciento de los países consumen sólo HCFC 22 para el servicio y mantenimiento de los equipos de refrigeración y aire acondicionado existentes, mientras que alrededor de 50 países que operan al amparo del Artículo 5 cuentan, además, con empresas que usan HCFC para fabricación. Por lo tanto, el sector de servicio y mantenimiento de refrigeración desempeñará un importante papel para cumplir con la congelación para 2013 y la reducción para 2015, especialmente en esos 90 países o más que no cuentan con empresas de fabricación a base de HCFC. Considerando la experiencia del Fondo hasta la fecha, es probable que aquellos países que usan HCFC únicamente para servicio y mantenimiento podrían efectuar la eliminación por medio de la aplicación de un plan de gestión de eliminación de HCFC y actividades relacionadas, tales como capacitación de técnicos, recuperación y reciclaje, y programas de incentivos para la conversión, mientras que aquellos que usan HCFC en el sector de fabricación deberán aumentar las actividades de los planes de gestión de eliminación de HCFC con componentes de inversión sectoriales o nacionales.

### Políticas existentes para eliminar los HCFC

3. De conformidad con la decisión 53/37 i), se han identificado alternativas sustitutivas viables para eliminar los HCFC en los sectores de espumas y refrigeración y se han calculado sus intervalos de costos correspondientes. Específicamente, se han calculado el costo adicional de capital de la conversión de las empresas fabricantes a las alternativas y los costos adicionales de explotación relacionados con la financiación de las nuevas alternativas. Sobre esta base, los intervalos de costos disponibles no proporcionan, en este momento, una base para recomendar plantillas para la aprobación de proyectos o establecer umbrales de financiación para determinados tipos de conversiones, sino que demuestran los niveles relativos de costos de capital y de costos de explotación relacionados con las conversiones a fin de aportar información más cabal a las deliberaciones del Comité Ejecutivo en curso. Basándose en esta inteligencia, la Secretaría del Fondo considera que existe una base adecuada para la preparación, consideración y aprobación de proyectos de conversión de HCFC iniciales autónomos de conformidad con la

decisión 54/39 d)<sup>1</sup>. Sin embargo, respecto de los planes de eliminación de HCFC sectoriales o nacionales, la Secretaría no confía en contar con capacidad para formular al Comité Ejecutivo recomendaciones fundamentadas acerca de los costos apropiados de dichos planes. Por el contrario, la Secretaría considera que puede ser necesario elaborar primero un marco de costos para los proyectos de eliminación de HCFC sobre la base de la experiencia adquirida por medio de la revisión de una cantidad limitada de proyectos de conversión, así como los planes de gestión de eliminación de HCFC a ser preparados por los países que operan al amparo del Artículo 5<sup>2</sup>.

4. Tal como se señaló en los párrafos anteriores, la financiación de los proyectos del Fondo Multilateral se ha basado en la evaluación de los costos adicionales de capital y de explotación admisibles. El costo adicional de capital se ha determinado sobre la base del costo de los equipos necesarios para efectuar la conversión. Por el contrario, el costo adicional de explotación que, conceptualmente, ha cubierto la diferencia entre el costo del uso de, por ejemplo, CFC y los HFC que los han sustituido, se ha pagado durante un plazo determinado por el Comité Ejecutivo. Dicho plazo ha variado en diferentes sectores, y ha abarcado entre 0 y 4 años. En algunos casos, tal como el sector de aerosoles, en el que el costo de la alternativa es más bajo que el de la sustancia química que sustituye, el costo adicional de explotación más bajo dio lugar a una reducción de los fondos disponibles para cubrir el costo de la conversión, por lo que las conversiones resultaron más dificultosas. En relación con los HCFC, actualmente y en la etapa actual de comercialización de tecnologías nuevas en los países que operan al amparo del Artículo 5, existe un elevado grado de incertidumbre respecto de la cuantificación precisa de los parámetros de costos que comprenden los costos adicionales de explotación en los proyectos de eliminación de HCFC. No obstante, si las políticas y criterios actuales para financiar la eliminación de SAO se mantienen sin cambios, los costos adicionales de explotación de los proyectos de eliminación de HCFC podrían, según la alternativa seleccionada, cubrir una proporción más elevada de los costos totales del proyecto que lo que resultaba usual en los proyectos de eliminación de CFC similares. Los costos adicionales de explotación, que se pagan en efectivo, han actuado como un incentivo para que las empresas aborden la conversión temprana en la eliminación de los CFC. Sin embargo, considerando el costo más elevado de alternativas tales como el HFC-245fa, y el costo más bajo de las alternativas con potencial de calentamiento mundial (PCM<sup>3</sup>) nulo, tales como los hidrocarburos, aparentemente, el sistema de costos adicionales de explotación podría generar un “incentivo perverso” para que las empresas soliciten la conversión a alternativas de precio más elevado y PCM más elevado, un resultado que no guardaría conformidad con el espíritu de las condiciones de la decisión XIX/6 de la

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<sup>1</sup> Para los países que opten por ejecutar proyectos de inversión antes de que el plan de gestión de eliminación de HCFC esté completo: i) la aprobación de cada proyecto debería dar origen a una eliminación de HCFC que se deduciría del consumo identificado en el plan de gestión de eliminación de HCFC, y no se podrán aprobar otros proyectos de ese tipo después de 2010, a menos que sean parte del plan de gestión de eliminación de HCF y 2) en el caso de que se utilice un enfoque por proyecto individual, la presentación del primer proyecto debería indicar cómo se relacionaron los proyectos de demostración con el plan de gestión de eliminación de HCFC, e indicar cuándo se presentaría el plan de gestión de eliminación de HCFC.

<sup>2</sup> Se ha presentado a la consideración del Comité Ejecutivo en la 55ª Reunión la financiación para la preparación de planes de gestión de eliminación de HCFC en más de 115 países que operan al amparo del Artículo 5.

<sup>3</sup> El PCM es una medición que indica cuánto se calcula que una masa determinada de gases de efecto invernadero contribuye al calentamiento mundial. Es una escala relativa que compara el gas en cuestión con la misma masa de dióxido de carbono cuyo PCM es, por su propia definición, igual a 1.

Reunión de las Partes. Consiguientemente, este asunto se encuentra maduro para ser considerado por el Comité Ejecutivo y puede ser necesario que se presenten algunos proyectos autónomos iniciales con la información pertinente requerida para evaluar el costo adicional de explotación, lo que permitiría al Comité Ejecutivo considerar el asunto basándose en datos más exactos.

5. Sujeto a la determinación de la admisibilidad de la financiación para a sustitución de equipos a base de HCFC que hayan sido instalados con asistencia del Fondo Multilateral (segundas conversiones), no resultaría posible presentar proyectos de eliminación de HCFC autónomos para la eliminación de los HCFC en empresas que utilizan dichos equipos. La resolución de parte del Comité Ejecutivo en su 57ª Reunión, a principios de 2009, acerca de las cuestiones relacionadas con las segundas conversiones y la fecha de límite para la instalación de equipos a ser financiados para la sustitución de HCFC resultaría esencial para permitir la consideración de proyectos de conversión autónomos a fin de proseguir sin demoras importantes.

#### Tecnologías y costos del sector de espumas

6. Tal como se señala anteriormente, aproximadamente 50 países que operan al amparo del Artículo 5 usan HCFC para fabricación. En ese contexto, el área de mayor utilización es el uso de HCFC-141b en la producción de espumas. Afortunadamente, existe una amplia variedad de alternativas disponibles para sustituir el uso de los HCFC en el sector de espumas. En este sector, ya se han probado y se aplican en los países que operan al amparo del Artículo 5 productos químicos a base de agua y agentes espumantes a base de hidrocarburos como alternativas sin HCFC para los CFC, y también se continuarán aplicando como alternativas al uso de HCFC-141b. Los requisitos de seguridad relacionados con los hidrocarburos presentan desafíos operativos para las empresas muy pequeñas; sin embargo, se han superado desafíos similares para la tecnología de hidrocarburos en el sector de aerosoles. También hay disponibles, y se usan regularmente en los países que no operan al amparo del Artículo 5, tecnologías más nuevas a base de HFC. Éstas, sin embargo, no se han introducido aún a nivel comercial en los países que operan al amparo del Artículo 5. Las opciones a base de HFC tienen un PCM más elevado que los HCFC que sustituyen. Otra opción, la tecnología de formiato metílico, tiene un PCM bajo, y puede satisfacer las necesidades de las empresas de los países que operan al amparo del Artículo 5 en el subsector de producción de espumas de revestimiento integral y en algunas aplicaciones en el subsector de espumas rígidas, y a costos más bajos. Sin embargo, la tecnología de formiato metílico no puede considerarse aún madura para algunas aplicaciones. Las alternativas que se acaban de describir representan todas las opciones de tecnología que estarán disponibles para que los países que operan al amparo del Artículo 5 aborden los objetivos de control de 2013 y 2015.

7. El documento presenta un cálculo estimativo preliminar del costo adicional de capital y el costo adicional de explotación de la conversión del uso de HCFC en empresas de espumas. La magnitud del costo adicional de capital en el sector de espumas dependerá principalmente de la tecnología elegida. El aspecto positivo es que el costo adicional de capital será relativamente bajo para las empresas que instalaron equipos nuevos para la conversión de CFC-11 a HCFC-141b, ya sea por su propia cuenta o con recursos del Fondo Multilateral. Del mismo modo, la tecnología a base de agua puede, en general, aplicarse usando equipos de proceso a base de HCFC. Los costos relacionados necesarios para que estas empresas efectúen la conversión de los

HCFC consistirían principalmente en asistencia técnica para capacitación y el ensayo de nuevas fórmulas químicas. Se considera que se debería fijar un nivel de financiación de costos relacionados más elevado que en la transición de los CFC a los HCFC. Los costos relacionados con la conversión de las empresas que funcionan a base de HCFC a tecnología a base de hidrocarburos se relacionan con la provisión de equipos de procesamiento y seguridad nuevos, a un costo similar al de los equipos provistos para las tecnologías a base de hidrocarburos. Sin embargo, al igual que en la eliminación de CFC, es probable que la capacidad de las empresas pequeñas para absorber la tecnología a base de hidrocarburos sea limitada.

8. Si bien el costo adicional de capital para la conversión del sector de espumas puede parecer moderado, el costo adicional de explotación será elevado, especialmente para las soluciones a base de HFC, especialmente debido al costo más alto las sustancias químicas sustitutivas. Si se pagaran costos adicionales de explotación por períodos de transición similares a aquellos utilizadas en el sector de espumas para la conversión de los CFC, el nivel total de financiación para proyectos futuros utilizando tecnologías a base de HFC estaría dominada por estos costos; es decir, el costo pagado por el costo de explotación sería mucho más elevado que el costo de capital de la conversión de la empresa para permitir el uso de HFC. Para la tecnología de hidrocarburos, si bien no se pueden cuantificar niveles precisos de costos adicionales de explotación antes del examen y evaluación de proyectos reales, se esperaría que la aplicación de las normas y políticas actuales genere algunos ahorros. No obstante, la información de algunos países que operan al amparo del Artículo 5 indica que, en algunas circunstancias de producción, las conversiones a los HC ser podrían relacionar con determinados con costos de explotación.

9. Si bien la descripción anterior se centró en un punto de vista más específico de los proyectos, la experiencia con la eliminación de los CFC en el sector de espumas ha demostrado el importante rol que desempeñan los proveedores de sustancias químicas y los proveedores de sistemas<sup>4</sup> para ajustar los sistemas de sustancias químicas<sup>5</sup> utilizados para fabricar espumas a fin de satisfacer las necesidades de los mercados y condiciones locales (climáticas y otras). Estos intermediarios, bien conocidos por muchos fabricantes de espumas, pueden formular sistemas de espumas para satisfacer las necesidades específicas de los usuarios finales. Por lo tanto, se considera que la comercialización y penetración en los países que operan al amparo del Artículo 5 de las tecnologías tanto a base de HFC como de bajo PCM (es decir, hidrocarburos, formiato metílico), podría recibir asistencia por medio de la financiación a futuro y ejecución de proyectos dirigidos a la optimización y convalidación de los sistemas químicos para espumas para las condiciones de los países que operan al amparo del Artículo 5 a fin de reducir al mínimo los costos de producción. Dichos proyectos se orientación a prestar apoyo a la labor de los proveedores de sistemas a fin de facilitar el suministro de sistemas químicos nuevos, sin HCFC, a las empresas productoras de espumas.

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<sup>4</sup> Los proveedores de sistemas son compañías químicas que actúan en el negocio de la premezcla a granel de sistemas de espumas para la distribución y venta a los fabricantes de espumas. La premezcla elimina la necesidad de invertir en estaciones de premezcla costosas internas y la compra a granel de los diversos componentes químicos que se mezclan en el sistema.

<sup>5</sup> Los sistemas químicos para espumas son mezclas de ingredientes químicos formuladas y mezcladas especialmente para satisfacer condiciones de procesamiento y calidad de producto de espumas específicas.

### Tecnologías y costos del sector de refrigeración

10. El uso de HCFC en el sector de refrigeración se encuentra dominado por el uso de HCFC 22. En el sector de refrigeración, la situación respecto de la sustitución del HCFC-22 utilizado en la fabricación guarda algunas similitudes con el sector de espumas. Los países que operan al amparo del Artículo 5 tienen a su disposición productos sustitutivos tanto a base de HFC como de hidrocarburos. Si bien en términos generales ambas tecnologías ya han sido utilizadas en proyectos del Fondo Multilateral, las aplicaciones y subsectores específicos difieren en gran medida.

11. En este contexto, la posible adopción de tecnologías de PCM bajo en los países que operan al amparo del Artículo 5, especialmente en los subsectores de refrigeración y aire acondicionado, reviste una alta prioridad. El Comité Ejecutivo pudiera considerar si requiere que se realicen algunos proyectos de demostración en este sector. Éstos estarían dirigidos a demostrar los pasos específicos y evaluar los costos específicos relacionados con la conversión a tecnologías de bajo PCM.

12. La mayoría de las alternativas a base de HFC disponibles actualmente para el uso en el sector de refrigeración tienen un PCM directo más elevado que los HCFC que sustituirían. Por otro lado, el uso de sustancias de bajo PCM, especialmente hidrocarburos, conlleva cuestiones relacionadas con la seguridad. Estas cuestiones pueden abordarse sin complicaciones, pero generan costos adicionales de capital similares a aquellos que surgen en el sector espumas, con el reto adicional de garantizar la seguridad en las actividades de servicio y mantenimiento. Las tecnologías a base de HFC y HC son las únicas opciones de tecnología que es probable que estén disponibles para permitir a los países que operan al amparo del Artículo 5 abordar los objetivos de control de 2013 y 2015. No resulta aún claro si, cuándo y qué aplicaciones habrá refrigerantes de bajo PCM, no inflamables y de baja toxicidad disponibles en el futuro. El documento presenta un cálculo estimativo preliminar de los costos adicionales de capital y los costos adicionales de explotación para la conversión de las empresas que usan HCFC en el sector de fabricación de refrigeración.

13. Con respecto al subsector de servicio y mantenimiento de refrigeración, tomando nota de la limitada información actualmente disponible acerca del uso de los HCFC en muchos países que operan al amparo del Artículo 5, los cálculos estimativos preliminares de los costos de la eliminación para cumplir con las medidas de control para 2013 y 2015 se han basado en la experiencia del Fondo Multilateral con las diversas actividades individuales financiadas para lograr la eliminación de los CFC en el servicio y mantenimiento de refrigeración.

14. Es probable que se utilice HCFC-22 en el sector de servicio y mantenimiento de prácticamente todos los países que operan al amparo del Artículo 5 y que una gran cantidad de países que operan al amparo del Artículo 5 registren consumo de HCFC casi exclusivamente en el sector de servicio y mantenimiento. A diferencia de la situación para la eliminación de los CFC, cuando en muchos países por lo menos una parte de la fabricación (por ej., espumas suaves) era a base de CFC y se podría abordar para apoyar al país para cumplir con sus obligaciones de eliminación, en el caso de los HCFC la gran mayoría de los países que operan al amparo del Artículo 5 podrían no tener esa opción. Por lo tanto, la eliminación de CFC en el contexto del Fondo Multilateral ha dependido principalmente en restricciones de la oferta por

medio de sistemas de otorgamiento de licencias y cupos, permitiendo al mismo tiempo que el sector de servicio y mantenimiento hiciera frente a la caída en la oferta de CFC por medio del suministro de fondos para capacitación en buenas prácticas y la provisión de herramientas y equipos. El nuevo reto que plantea la eliminación de los HCFC es que la administración del lado de la demanda debe iniciarse mucho antes en el calendario de eliminación y continuar durante un plazo prolongado.

15. Al examinar el sector de servicio y mantenimiento, la Secretaría observa que la demanda actual y futura de HCFC-22 para servicio y mantenimiento es proporcional al tamaño de la base instalada de equipos de aire acondicionado a base de HCFC-22 en el país consumidor. La cantidad de equipos instalados se incrementa constantemente por medio de la importación de equipos de refrigeración a base de HCFC-22. Del mismo modo, a fin de agilizar el logro de las futuras reducciones del consumo de los países que operan al amparo del Artículo 5 en el sector de servicio y mantenimiento de refrigeración y a fin de proporcionar un incentivo más fuerte para que los fabricantes de acondicionadores de aire realicen la conversión para finalizar el uso de HCFC, podría considerarse la posibilidad de incluir calendarios nacionales de control temprano de las importaciones de equipos a base de HCFC-22. Esto podría influir en la demanda de conversiones a cargo del Fondo Multilateral de las instalaciones de fabricación de acondicionadores de aire a base de HCFC-22.

#### Cuestiones ambientales

16. De conformidad con la decisión XIX/6, la Secretaría ha examinado opciones acerca de cómo el Comité Ejecutivo podría dar prioridad a los proyectos y programas de eliminación de HCFC eficaces en función de los costos y limitan a un mínimo otras repercusiones en el medio ambiente, especialmente respecto del clima, incluidos tanto el PCM como el uso energético. Como punto de partida, la Secretaría ha analizado tres metodologías básicas; a saber, una metodología basada únicamente en el PCM, una metodología basada en la repercusión climática durante el ciclo de vida (LCCP), y una metodología basada en un enfoque de ‘unidad funcional’ respecto de la evaluación del ciclo de vida.

17. En su examen inicial, la Secretaría no consideró que una metodología basada exclusivamente en el PCM abarcaría por completo el mandato estipulado en la decisión XIX/6, ya que no podría dar cuenta del ‘uso energético’ tal como se requiere en la decisión. El desarrollo de la repercusión LCCP formal requiere muchos datos y el ingreso de una cantidad sustancial de variables, de las cuales algunas pueden no resultar conocidas, ya sea para la empresa o para un país, al momento de asignar los fondos. Con los enfoques basados en el PCM y la LCCP representando los dos extremos del espectro, la Secretaría ha evaluado opciones intermedias que podrían superar las desventajas de cada uno de estos enfoques. Como resultado, se ha realizado la evaluación inicial de un enfoque de ‘unidad funcional’<sup>6</sup> que ofrece la solidez de una metodología simplificada, que no requiere tantos datos, que a la vez asegura que se puedan tomar en cuenta los criterios clave definidos en la decisión XIX/6. El resultado primario de esta

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<sup>6</sup> El enfoque de ‘unidad funcional’ se centra en el uso típico de la sustancia en un sector, denominado ‘elemento’, a fin de caracterizar los impactos relacionados con dicho ‘elemento’ a lo largo de su ciclo de vida. El objetivo no es calcular el impacto climático preciso de todas las aplicaciones sino caracterizar dichos impactos de manera que se puedan utilizar para comparar tecnologías.

metodología podría ser una evaluación comparativa de los impactos en el clima durante el ciclo de vida, tomando en consideración el PCM del producto sustitutivo, la cantidad de sustancia utilizada, la energía consumida en la operación y las funciones de emisiones durante el ciclo de vida.

18. Este enfoque requiere una mayor elaboración y evaluación en una variedad más amplia de sectores a fin de poder asegurar que la metodología básica se pueda usar más ampliamente. Teniendo esto en cuenta, la Secretaría solicita las opiniones del Comité Ejecutivo acerca de si desea que la Secretaría continúe desarrollando esta metodología más a fondo a fin de informar de manera más detallada en una reunión subsiguiente del Comité Ejecutivo.

### Cofinanciación

19. La experiencia del Fondo Multilateral hasta la fecha, principalmente en el sector de enfriadores, sugiere que se requiere un plazo prolongado para preparar, aprobar y ejecutar proyectos cofinanciados por diferentes entidades. Considerando los compromisos de reducción del Protocolo de Montreal basados en plazos, para los países resulta difícil correr el riesgo de que se produzcan demoras en sus proyectos debido a las perspectivas inciertas de la cofinanciación. Consiguientemente, si se mantiene el ritmo lento de apoyo de otras entidades de financiación, se pondría en duda la posibilidad de usar otras instituciones para apoyar las actividades del Fondo Multilateral. A fin de reducir este obstáculo, la Secretaría del Fondo podría consultar a otras instituciones para saber si se pueden desarrollar metodologías claras y mecanismos más racionalizados para permitir que otras instituciones completen la financiación del Fondo Multilateral para el ozono a fin de lograr beneficios adicionales para el clima. El intercambio con otras instituciones comenzaría una vez que hayan avanzado las deliberaciones del Comité Ejecutivo acerca de determinadas cuestiones planteadas en este documento, especialmente en cuanto a la fecha límite, la segunda conversión y cómo reducir al mínimo otros impactos en el medio ambiente.

20. De todos modos, se ha alentado a los países y a los organismos bilaterales y de ejecución a que, al preparar los planes de gestión de eliminación de HCFC, analicen posibles incentivos financieros y oportunidades para obtener recursos adicionales para aumentar al máximo los beneficios ambientales conforme al párrafo 11 b) de la decisión XIX/6. Consiguientemente, se podrían considerar en una reunión futura los objetivos de cofinanciación y un marco preliminar para dichos proyectos que podría aplicarse a los proyectos para los HCFC para facilitar la cooperación con posibles entidades de cofinanciación. Resultaría importante que un marco preliminar incluyera orientación para proyectos en los que los beneficios adicionales creados por medio del apoyo del Fondo pudieran tener un valor determinado, ya sea ahora o en el futuro, resultado admisibles, por ejemplo, para la financiación relacionada con el carbono.



## I. INTRODUCCIÓN

1. Este documento preliminar para el debate, que contiene un análisis de diversas consideraciones de costos pertinentes relacionadas con la financiación de la eliminación de los HCFC, se presenta en respuesta a la decisión 53/37 i) del Comité Ejecutivo.

### I.1 Mandato del Comité Ejecutivo

2. En la 53ª Reunión, en noviembre de 2007, el Comité Ejecutivo consideró un documento preparado por la Secretaría del Fondo sobre opciones para evaluar y definir los costos adicionales admisibles para las actividades de eliminación del consumo y la producción de HCFC<sup>7</sup>

3. Finalmente, el Comité Ejecutivo pidió, entre otras cosas, “que la Secretaría, en consulta con los expertos técnicos pertinentes con conocimiento de las experiencias de países que operan al amparo Artículo 5 con distintos niveles de desarrollo y en países que no son del Artículo 5, prepararía antes del 25 de marzo de 2008 un documento para el debate con un análisis sobre todos los aspectos pertinentes a los costos que atañen a la financiación de la eliminación de HCFC, tomándose en consideración las opiniones manifestadas por los miembros del Comité Ejecutivo en las presentaciones mencionadas en el párrafo l) a continuación, y además:

- a) Información sobre modelos/intervalos de costos y aplicación de las tecnologías alternativas a los HCFC; y
- b) Consideración de tecnologías de alternativa, incentivos financieros y oportunidades de financiación conjunta que pudieran ser pertinentes para asegurar que la eliminación de HCFC tenga resultados beneficiosos de conformidad con lo indicado en el párrafo 11 b) de la decisión XIX/6 de la 19ª Reunión de las Partes” (decisión 53/37 i))<sup>8</sup>

4. La Secretaría remitió el documento requerido en la decisión 53/37 i) al Comité Ejecutivo en la 54ª Reunión. En el debate consiguiente, el Comité planteó diversas cuestiones; entre otras, la necesidad de actuar inmediatamente respecto de la eliminación de HCFC y de asegurar que produjera beneficios conforme al párrafo 11 b) de la decisión XIX/6; el cálculo de los costos adicionales de explotación como un componente principal del costo general de los proyectos de eliminación; la fecha límite para las empresas fabricantes de reciente creación y la admisibilidad de segundas conversiones. Se mencionó también la necesidad de reducir al mínimo el impacto ambiental de las actividades de eliminación de HCFC, y de considerar el uso de otros indicadores ambientales además del PAO; de tomar en cuenta las repercusiones de los costos de la eliminación para los países de bajo volumen de consumo, y de asegurarse de que la eliminación de los HCFC se integrara tanto como fuera posible en la eliminación de los CFC. Se expresaron varios puntos de vista respecto de las cuestiones relacionadas con la cofinanciación; a saber, que

<sup>7</sup> UNEP/OzL.Pro/ExCom/53/60.

<sup>8</sup> Se invitó a los miembros del Comité Ejecutivo a presentar sus opiniones acerca de los elementos a considerar en las directrices para la preparación de planes de gestión de eliminación de HCFC, consideraciones de costos a ser tenidas en cuenta por la Secretaría, la fecha límite para la admisibilidad para la financiación y las segundas etapas de conversiones a la Secretaría antes del 15 de enero de 2008.

analizar posibilidades de cofinanciación debería probablemente ser una opción; la necesidad de reunir información respecto de las fuentes de financiación adicionales al Fondo para el Medio Ambiente Mundial (FMAM), cuyos plazos algunos consideraron demasiado extensos; que la cofinanciación debería ser un elemento adicional; y que la fuente principal de financiación debería continuar siendo el mismo Fondo.

5. Tras escuchar una declaración del facilitador del grupo de contacto establecido por el Comité Ejecutivo para considerar las directrices para la preparación de los planes de gestión de eliminación de HCFC y las consideraciones de costos pertinentes relacionadas con la eliminación de los HCFC, el Comité decidió considerar en su 55ª Reunión una versión revisada del documento UNEP/OzL.Pro/ExCom/54/54 que tomaría en consideración todos los comentarios que los Miembros hubieran sometido a la Secretaría del Fondo a fines de abril de 2008 (decisión 54/40).

## **I.2    Ámbito del documento**

6. La decisión 53/37 i) estipula que las políticas y directrices existentes del Fondo Multilateral se podrían aplicar a la financiación de la eliminación de los HCFC a menos que se decidiera de otro modo. Consiguientemente, se aplicaron los siguientes principios subyacentes para el análisis:

- a) Los supuestos de este documento respecto de la ampliación de las políticas existentes no van en perjuicio de las futuras deliberaciones sobre políticas del Comité Ejecutivo respecto de las directrices de financiación;
- b) El análisis de las cuestiones relacionadas con la admisibilidad, tales como la cuestión de si se financia una segunda conversión (es decir, la sustitución de equipos a base de HCFC que se habían instalado con asistencia del Fondo Multilateral) o si se financia la capacidad de fabricación establecida después de una fecha límite determinada, no se consideró parte del mandato de este documento. Sobre la base de la decisión adoptada en la 54ª Reunión (decisión 54/5 iii)), la financiación de la preparación de proyectos de eliminación de HCFC no se podría considerar para la aprobación hasta la 56ª Reunión, y es poco probable que se presenten los proyectos resultantes antes de la 58ª Reunión. La resolución de la política para establecer una fecha límite para la instalación de equipos para la 57ª Reunión a principios de 2009, en el caso de que el Comité Ejecutivo así lo deseara, permitiría considerar proyectos de eliminación autónomos prácticamente sin ninguna demora; y
- c) La preparación de este documento no va en perjuicio de la decisión XIX/10 de la Reunión de las Partes respecto del mandato del estudio relativo a la reposición del Fondo Multilateral para la aplicación del Protocolo de Montreal para el período 2009-2011 y de la preparación de dicho estudio.

7. El documento cubre el siguiente contenido principal:
- a) Un resumen de políticas para financiar la eliminación de HCFC y una descripción general resumida de los usos de HCFC en los países que operan al amparo del Artículo 5. Este resumen cuenta con el apoyo del Anexo I, Políticas y decisiones pertinentes adoptadas por las Partes en el Protocolo de Montreal y el Comité Ejecutivo respecto de la eliminación de los HCFC, y el Anexo II, Descripción general resumida del consumo de HCFC en los países que operan al amparo del Artículo 5;
  - b) Un análisis de los costos adicionales para eliminar el consumo de HCFC en el sector de espumas, apoyado por el Anexo III que contiene un análisis detallado de las cuestiones técnicas y de costos relacionadas con el sector de espumas. El análisis de costos aprovechó la experiencia adquirida por el Fondo Multilateral tras examinar más de 1 000 proyectos de inversión para eliminar los CFC utilizados como agentes espumantes. Se seleccionaron muestras representativas de proyectos de la base de datos del inventario de proyectos aprobados de la Secretaría<sup>9</sup> a fin de examinarlas para identificar la índole, el alcance de la aplicación y las principales características de diversas tecnologías alternativas al CFC y la posibilidad de aplicarlas a las conversiones de HCFC a una tecnología definitiva. También se examinaron los costos adicionales de capital y los costos adicionales de explotación de las muestras de proyectos seleccionadas en relación con los antecedentes proporcionados en los informes de terminación de proyectos, dado que algunos de ellos también se podrían aplicar a la eliminación de los HCFC<sup>10</sup>. Se examinaron los precios de los equipos y sustancias químicas a fin de determinar si existían diferencias importantes entre los precios al momento de la aprobación del proyecto y al momento en que se presentó el informe de terminación de proyecto entre tres y cuatro años más tarde. Los precios y otra información pertinente de los proyectos se extrajeron de los informes de terminación de proyecto presentados entre fines de 1998 y mediados de 2006. Los precios de las sustancias químicas se compararon con aquellos proporcionados por determinadas dependencias del ozono en sus informes sobre la marcha de la ejecución de los programas de país así como por fabricantes de agentes espumantes de alternativa. La información obtenida del análisis se utilizó como punto de partida para calcular los posibles costos adicionales de la eliminación de los HCFC. A fin de proporcionar la información de antecedentes necesaria, incluidos los precios de las tecnologías de conversión actualmente maduras en los países que no operan al amparo del Artículo 5, se examinó la información publicada y se consultó a expertos con conocimientos acerca de estas tecnologías.

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<sup>9</sup> El inventario de proyectos aprobados es la principal base de datos de la Secretaría sobre los proyectos financiados en el marco del Fondo Multilateral, e incluye registros de todos los proyectos aprobados por el Comité Ejecutivo incluidos, entre muchas otras cosas, las condiciones para la aprobación, la tecnología de conversión, los costos adicionales de capital y explotación y la fecha de terminación.

<sup>10</sup> Los informes de terminación de proyecto presentados por los organismos de ejecución proporcionan registros de la ejecución de todos los proyectos aprobados, incluso información sobre gastos reales de los costos adicionales de capital aprobados y los precios reales de los agentes espumantes utilizados antes y después de la conversión de los proyectos, la tecnología finalmente utilizada y las lecciones aprendidas del uso de la tecnología.

La información total obtenida proporcionó la base para calcular los intervalos indicativos de costos adicionales de capital y de explotación.

- c) Un análisis de los costos adicionales para eliminar el consumo de HCFC en el sector de refrigeración, apoyado por el Anexo IV que contiene un análisis detallado de las cuestiones técnicas y de costos relacionadas con el sector de refrigeración, incluido el sector de servicio y mantenimiento. El análisis de costos no se pudo basar en la experiencia existente en el mismo grado que para el sector de espumas. Si bien hay disponible experiencia del Fondo Multilateral con la conversión de la producción masiva de equipos de refrigeración, se fabrican equipos a base de HCFC para diferentes segmentos de mercado, con diferentes tamaños y diferentes cantidades producidas en comparación con los proyectos anteriores. Además, no hay experiencia con la mayoría de los refrigerantes sin SAO que son las alternativas más probables al HCFC-22. Dado que la experiencia existente en relación con los costos de proyectos no se pudo traducir directamente, la Secretaría utilizó la información contenida en los estudios sobre HCFC ya presentados, especialmente sobre los HCFC en China. La experiencia en evaluación de proyectos se transfirió a los nuevos sectores, se recopilaron aportes de expertos y fabricantes de equipos de producción y se usó el enfoque de definición de compañías modelo para definir el costo de conversión relacionado. Se presenta un análisis diferente para el sector de servicio y mantenimiento, basado en la amplia experiencia del Fondo Multilateral a partir de 1991. Se ha dado especial consideración a los planes de gestión de refrigerantes aprobados conforme a la decisión 31/48 y a los planes de gestión de eliminación definitiva aprobados conforme a la decisión 45/54.
- d) Cuestiones ambientales, especialmente los pasos necesarios para llevar a la práctica la decisión XIX/6 en el contexto del Fondo Multilateral, apoyadas por el Anexo V;
- e) Incentivos y oportunidades de cofinanciación; y
- f) Recomendaciones.

8. Para la preparación de este documento, se consideraron los aportes recibidos de los Miembros del Comité Ejecutivo conforme a lo solicitado en las decisiones 53/37 1) y 54/40. Respecto de la decisión 54/40, se recibieron comentarios de los Gobiernos de Alemania, China, Líbano y la República Dominicana y del PNUD. Varios de estos comentarios se relacionan con cuestiones de costos adicionales detallados. Éstos resultarán pertinentes para la consideración de proyectos autónomos en su debido momento, especialmente en el proceso de examen de proyectos de parte de la Secretaría. Los comentarios también se relacionan con cuestiones de políticas tales como el tratamiento de los costos adicionales de explotación para los proyectos de conversión de HCFC, cuya resolución no se propone específicamente en este documento. También se consideraron otros comentarios según correspondiera para preparar el documento. Estos comentarios se reproducen completos en el Anexo VI a este documento.

### I.3 Políticas para financiar la eliminación de los HCFC

9. La evaluación de los costos adicionales de los proyectos del Fondo Multilateral se basa en los principios generales convenidos por las Partes en el Protocolo de Montreal en su Segunda Reunión<sup>11</sup>. Sobre la base de estos principios y la Lista indicativa de categorías de costos adicionales, el Comité Ejecutivo ha elaborado políticas y directrices específicas para categorías de costos adicionales en diferentes aplicaciones industriales. En los sectores principales de espumas y refrigeración, se han ajustado las políticas a los proyectos para la eliminación de los CFC. Los proyectos para la eliminación de los HCFC tiene similitudes, pero existen algunas diferencias importantes que requieren consideración y la posible enmienda de las normas vigentes.

10. La financiación de los proyectos del Fondo Multilateral se ha basado en la evaluación de los costos adicionales de capital y de explotación admisibles. Los costos de capital se relacionan con los equipos adicionales que serían necesarios para sustituir las sustancias que agotan el ozono (SAO) por la tecnología de alternativa seleccionada por la empresa, transferencia de tecnología, capacitación, ensayos y puesta en funcionamiento. Los costos adicionales de explotación reflejan cambios en los costos atribuibles a la conversión a alternativas de las SAO, y surgen de cambios en las sustancias químicas utilizadas en el proceso de fabricación, tales como propulsores, refrigerantes o agentes espumantes. El nivel de costos adicionales de explotación se ve afectado por las fluctuaciones en los precios de la materia prima y el plazo durante el que se pagan dichos costos. Tal como lo decidió el Comité Ejecutivo, el plazo de los costos adicionales de explotación de los proyectos del Fondo Multilateral ha variado en los sectores industriales desde cero (sin costos adicionales de explotación) para las empresas que fabrican compresores o sistemas de aire acondicionado para vehículos hasta cuatro años para empresas que fabrican aerosoles y espumas flexibles en planchas (véase el Anexo I)<sup>12</sup>.

11. A medida que aumentó la cantidad de proyectos de eliminación, los costos de capital resultaron conocidos y generalmente disminuyeron con el correr del tiempo. Los datos ingresados para el cálculo de los costos adicionales de explotación siempre incluyeron incertidumbres que, frecuentemente, no se prestaban para una verificación previa. Sin embargo, la gran cantidad de proyectos examinados en los sectores principales permitió extraer normas generales con los que se podrían comparar los costos adicionales de explotación solicitados. Los costos de los planes de eliminación sectoriales y nacionales se examinaron posteriormente sobre la base de esta experiencia.

12. Actualmente y en la etapa actual de comercialización de tecnologías nuevas en los países que operan al amparo del Artículo 5, existe un elevado grado de incertidumbre respecto de la cuantificación precisa de los parámetros de costos que comprenden los costos adicionales de explotación en los proyectos de eliminación de HCFC. Por ejemplo, las cantidades y proporciones de sustancias químicas en las nuevas fórmulas de espumas y sus precios y disponibilidad en los países que operan al amparo del Artículo 5, especialmente para los HCFC.

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<sup>11</sup> Apéndice I de la decisión II/8 (Mecanismo financiero)

<sup>12</sup> El plazo de los costos adicionales de explotación para los sectores en los que se han elegido tecnologías a base de HCFC para eliminar el uso de CFC en los países que operan al amparo del Artículo 5 se presenta en el Anexo I a este documento.

No obstante, si las políticas y criterios actuales para financiar la eliminación de SAO se mantienen sin cambios, los costos adicionales de explotación de los proyectos de eliminación de HCFC en los sectores tanto de espumas como de refrigeración podrían cubrir una proporción más elevada de los costos totales del proyecto que lo que resultaba usual en los proyectos de eliminación de CFC similares. Los costos adicionales de explotación, que son el único apoyo que se realmente se paga en efectivo, han proporcionado un incentivo para la empresas durante la eliminación de los CFC. Sin embargo, el incentivo financiero máximo se obtiene seleccionado la opción de tecnología menos sostenible desde el punto de vista económico, es decir, la opción con los costos adicionales de explotación más elevados. El análisis llevado a cabo en este documento intenta mostrar las consecuencias de estos componentes de costos para las obligaciones de financiación del Fondo Multilateral. Sin embargo, resultaría difícil proporcionar orientación técnica apropiada al Comité Ejecutivo acerca de los costos de los planes de eliminación sectoriales o nacionales relacionados con la conversión de la capacidad de fabricación sin contar con experiencia en la evaluación de costos por proyecto.

13. El Comité Ejecutivo ha convenido en opciones de financiación especiales para financiar proyectos en países de bajo volumen de consumo<sup>13</sup> que cuentan con instalaciones de fabricación por medio del establecimiento de una ventana de financiación especial para proyectos de inversión en los que no se aplicarían valores de umbrales de costo a eficacia<sup>14</sup>. Sin embargo, para la eliminación de los HCFC, los países que operan al amparo del Artículo 5 han se han clasificado en dos grupos; a saber, países con consumo de HCFC en el sector de servicio y mantenimiento de refrigeración y países con consumo de HCFC en los sectores tanto de fabricación como de servicio y mantenimiento de refrigeración<sup>15</sup>. Para la eliminación de SAO por parte de empresas pequeñas y medianas (EPM), las directrices estipularon una ventana de financiación para facilitar las conversiones de grupos importantes de pequeñas empresas en los sectores de aerosoles y espumas de los países que no son de bajo volumen de consumo. Si el Comité Ejecutivo desea continuar aplicando una práctica similar en el caso de los HCFC o no es una cuestión que debe ser considerada más a fondo por el Comité Ejecutivo.

14. Dado que los HCFC<sup>16</sup> son sustancias controladas conforme al Protocolo de Montreal, las Partes han adoptado decisiones específicas relativas a la eliminación de estas SAO desde su Quinta Reunión, así como el Comité Ejecutivo ha adoptado decisiones al respecto desde su Duodécima Reunión en marzo de 1994. Para la eliminación de los HCFC, resultan de especial importancia aquellas decisiones del Comité Ejecutivo que piden a los organismos de ejecución que expliquen cabalmente por qué se recomendó una conversión a tecnología a base de HCFC,

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<sup>13</sup> Un país de bajo volumen de consumo es un país con un nivel básico de consumo de CFC de 360 toneladas PAO. A marzo de 2008, hay 102 países que operan al amparo del Artículo 5 clasificados como países de bajo volumen de consumo.

<sup>14</sup> Los valores de los umbrales de costo a eficacia aplicables a los diferentes sectores industriales fueron adoptados por el Comité Ejecutivo en su 16ª Reunión como una manera de dar prioridad a la aprobación de los proyectos de inversión. El valor de costo a eficacia se calcula como la relación entre la suma de los costos adicionales de capital y de explotación totales y la cantidad total de SAO a ser eliminadas en kilogramos PAO. En el Anexo I a este documento se presenta información adicional sobre la relación de costo a eficacia y los valores de umbral adoptados por el Comité Ejecutivo.

<sup>15</sup> Las directrices para la elaboración de los planes de gestión de eliminación de HCFC convenidas por el Comité Ejecutivo en su 54ª Reunión se basa en esta clasificación de los países que operan al amparo del Artículo 5.

<sup>16</sup> Todas las decisiones sobre HCFC adoptadas por las Partes en el Protocolo de Montreal y el Comité Ejecutivo se presentan en orden cronológico en el Anexo I al presente documento.

con inclusión de un análisis de posibles alternativas sin HCFC. Asimismo, se debía aclarar que las empresas en cuestión habían convenido en correr con los costos de la conversión subsiguiente a tecnologías que no utilizan HCFC. La información sobre tecnologías de alternativa suministrada por los organismos de ejecución a lo largo de los años como resultado de estas decisiones del Comité Ejecutivo también ha constituido un aporte para el examen de las posibles tecnologías consideradas en este documento.

15. En la 53ª Reunión, el Comité Ejecutivo consideró el marco de políticas para financiar la eliminación de los HCFC, y decidió que las políticas y directrices existentes del Fondo se podrían aplicar a la financiación de la eliminación de los HCFC, a menos que se decidiera de otro modo teniendo en cuenta, especialmente, la decisión XIX/6 (párrafo d de la decisión 53/37). Sujeto a la determinación de la admisibilidad de la financiación de los proyectos para segundas conversiones, no resultaría posible presentar proyectos autónomos para la eliminación de HCFC en empresas que ya habían recibido financiación del Fondo Multilateral para la conversión a HCFC. Sin embargo, considerando que se calcula que existe como mínimo un 65 por ciento de consumo actual de HCFC en el sector de espumas relacionado con empresas que no han recibido hasta ahora apoyo del Fondo Multilateral, existe un margen para la preparación y presentación de proyectos autónomos antes de que se reconsideren las políticas relacionadas con las segundas conversiones.

16. Posteriormente, en la 54ª Reunión, el Comité adoptó directrices para que los países desarrollen un enfoque por etapas para la ejecución de sus planes de gestión de eliminación de HCFC por medio de la elaboración de planes globales para lograr la eliminación total de los HCFC. Según la disponibilidad de recursos, los países deberían aplicar estas directrices para desarrollar, en detalle, la primera etapa de los planes de gestión de eliminación de HCFC, que se ocuparían de cómo los países cumplirían con la congelación en 2013 y la reducción del 10 por ciento en 2015, con un cálculo estimativo de las consideraciones de costos relacionadas. Consiguientemente, se requeriría a los países que usan HCFC sólo para el servicio y mantenimiento de sistemas de refrigeración que desarrollen planes de gestión de eliminación de HCFC con actividades similares a aquellas requeridas para los planes de gestión de refrigerantes y planes de gestión de eliminación definitiva, mientras que los países que tienen empresas que fabrican a base de HCFC desarrollarían actividades en el contexto de planes nacionales o sectoriales basados en el desempeño. Las directrices también permiten que los países opten por ejecutar proyectos de inversión con antelación a la terminación de los planes de gestión de eliminación de HCFC, siempre que la aprobación de cada proyecto dé lugar a la eliminación del consumo de HCFC que se deduciría del consumo identificado en el plan de gestión de eliminación de HCFC como punto de partida para las reducciones totales y que no se aprueben dichos proyectos después de 2010 a menos que fueran parte del plan de gestión de eliminación de HCFC. En el caso de que se utilice un enfoque por proyecto individual, la presentación del primer proyecto debería indicar cómo se relacionaron los proyectos de demostración con el plan de gestión de eliminación de HCFC, e indicar cuándo se presentaría el plan de gestión de eliminación de HCFC (decisión 54/39)<sup>17</sup> .;

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<sup>17</sup> El texto completo de la decisión 54/39 se presenta en el Anexo I al presente documento.

17. Este documento para el debate se ha preparado también, por lo tanto, en el contexto de los antecedentes de las políticas y directrices relacionadas con los HCFC descritas en los párrafos precedentes y en el Anexo I de documento.

#### **I.4 Descripción general resumida de los usos de los HCFC**

18. El consumo total de HCFC, de 363 372 toneladas métricas en todos los países que operan al amparo del Artículo 5 en 2006, es más que el doble del consumo de CFC, de 178 144 toneladas métricas, notificado en 1995, año en que se notificó la cantidad más alta de CFC jamás registrada. Sin embargo, el efecto negativo total de los HCFC en la capa de ozono (es decir, 25 765 toneladas PAO en total) es menor que el de los CFC (176 405 toneladas PAO) debido a su menor potencial de agotamiento del ozono<sup>18</sup>.

19. El consumo de HCFC de 2006 en los países que operan al amparo del Artículo 5 se caracteriza del siguiente modo:

- a) El consumo de HCFC-141b, HCFC-142b y HCFC-22<sup>19</sup> representa más del 99 por ciento del total de consumo de HCFC. Se han notificado pequeños niveles de HCF-123 y HCFC-133 (0,6 por ciento) en muy pocos países;
- b) El consumo de HCFC en 71 países fue inferior a 360 toneladas métricas. Otros 29 países<sup>20</sup> informaron un consumo nulo, o no informaron ningún consumo;
- c) Se usó HCFC-141b en 40 países que operan al amparo del Artículo 5<sup>21</sup>, 20 de los cuales tenían un consumo inferior a 10 toneladas PAO (91 toneladas métricas), mientras que el HCFC-142b se usa sólo en 19<sup>22</sup> países que operan al amparo del Artículo 5, 18 de los cuales tenían un consumo inferior a 10 toneladas PAO (154 toneladas métricas);
- d) Setenta<sup>23</sup> de los 117 países que operan al amparo del Artículo 5 que notificaron consumo de HCFC-22<sup>24</sup> tuvieron un consumo inferior a 10 toneladas PAO (182 toneladas métricas); y

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<sup>18</sup> Estas cifras no incluyen el consumo de SAO en los Emiratos Árabes Unidos, la República de Corea y Singapur (es decir, países que operan al amparo del Artículo 5 que no han recibido asistencia del Fondo Multilateral).

<sup>19</sup> El valor PAO del HCFC-141b es 0,11, del HCFC-142b, 0,065 y del HCFC-22, 0,055.

<sup>20</sup> Veintisiete de los 29 países se clasifican actualmente como países de bajo volumen de consumo.

<sup>21</sup> Excluidas 1 028,7 toneladas PAO (9 352 toneladas métricas) consumidas por los Emiratos Árabes Unidos, la República de Corea y Singapur.

<sup>22</sup> Excluidas 126,7 toneladas PAO (1 949 toneladas métricas) consumidas por los Emiratos Árabes Unidos, la República de Corea y Singapur.

<sup>23</sup> Excluidas 1 213,9 toneladas PAO (22 071 toneladas métricas) consumidas por los Emiratos Árabes Unidos, la República de Corea y Singapur.

<sup>24</sup> Otros 16 países que operan al amparo del Artículo 5 habían notificado consumo de HCFC-22 en 2005.



- e) Los HCFC se usaron principalmente en la fabricación de productos de espumas (32,5 por ciento del consumo total de HCFC) y en los subsectores de fabricación y servicio y mantenimiento de refrigeración (66,2 por ciento). También se usaron pequeñas cantidades en los sectores de aerosoles (0,2 por ciento), extintores de incendios (0,1 por ciento) y solventes (1,0 por ciento)<sup>25</sup>.

20. Estos datos indican que hay unos pocos países con un alto nivel de consumo de HCFC y la presencia de una gran cantidad de EPM entre los países que operan al amparo del Artículo 5. Estas conclusiones se ven apoyadas por el hecho de que, sobre la base del análisis de los proyectos de espumas individuales financiados, más del 80 por ciento de todas las empresas de espumas que realizaron la conversión de CFC a tecnologías a base de HCFC estaban situadas en no más de 12 países que operan al amparo del Artículo 5. Del mismo modo, se calcula que más de 70 por ciento de todas las empresas de espumas de los países que operan al amparo del Artículo 5 registraban un consumo anual de CFC inferior a 40 toneladas PAO por año.

21. Tomando en cuenta que alrededor del 99 por ciento del consumo de HCFC se registra en los sectores de espumas y refrigeración, este documento se ocupa únicamente de esos dos sectores a fin de adquirir experiencia y lograr resultados tempranos en la reducción del consumo de HCFC en el nivel nacional. Sin embargo, a su debido tiempo, se deberá lograr una comprensión similar de la tecnología y las estructuras de costos en los restantes sectores en los que se consumen HCFC.

## **II. COSTOS ADICIONALES DE LA ELIMINACIÓN DEL CONSUMO DE HCFC EN EL SECTOR DE ESPUMAS**

22. Por medio de la asistencia del Fondo Multilateral, se han eliminado más de 89 370 toneladas PAO de CFC utilizados como agentes espumantes en países que operan al amparo del Artículo 5. Estos incluyen el CFC-11 utilizado en espumas flexibles y de poliuretano rígido y el CFC-12 utilizado en las placas y redes de espuma de polietileno y poliestireno extruido. Los países que operan al amparo del Artículo 5 seleccionaron tecnologías permanentes para eliminar el CFC-11 utilizado en los subsectores de espumas rígidas y de revestimiento integral, incluidos sistemas a base de agua e hidrocarburos (pentanos) para empresas que podrían utilizar con seguridad equipos de producción de espumas que usan sustancias inflamables, así como HCFC como tecnología de transición. El uso de HCFC como agente espumante de alternativa representó alrededor del 40 por ciento de todos los CFC eliminados. El uso de CFC-11 y CFC-12 en los restantes subsectores de espumas se eliminó utilizando tecnologías de conversión permanente<sup>26</sup>.

23. En la mayoría de los países que no operan al amparo del Artículo 5, se han instalado tecnologías de espumación basadas en el uso de HFC (principalmente HFC-245fa, HFC-365mfc y su mezcla HFC-365mfc/HFC227ea), formiato metílico y otras tecnologías de menor difusión,

<sup>25</sup> Estudios sobre HCFC realizados por el PNUD para 12 países que operan al amparo del Artículo 5 seleccionados (UNEP/OzL.Pro/ExCom/51/Inf. 2).

<sup>26</sup> El CFC-12 utilizado para la producción de espuma en planchas de polietileno y poliestireno extruido se eliminó principalmente con el uso de butano y gas licuado de petróleo (LPG). El CFC-11 utilizado en el subsector de paneles de espuma flexible de poliuretano se eliminó usando cloruro de metileno y dióxido de carbono líquido, mientras que el CFC-11 utilizado en espumas de poliuretano moldeado se eliminó usando sistemas a base de agua.

como sustitutos de los HCFC utilizados inicialmente como tecnologías de eliminación de CFC de transición, del mismo modo que en los países que operan al amparo del Artículo 5. Si bien su disponibilidad actual es limitada en los países que operan al amparo del Artículo 5 debido a la falta de demanda, estas tecnologías se podrían usar en los países que operan al amparo del Artículo 5 para eliminar asimismo los HCFC como agentes espumantes.

## **II.1 Intervalos de costos para eliminar los HCFC**

24. Al igual que en el caso de la eliminación de los CFC en las aplicaciones de espumas, los costos adicionales de capital de la conversión de HCFC a tecnologías que funcionan sin SAO depende de los equipos de base existentes en la empresa, el tipo de productos de espumas que se fabrican y el volumen de producción, el agente espumante de alternativa seleccionado, y la ubicación de la empresa, que en varios casos podría ser un factor importante para decidir si se selecciona o no una alternativa que utiliza sustancias inflamables.

### Intervalos de costos adicionales de capital

25. Tal como se pide en la decisión 53/37 i), se realizaron dos cálculos paralelos de los modelos/intervalos de costos de los costos adicionales de capital en relación con las tecnologías sustitutivas de los HCFC en aplicaciones de espumas. Uno de ellos se basó en la retroadaptación de los equipos existentes, mientras que el otro se basó en la sustitución de los equipos existentes por las siguientes tecnologías de alternativa: sistemas a base de agua, hidrocarburos (tanto pentano como ciclopentano), HFC-245fa y formiato metílico. La descripción siguiente explica los motivos de realizar dos cálculos paralelos.

26. Para la conversión de HCFC a HFC, sistemas a base de agua o tecnología de formiato metílico:

- a) Conforme a las políticas existentes, no se requerirían costos adicionales de capital para sustituir los equipos existentes en todas las empresas de espumas de poliuretano rígidas y de revestimiento integral que actualizaron sus instalaciones de producción para permitir el uso provisional de agentes espumantes de HCFC con asistencia del Fondo Multilateral, excepto dicha necesidad se justifique desde el punto de vista técnico y esté completamente demostrada<sup>27</sup>. Se requerirían costos relacionados con transferencia de tecnología, capacitación, ensayos y puesta en funcionamiento para adaptar las tecnologías de alternativa a las condiciones locales;
- b) Las mismas condiciones que en el párrafo a) anterior se aplicarán a las empresas que han modificado o sustituido sus equipos a base de CFC para el uso con HCFC sin asistencia del Fondo Multilateral, dado que dichas empresas tendrían el mismo nivel básico que aquellas que recibieron apoyo del Fondo Multilateral. Asimismo,

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<sup>27</sup> Como requisito para la financiación de proyectos del Fondo Multilateral, las empresas que realizaban la conversión a tecnologías a base de HCFC debían comprometerse, junto con sus gobiernos, a eliminar el PAO residual sin asistencia adicional del Fondo Multilateral. La mayoría de las justificaciones del uso de HCFC-141b en proyectos del Fondo Multilateral confirman que la conversión final no requeriría inversiones adicionales en equipos.

se aplicarán las mismas condiciones a las empresas que establecieron nuevas instalaciones con distribuidores de alta presión. Se requeriría asistencia para transferencia de tecnología, capacitación, ensayos y puesta en funcionamiento; y

- c) Podrían requerirse costos de capital para la retroadaptación o sustitución de los equipos de base existentes, así como transferencia de tecnología, capacitación, ensayos y puestas en funcionamiento, sólo para aquellas empresas que aún procesan espuma de HCFC-141b en instalaciones de mezcla manual y, posiblemente, distribuidores de baja presión ya sea instalados después de la fecha límite existente del 25 de julio de 1995 o que no resultaban admisibles para la financiación durante la intervención del Fondo Multilateral. La modalidad de financiación dependerá, no obstante, de las normas sobre admisibilidad que pudiera decidir el Comité Ejecutivo. Por lo tanto, se han calculado modelos de costos para la opción de sustitución para el caso de tal eventualidad.

27. La conversión a tecnologías a base de pentano para las empresas de espumas rígidas o de revestimiento integral de poliuretano requerirá importantes costos de capital en comparación con otras tecnologías disponibles. Éstas requerirán distribuidores de alta presión adecuados para el uso con agentes espumantes de hidrocarburos, nuevas premezcladoras de polioles, sistemas de almacenamiento de hidrocarburos y equipos de seguridad para manipular sustancias inflamables. También podrían requerirse obras locales para el sistema de almacenamiento de hidrocarburos y modificaciones en las plantas. En algunas circunstancias, podría requerirse la reubicación de las plantas. No obstante, con los avances recientes en la tecnología de hidrocarburo y el diseño de los equipos, la aplicación de la tecnología resultaría más rentable para las empresas productoras de espumas medianas (Apéndice 2 del Anexo III).

28. En la Tabla II.1 siguiente se presenta un resumen de los intervalos de costos adicionales de capital para varias aplicaciones de espumas. Estos costos se basan en empresas con sólo un distribuidor de espuma y equipos auxiliares en los equipos de base, y con un consumo de HCFC de 5, 25 ó 75 toneladas métricas (o 0,26, 2,8 u 8,3 toneladas PAO) para la fabricación de espumas rígidas, o 10 ó 30 toneladas métricas (o 1,1 ó 3,3 toneladas PAO) para la fabricación de espumas de revestimiento integral. Estos niveles de consumo representan operaciones típicas de pequeña escala, escala mediana y gran escala. El costo mínimo del intervalo se basa en la retroadaptación de todos los elementos de equipos requeridos, mientras que el costo máximo se basa en el costo de sustitución de los equipos antiguos por equipos nuevos, y representan los niveles absolutos. Los costos de transferencia de tecnología, capacitación y ensayo, que son un componente de los costos de capital, se calcularon con un nivel más alto que para la transición de CFC a HCFC debido a que se anticipa que se requerirán más actividades y cantidades más elevadas de sustancias químicas para optimizar las fórmulas de las espumas, lo que generaría costos potencialmente más altos para los ensayos que en el caso de la transición al HCFC-141b.

29. Los cálculos demuestran que en todos los casos, excepto la conversión a tecnología a base de hidrocarburos, los costos de retroadaptación son mucho más bajos que para la opción de sustitución. En el caso de la conversión a tecnología a base de hidrocarburos, se observó que la diferencia entre el costo de una retroadaptación y el costo de la sustitución del distribuidor existente es mínima. Los costos adicionales de capital para el HFC-365mfc y el formiato

metílico serían similares a aquellos para el HFC-245fa, excepto para el posible reemplazo de los depósitos de almacenamiento.

Tabla II.1: Resumen de intervalos de costos adicionales de capital para varias aplicaciones de espumas (\$EUA)

Aplicación de espumas	HFC-245fa/HFC-365mfc/ formiato metílico		Sistemas a base de agua		Pentano	
	Bajo	Alto	Bajo	Alto	Bajo	Alto
<b>Paneles y refrigeración doméstica y comercial</b>						
Retroadaptación	30 000	60 000			375 000	710 000
Sustitución	100 000	195 000			385 000	780 000
<b>Tuberías concéntricas (<i>pipe-in-pipe</i>) y <i>thermoware</i> (*)</b>						
Retroadaptación	30 000	60 000	25 000	55 000	375 000	710 000
Sustitución	100 000	195 000	95 000	180 000	385 000	780 000
<b>Espuma pulverizada (**)</b>						
Retroadaptación	15 000	55 000	15 000	55 000		
Sustitución	50 000	110 000	60 000	110 000		
<b>Espuma de bloques discontinuos (caja) (***)</b>						
Retroadaptación	15 000	55 000	15 000	40 000		
Sustitución	85 000	140 000	65 000	95 000		
<b>Espuma de revestimiento integral</b>						
Retroadaptación	40 000	70 000	75 000	125 000	265 000	405 000

(\*) Los sistemas a base de agua tendrían una aplicación limitada en las tuberías concéntricas, mientras que el pentano tendría aplicaciones limitadas en el *thermoware*.

(\*\*) Debido a la inflamabilidad de los pentanos, la aplicación en el sitio resultaría inaceptable.

(\*\*\*) Debido a la aplicación de espuma para cajas, el uso de pentano resultaría riesgoso.

### Intervalos de costos adicionales de explotación

30. Los niveles de costos adicionales de explotación para la conversión de HCFC a tecnologías que no utilizan SAO dependen principalmente de la naturaleza de las nuevas fórmulas y los precios relativos de las sustancias químicas utilizadas en las mismas. Los costos relacionados con el aumento en la densidad de las espumas, cuando corresponde, y en las sustancias químicas de revestimiento dentro de los moldes en las espumas de revestimiento integral con agente espumante a base de agua aumentarían el nivel de costos de explotación. En el caso de las tecnologías a base de hidrocarburos, los costos adicionales de mantenimiento y uso de energía debido a la instalación de equipos nuevos y los costos adicionales de los seguros debido al uso de sustancias inflamables también aumentan los costos adicionales de explotación.

31. Las proporciones de ingredientes químicos principales en las fórmulas de las espumas, es decir, el agente espumante, el polioliol y el isocianato (o MDI<sup>28</sup>) y sus precios son los factores determinantes clave del nivel de costos adicionales de explotación. Los precios de estos ingredientes químicos principales han variado en gran medida entre diferentes países que operan al amparo del Artículo 5 y continúan variando según se muestra en la Tabla II.2 a continuación. Según la experiencia con la eliminación de los CFC, esta situación ocasionaría importantes

<sup>28</sup> MDI: diisocianato difenil metileno.

costos adicionales de explotación en una empresa y ahorros en otra empresa para el mismo tipo y cantidad de espuma producida, según el precio de algunos ingredientes o todos los ingredientes, y las diferencias de precios antes y después de la conversión. El uso de precios de sistemas de espumas relativos (para el agente espumante con HCFC y de alternativa) en lugar del osara mitigar algunas discrepancias en los precios de las sustancias químicas.

Tabla II.2: Precios actuales de las sustancias químicas utilizadas en las fórmulas de las espumas

Sustancia química	Precios en \$EUA/kg	
	Bajo	Alto
HCFC-141b	2,50	3,80
MDI	3,00	3,50
Pentano	1,90	2,50
Ciclopentano	2,10	3,30
HFC-245fa	10,40	12,00
Formiato metílico	2,20	3,20

32. El aumento en la densidad de la espuma, que es una penalidad en los costos resultantes del costo del material de espuma adicional, tiene un importante impacto en los costos adicionales de explotación, ya que representa 50 por ciento o más de los costos de explotación totales en algunos casos.<sup>29</sup> Los niveles de aumentos en la densidad de la espuma utilizados en el cálculo de los costos adicionales de explotación se basaron en la transición de CFC-11 a HCFC-141b y deben ser examinados nuevamente para la eliminación del HCFC-141b. Sin embargo, la información actualmente disponible parece indicar que el aumento de densidad de la espuma no sería un problema en la conversión de HCFC a las alternativas que utilizan HFC y formiato metílico.

33. Se calcularon los intervalos de costos adicionales de explotación para las siguientes tecnologías de alternativa: sistemas a base de agua, hidrocarburos (tanto pentano como ciclopentano), HFC-245fa y formiato metílico. Los cálculos se basaron principalmente en las proporciones funcionales de ingredientes químicos principales en la fórmula de las espumas<sup>30</sup>, sus precios<sup>31</sup> y, según procediera, los factores que afectan el nivel de los costos adicionales de explotación determinados. Los cálculos se verificaron con los proyectos aprobados a fin de asegurar su uniformidad y exactitud.

<sup>29</sup> Los niveles de aumento en la densidad de la espuma relacionados con diferentes aplicaciones de espumas fueron aprobados en la 31ª Reunión del Comité Ejecutivo (decisión 31/44) con intención de examinar nuevamente la cuestión en el futuro y hacer modificaciones según proceda.

<sup>30</sup> Las proporciones se basan en las relaciones funcionales entre los pesos moleculares de los HCFC y la sustancia química de alternativa y, cuando están disponibles, los factores mitigantes conocidos (por ej., resultantes de la potencial optimización).

<sup>31</sup> Los precios del HCFC-141b, el pentano y el MDI se basaron en los intervalos de precios notificados en los informes de terminación de proyecto en el período de 2000 a 2006 comparados con los precios más recientes suministrados en marzo de 2008 por algunos países que operan al amparo del Artículo 5 a través de los organismos bilaterales y de ejecución, así como en la información proporcionada en los comentarios recibidos en respuesta a la decisión 54/40. Los precios del HFC-245fa y el formiato metílico se basaron en los precios proporcionados por los fabricantes. El precio más bajo del HFC-245fa es el precio de lista mundial notificado para contenedores a granel (isotanque), mientras que el precio más alto es el precio estimativo para paquetes pequeños, basado sobre una diferencia del 15 por ciento.

Tabla II.3: Resumen de intervalos de costos adicionales de explotación anuales para varias aplicaciones de espumas por kilogramo métrico de HCFC-141-b eliminado (\$EUA/kg)<sup>32</sup>

Agente espumante	Espumas rígidas		Espuma de revestimiento integral	
	Bajo	Alto	Bajo	Alto
HFC-245fa	2,20	5,30	0,40	1,14
Formiato metílico	(1,40)	(2,20)	1,00	1,66
Sistemas a base de agua	1,45	2,00	7,40	12,48
Pentano	(1,25)	(2,20)	(1,84)	(2,84)
Ciclopentano	(1,15)	(1,80)	(0,76)	(1,41)

34. Para demostrar el alcance de los costos adicionales de explotación en el nivel de las empresas, los costos adicionales unitarios medios de la tabla anterior se aplicaron a empresas de espumas rígidas con un consumo de HCFC-141b de 5 toneladas métricas (0,6 tonelada PAO), 25 toneladas métricas (2,8 toneladas PAO) y 75 toneladas métricas (8,3 toneladas PAO), durante un período de 2 años, lo que representa el plazo actual de los costos de explotación en el sector de espumas rígidas. Los costos adicionales de explotación indicativos resultantes se muestran en la Tabla II.4 a continuación.

Tabla II.4: Costos adicionales de explotación totales calculados a lo largo de dos años en el nivel de la empresa (\$EUA)

Tecnología	Consumo de la empresa (toneladas)					
	5,0 métricas (0,6 PAO)		25,0 métricas (2,8 PAO)		75,0 métricas (8,3 PAO)	
	Bajo	Alto	Bajo	Alto	Bajo	Alto
HFC-245fa (50%)	19 140	23 490	95 700	117 450	287 100	352 350
HFC-245fa (75%)	45 240	46 110	226 200	230 550	678 600	691 650
Sistema a base de agua	12 615	17 400	63 075	87 000	189 225	261 000
Formiato metílico	(12 180)	(19 140)	(60 900)	(95 700)	(182 700)	(287 100)
Pentano	(10 875)	(19 140)	(54 375)	(95 700)	(163 125)	(287 100)
Ciclopentano	(10 005)	(15 660)	(50 025)	(78 300)	(150 075)	(234 900)

35. Se formularon las siguientes observaciones respecto del análisis de los costos adicionales de explotación:

- a) Se pueden lograr importantes reducciones en los costos adicionales de explotación cuando se sustituyen algunas cantidades de HFC-245fa por agua en las fórmulas de las espumas. Esto, sin embargo, depende de las compensaciones entre el ahorro y las propiedades de aislamiento de la espuma que desea lograr el productor de espuma;

<sup>32</sup> Los costos adicionales de explotación relacionados con la eliminación del HCFC.22 pueden resultar más altos que los montos calculados que se presentan en la tabla, dado que el HCFC-22 por lo general es más barato que el HCFC-141b.

- b) El uso de formiato metílico genera ahorros adicionales de explotación para aplicaciones de espumas tanto rígidas como de revestimiento integral debido a su precio relativamente bajo y bajo nivel de uso<sup>33</sup>;
- c) Para las aplicaciones de espumas rígidas, la conversión a tecnología a base de pentano (transición desde CFC-11) ocasionó importantes costos adicionales de explotación, aun cuando el agente espumante tuviera un precio relativamente más bajo, así como un índice de uso más bajo, de alrededor de la mitad que el HCFC-141b que sustituiría. Esto se atribuyó a un aumento en la densidad de la espuma, y costos adicionales de mantenimiento, seguros y energía. Sin embargo, la conversión general de las aplicaciones de espumas rígidas de HCFC-141b a tecnologías a base de pentano ofreció ahorros de explotación, inclusive después de tomar en cuenta un aumento del 10 por ciento en la densidad de la espuma y costos adicionales de mantenimiento, seguros y energía, de conformidad con los métodos para calcular los costos adicionales de explotación de los proyectos del Fondo Multilateral en este sector; y
- d) Los sistemas de HFC-245fa y a base de agua, especialmente en espumas de revestimiento integral en las que se usa revestimiento en el molde para mejorar la calidad de la espuma para satisfacer los requisitos del mercado, tienen los costos adicionales de explotación más elevados.

36. Si se mantienen las políticas actuales para el cálculo de los costos adicionales de explotación en este sector, los costos adicionales de explotación serán un importante componente del costo general de los proyectos para eliminar los HCFC, y se debe dar prioridad a abordar las cuestiones vinculadas con su cálculo (es decir, plazo, precios de las sustancias químicas y estructura de precios, densidades de las espumas y otros factores). En la eliminación de los HCFC, la naturaleza de las fórmulas, especialmente de los HFC y el formiato metílico, jugará un importante papel para determinar el nivel apropiado de costos adicionales de explotación para una empresa. Por lo tanto, puede ser necesario aplicar un enfoque algo diferente respecto de la preparación de los proyectos, con una mayor participación de los proveedores de los sistemas en una etapa más temprana que antes.

## **II.2 Consideración especial de las aplicaciones de espumas para electrodomésticos y que no son para electrodomésticos**

37. En el contexto del Fondo Multilateral, la financiación para la eliminación del CFC-11 utilizado como agente espumante se ha suministrado tradicionalmente en el sector de espumas para empresas que fabrican espumas de poliuretano rígidas (conocida como espuma que no es para electrodomésticos) con umbrales de costo a eficacia de 7,83 EUA/kg. Sin embargo, se ha abordado para el sector de refrigeración para empresas que fabrican equipos de refrigeración doméstica y comercial (conocidas como espuma para electrodomésticos) con umbrales de costo a eficacia específicos del subsector de 13,76 \$EUA/kg para refrigeración doméstica y 15,21 \$EUA/kg para refrigeración comercial. Los umbrales de costo a eficacia de los subsectores

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<sup>33</sup> El precio se encuentra dentro del mismo intervalo que el pentano y de la sustitución de una parte de HCFC-141b por 0,5 parte de formiato metílico.

de refrigeración doméstica y comercial consisten en valores integrados que cubren los costos adicionales de capital y los costos adicionales de explotación en los procesos de fabricación tanto de espumas como de refrigeración en el nivel de la empresa.

38. Una gran cantidad de proyectos del Fondo Multilateral para los sectores de refrigeración doméstica y comercial convirtieron el aislamiento de espumas a tecnologías que utilizan HCFC-141b, mientras que el componente de refrigerantes se convirtió a alternativas que no utilizan HCFC. Por lo tanto, la etapa siguiente de conversión de HCFC-141b a alternativas que no utilizan SAO deberá abordarse dentro del sector de espumas, dado que no hay ningún componente de refrigeración.

### **II.3 Conversión al uso de HCFC-142b en países que operan al amparo del Artículo 5**

39. El HCFC-142b y el HCFC-22 se han usado ampliamente en los países que no operan al amparo del Artículo 5 como productos sustitutivos de los agentes espumantes con CFC desde principios de la década de 1990, especialmente en las placas de espumas para aislamiento de poliestireno extruido para la industria de la construcción. Dichos HCFC se han eliminado en la mayoría de estos países<sup>34</sup>.

40. Actualmente, la experiencia disponible en el Fondo Multilateral para la eliminación del HCFC-142b/HCFC-22 es muy limitada, y se restringe a las planchas y redes de espuma de poliestireno extruido. No obstante, en los últimos años, el fuerte desarrollo del mercado de aislantes en China y, en menor grado, en otros países que operan al amparo del Artículo 5, está impulsando la rápida introducción de empresas de poliestireno extruido que utilizan tecnologías a base de HCFC<sup>35</sup>. Se debe estudiar más a fondo este subsegmento del sector de espumas en los países que operan al amparo del Artículo 5 pertinentes a fin de aclarar las cuestiones tecnológicas y de costos correspondientes.

### **II.4 Participación activa de los proveedores de sistemas (*systems houses*) en la eliminación de los HCFC**

41. En la producción de espumas de poliuretano rígidas y de revestimiento integral, la mayoría de las empresas dependen de sustancias químicas que se premezclan a nivel comercial con el agente espumante y otros ingredientes esenciales (polioles premezclados) suministrados por compañías conocidas como proveedores de sistemas (*systems houses*). Durante la primera fase de la eliminación de CFC, los proveedores de sistemas desempeñaron un papel clave en la penetración de mercado del HCFC-141b en los países que operan al amparo del Artículo 5<sup>36</sup>. Se aprobó financiación para una cantidad limitada de proveedores de sistemas para producir polioles

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<sup>34</sup> Las principales tecnologías seleccionadas son: HFC-134a, HFC-152a, CO<sub>2</sub> (o CO<sub>2</sub>/alcohol) e isobutano. Sin embargo, en Canadá y Estados Unidos, la eliminación ha resultado más difícil debido a los requisitos específicos de los productos, especialmente en el sector residencial. Por lo tanto, se espera que el uso de HCFC-142b y HCFC-22 continúe en estos países hasta 2010.

<sup>35</sup> Este sector por sí solo tiene un consumo por año de 20 000 toneladas métricas adicionales desde la evaluación anterior de 2001 (Informe de evaluación del Comité de Opciones Técnicas de Espumas Rígidas y Flexibles).

<sup>36</sup> Se aprobaron once proyectos grupales para 290 EPM centrados en proveedores de sistemas autóctonos locales para cuatro países a un costo total de 7,2 millones \$EUA. El impacto directo de la participación de los proveedores de sistemas fue una eliminación de más de 1 300 toneladas PAO de CFC-11.



premezclados que no fueran a base de CFC adecuados, así como para proporcionar transferencia de tecnología y capacitación para sus clientes (es decir, las empresas de espumas usuarias).

42. La transición de los HCFC a tecnologías que no utilizan SAO sería un verdadero reto en los países que operan al amparo del Artículo 5, considerando la disponibilidad limitada actual de los HFC y los posibles problemas de manipulación y procesamiento en algunas regiones cuando se utilizan las tecnologías más nuevas, como por ejemplo el HFC-245fa. Para mitigar dichos problemas, puede ser necesario alentar a los proveedores de sistemas de los países que operan al amparo del Artículo 5, o bien brindarles apoyo con antelación a la fase de preparación del proyecto, para que analicen las posibilidades de desarrollar u optimizar fórmulas adecuadas para sus mercados locales, y quizá los países vecinos, donde los bajos niveles de consumo de HCFC no permitieran que el funcionamiento de un proveedor de sistemas resultara viable.

43. Otras esferas críticas que se podrían abordar por medio de la colaboración entre los proveedores de sistemas locales y la industria de espuma son las siguientes:

- a) Reducción de los costos de las fórmulas de las espumas basadas en agentes espumantes costosos (es decir, HFC-245fa o HCF-356mfc), proporcionando un producto de aislamiento competitivo en aplicaciones en las que el costo es una consideración importante (por ej., usando una mezcla con hidrocarburo y la espumación conjunta con agua);
- b) Desarrollo e introducción de polioles premezclados a base de hidrocarburos, que podrían acelerar el abandono de los HCFC en los países que operan al amparo del Artículo 5; y
- c) Capacitación y asistencia técnica para las empresas que seleccionaron tecnologías a base de HFC a fin de asegurar que dichas empresas lleven a cabo sus actividades de producción de una manera que presente el menor riesgo para el medioambiente mundial, por ejemplo limitando las emisiones de HFC durante la producción de espuma.

44. Los proyectos de demostración vinculados con los proveedores de sistemas interesados podrían ser una de las maneras de promover la optimización de los sistemas y la introducción de tecnologías de eliminación en la industria local.

#### Proyecto para proveedores de sistemas para convalidar los sistemas de espumas de alternativa a los HCFC

45. Para que un programa de eliminación de HCFC financiado por el Fondo Multilateral resulte satisfactorio, se considera esencial que haya disponibles, de manera oportuna, tecnologías rentables, ambientalmente racionales, que hayan sido convalidadas para la aplicación en los países que operan al amparo del Artículo 5. Por lo tanto, el objetivo del programa es hacer participar a proveedores de sistemas seleccionados de los países que operan al amparo del Artículo 5 para convalidar tecnologías nuevas o considerablemente modificadas para el uso en los proyectos de eliminación de HCFC. Resulta esencial que el plazo de investigación coincida con el plazo necesario para preparar los primeros planes de gestión de eliminación de HCFC, de

manera que los proyectos de inversión puedan aprovechar inmediatamente el ejercicio de convalidación. Por lo tanto, el programa debería iniciarse tan pronto como sea posible e incluir: tecnologías incipientes que no utilicen SAO y tengan un bajo PCM, así como opciones de bajo costo para tecnologías convencionales que no utilicen SAO y tengan un bajo PCM.

46. Se propone que se apruebe inicialmente sólo el costo adicional de capital de las empresas conexas participantes en el programa, dado que los costos adicionales de explotación serán parte de las investigaciones y se pagarán durante la ejecución del programa o después de la misma. Se calcula que el costo del proyecto, por proveedor de sistema, se encontrará en el intervalo de 145 000 \$EUA a 210 000 \$EUA para la labor con agentes espumantes no inflamables y de 200 000 \$EUA a 320 000 \$EUA para los agentes de espumación inflamables. Se calcula que intervalo de costo adicional de capital empresa conexas que realice la conversión a un agente espumante no inflamable será entre 13 000 \$EUA y 20 000 \$EUA, y entre 79 000 \$EUA y 165 000 \$EUA para la conversión a un agente espumante inflamable. El desglose del costo adicional de capital figura en el Apéndice II del Anexo II a este documento.

### **III. COSTOS ADICIONALES DE LA ELIMINACIÓN DEL CONSUMO DE HCFC EN EL SECTOR DE REFRIGERACIÓN**

47. Actualmente, el HCFC-22 es la sustancia que más predominantemente se usa en el sector de refrigeración y aire acondicionado en los países que operan al amparo del Artículo 5. En 2006, 123 países que operan al amparo del Artículo 5 notificaron un consumo de HCFC-22 de 12 375 toneladas PAO (225 000 toneladas métricas) utilizadas en el sector de refrigeración y aire acondicionado para la fabricación de equipos nuevos (principalmente, acondicionadores de aire y, en menor medida, refrigeradores comerciales) y el servicio y mantenimiento de los equipos existentes<sup>37</sup>. Existen otros HCFC que también se utilizan en el sector de refrigeración, especialmente HCFC-123 en enfriadores y HCFC-124 y HCFC-142b como refrigerantes de alternativa “*drop-in*” para el CFC-12. Dado que aparentemente no hay capacidad de fabricación dedicada en los países que operan al amparo del Artículo 5 para los productos que usan estos refrigerantes, y dado que las cantidades utilizadas son muy pequeñas en comparación con el HCFC-22, estos HCFC no se han investigado más a fondo en este documento.

#### **III.1 Sectores y subsectores**

48. En el sector del aire acondicionado, el HCFC-22 ha sido desde hace 60 años el refrigerante predominante; es decir, el refrigerante preferido para los sistemas de aire acondicionado de tamaño pequeño, mediano y grande (en este último caso, con la excepción de los enfriadores centrífugos). Aparentemente, prácticamente toda la capacidad de fabricación mundial de sistemas de aire acondicionado residencial pequeños está concentrada en una pequeña cantidad de países que operan al amparo del Artículo 5 (menos de 15). A los fines de este documento, la Secretaría ha definido los subsectores de aire acondicionado de habitaciones y de sistemas divididos (*split*), que también cubre productos residenciales; de aire acondicionado comercial con conductos y envasado, que son sistemas de tamaño mediano, aire a aire, utilizados por ejemplo en el techo de edificios comerciales más grandes; y de enfriadores de HCFC-22, que

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<sup>37</sup> Se calcula que se ha utilizado un consumo adicional de 300 toneladas PAO (5 500 toneladas métricas) de HCFC-22 como agente espumante en combinación con HCFC-142b para la producción de espuma de poliestireno.

tienen capacidades de menos de 500 kW utilizados para acondicionamiento de aire así como para otras aplicaciones de enfriamiento de procesos en la industria. El sector de aire acondicionado está dominado por grandes industrias con plantas de fabricación centralizadas.

49. La refrigeración comercial es el subsector con la línea y variedad de productos más difusas, dado que todos los equipos de refrigeración usados en empresas comerciales y que no pertenecen explícitamente a otro subsector quedan comprendidos en esta categoría. Los productos se usan en gran medida, aunque no exclusivamente, en la venta minorista, para la exposición y venta de artículos refrigerados y congelados. Otras aplicaciones van desde enfriadores de agua hasta salas de almacenamiento para carnes y productos lácteos. La amplia variedad de aplicaciones y la atención de las necesidades específicas crea una industria muy dispersa, en la que unas pocas empresas grandes y muchas empresas pequeñas y medianas producen productos altamente personalizados. Allí, los límites entre algunas partes del sector de refrigeración comercial y el sector de servicio y mantenimiento son borrosos. Probablemente, se fabrican sistemas de refrigeración comercial tanto en países que son grandes consumidores como, en cierta medida, en la mayoría de los países de bajo volumen de consumo. El uso de HCFC-22 en el sector se ha visto impulsado, entre otras cosas, por la eliminación del CFC-12 y por el hecho de que los contratistas de servicio y mantenimiento y las pequeñas compañías tienen infraestructura para HCFC-22 disponible para el servicio y mantenimiento de equipos de aire acondicionado. Estas compañías simplificaron sus operaciones en gran medida usando el mismo refrigerante tanto para el servicio y mantenimiento de sistemas de aire acondicionado como para el montaje, carga y servicio y mantenimiento de equipos de refrigeración comercial.

### **III.2 Sustancias alternativas**

50. Para los diferentes sectores, hay disponibles varios refrigerantes de alternativa. Técnicamente, existen muchas posibilidades para generar temperaturas bajas para refrigeración. Este documento se concentra en aquellas que, en este momento, tienen un nivel de desarrollo y de aplicación en el terreno que sugieren que podrían ser candidatas para la sustitución del HCFC-22 en los países que operan al amparo del Artículo 5 en el mediano plazo; es decir, cuáles pueden resultar pertinentes para los proyectos del Fondo Multilateral relacionados con la congelación de 2013 o la medida de reducción del consumo de 2015. Estas alternativas son esencialmente refrigerantes a base de HFC, hidrocarburos y amoníaco. En el Anexo IV se presenta una descripción detallada de las tecnologías alternativas.

51. Los HFC son refrigerantes con características generales similares a los CFC y HCFC; algunos detalles específicos de su tecnología resultan bien conocidos debido a la introducción del HFC-134a durante la eliminación del CFC-12. Los productos sustitutivos del HCFC-22 que son los más difundidos en los países que no operan al amparo del Artículo 5 tienen un potencial de calentamiento mundial (PCM) más elevado que el HCFC-22. La mayoría de estos realmente se introdujeron hace más de 12 años, durante la sustitución de los CFC. Sólo el HFC-134a tienen un PCM más bajo que el HCFC-22, y se usa actualmente en general en aplicaciones de capacidad reducida. Para los países que operan al amparo del Artículo 5, aparentemente, estas aplicaciones cubren una gran proporción de los equipos que es probable que resulten admisibles para la financiación. El HFC-134a, hasta ahora, no se ha usado para sustituir el HCFC-22, por lo que no se dispone de datos de costos. Se han desarrollado diversos HFC para sustituir el HCFC-22 en

aplicaciones específicas, que se han introducido satisfactoriamente y con gran difusión tanto en países que no operan al amparo del Artículo 5 como en países que operan al amparo de dicho artículo. Algunos, especialmente el HFC-410a, tienen características que requieren cambios sustanciales en el diseño de los equipos, la fabricación de componentes y los equipos de servicio y mantenimiento debido a sus presiones de trabajo más elevadas. Hay disponibles varias mezclas de HFC e hidrocarburos que permiten la conversión “*drop-in*” sencilla de equipos de HCFC-22 a alternativas sin SAO que pueden aplicarse en muchos casos.

52. Los hidrocarburos y el amoníaco son refrigerantes de bajo PCM, que se han usado en forma continua desde hace muchos años. Ambos enfrentan retos relacionados con la seguridad. Si bien la tecnología para manipular estos refrigerantes de forma segura es bien conocida, estas características ocasionan costos adicionales de capital más elevados en el momento de la conversión, así como restricciones respecto del uso de los equipos relacionados: Las principales cuestiones son:

- a) Los hidrocarburos, especialmente el isobutano, propano y propileno son, al igual que el HCFC-22, excelentes refrigerantes. Su inflamabilidad requiere manipulación segura en la fabricación y durante el servicio y mantenimiento, limita la cantidad de hidrocarburos cargados por equipo y podría imponer restricciones respecto de la ubicación de las plantas de producción (por ej., fuera de zonas residenciales) y, para los sistemas más grandes, los equipos instalados (por ej., requisitos de ventilación, separación respecto del público). Los hidrocarburos se han utilizado satisfactoriamente en refrigeradores, en los que son una tecnología completamente establecida y ampliamente utilizada, así como en acondicionadores de aire pequeños y equipos de refrigeración comercial pequeños; y
- b) La tecnología de amoníaco se ha usado anteriormente en grandes plantas de refrigeración, especialmente en relación con el procesamiento de alimentos y en la industria química, y en grandes enfriadores. Los conocimientos y técnicas necesarios para montar equipos de refrigeración de amoníaco y prestarles servicio son diferentes de la tecnología para los CFC/HCFC/HFC. El amoníaco se usa actualmente en varios países que operan al amparo del Artículo 5, principalmente debido a motivos históricos, pero se ha comprobado que resulta difícil introducirlo en los países donde no hay usos anteriores. Al igual que los sistemas de hidrocarburos más grandes, el amoníaco generalmente tiene restricciones en cuanto a la ubicación de los equipos instalados.

53. La información disponible respecto de la eficiencia energética indica que hay, para la mayoría de las aplicaciones pertinentes, tanto un refrigerante de HFC como de bajo PCM que pueden ofrecer la misma eficiencia energética, o incluso mejor, que la que ofrecen los equipos que utilizan HCFC-22. Esto podría, en algunos casos, requerir cambios importantes en el diseño o el uso de un compresor optimizado, lo que generaría aumentos de costos que, por ahora, pueden cuantificarse sólo caso por caso.

54. Es probable que, por lo menos durante la etapa inicial de eliminación de HCFC, las alternativas antes descritas representen todas las posibles opciones. Se han informado

investigaciones respecto del desarrollo de refrigerantes de bajo PCM para el sector de aire acondicionado de vehículos sin inflamabilidad y con baja toxicidad, aunque actualmente no resulta claro si serán comercializados y cuándo. Lo que es aún más importante, la posibilidad de aplicación en los subsectores que usan HCFC-22 no resulta clara, dado que plantean retos específicos para la sustitución. El CO<sub>2</sub> se ha estado desarrollando como un refrigerante de alternativa durante los últimos 20 años, y actualmente se está usando en ensayos de demostración. Sus principales aplicaciones son sistemas de refrigeración comercial pequeños y sistemas centralizados de supermercados que usan temperaturas bajas. En lo sistemas pequeños, el CO<sub>2</sub> requiere un diseño y componentes fundamentalmente diferentes y tiene, debido a su alta presión en esta aplicación específica, características de servicio y mantenimiento diferentes de las de otros refrigerantes. Además, la eficiencia energética en comparación con el HCFC-22 se ve afectadas a altas temperaturas en exteriores. No resulta claro aún si la tecnología se desarrollará lo suficiente, y en qué circunstancias, para salir de su mercado de nicho actual. Para los sistemas de bajas temperaturas grandes, la tecnología utilizada es sólo una variación relativamente pequeña de la tecnología que se usa comúnmente, pero es probable que la cantidad de aplicaciones en los países que operan al amparo del Artículo 5 en que se puede usar para sustituir el HCFC-22 es muy limitada.

### **III.3 Retos específicos en el sector de servicio y mantenimiento**

55. Los sistemas de aire acondicionado se usan en todo el mundo para la refrigeración para confort. En algunos países, puede estar restringida al uso en hoteles y hospitales, mientras que en otros pueden también incluirse oficinas y domicilios particulares. Es probable que se use HCFC-22 en prácticamente todos los sistemas de aire acondicionado, desde unidades de ventana pequeñas hasta sistemas de 500 kW de capacidad. Considerando la necesidad de prestar servicio y mantenimiento a estos sistemas, es probable que se use HCFC-22 en el sector de servicio y mantenimiento prácticamente en todos los países que operan al amparo del Artículo 5.

56. Si bien muchas unidades de aire acondicionado no requieren muchas reparaciones, la gran cantidad de unidades existentes, que aumenta rápidamente, ocasionará una demanda de servicio y mantenimiento general alta. El difundido uso de HCFC-22 en refrigeración comercial está impulsando aun más la demanda de servicio y mantenimiento. La estructura general del sector de servicio y mantenimiento resulta conocida por la eliminación del CFC-12. En los esfuerzos de eliminación de los CFC, las actividades de este sector se han agrupado, especialmente, con actividades relacionadas con las leyes y la aplicación de sistemas de otorgamiento de licencias y cupos, como parte de planes de gestión de refrigerantes y planes de gestión de eliminación definitiva.

57. Dado que la fabricación a base de HCFC en los sectores de espumas y refrigeración, así como el uso de HCFC como solvente, parecen limitarse a una cantidad pequeña de países, es probable que una gran cantidad de países que operan al amparo del Artículo 5 registren consumo de HCFC casi exclusivamente en el sector de servicio y mantenimiento. Esto incluiría el subsector de montaje y carga de equipos de refrigeración comercial. A diferencia de la situación para la eliminación de los CFC, cuando en la mayoría de los países por lo menos una parte de la fabricación (por ej., espumas suaves) era a base de CFC y se podría abordar para apoyar al país para cumplir con sus obligaciones de eliminación, en el caso de los HCFC muchos países que operan al amparo del Artículo 5 podrían no tener esa opción. Durante la eliminación de los CFC,

resultó evidente que no se puede abordar y supervisar el sector de servicio y mantenimiento en el nivel de las empresas individuales, principalmente debido a la cantidad de empresas en cuestión, su pequeño tamaño y su estructura a menudo informal. Por lo tanto, la eliminación de CFC en el contexto del Fondo Multilateral ha dependido principalmente en restricciones de la oferta por medio de sistemas de otorgamiento de licencias y cupos, permitiendo al mismo tiempo que el sector de servicio y mantenimiento hiciera frente a la caída en la oferta de CFC por medio de capacitación en buenas prácticas y la provisión de herramientas y equipos. El apoyo del Fondo para el sector de servicio y mantenimiento, al mismo tiempo, ha asegurado a los gobiernos que las reglamentaciones respecto de la oferta no causaran problemas importantes en el servicio y mantenimiento de los equipos de refrigeración. Los resultados de este enfoque han sido, hasta ahora, buenos en general. El nuevo reto que plantea la eliminación de los HCFC es que la administración del lado de la demanda debe iniciarse mucho antes en el calendario de eliminación y continuar durante un plazo prolongado.

58. La demanda de HCFC-22 en el sector de servicio y mantenimiento está relacionada con la importación de equipos de aire acondicionado a base de HCFC-22 en los países que operan al amparo del Artículo 5, lo que crea la consiguiente demanda de HCFC-22 en el sector de servicio y mantenimiento. A fin de facilitar las reducciones subsiguientes del consumo para el sector de servicio y mantenimiento, parece apropiado considerar en el nivel nacional si resulta posible limitar las importaciones de equipos que utilizan HCFC-22, especialmente acondicionadores de aire, en una etapa temprana. Esto tendría repercusiones en la sincronización de la demanda para financiar la conversión de instalaciones de fabricación de acondicionadores de aire, especialmente de HCFC-22. Dichas instalaciones se deberán convertir en las primeras etapas, a fin de permitirles que suministren equipos de aire acondicionado sin HCFC a otros países que operan al amparo del Artículo 5.

59. Para que los países de bajo volumen de consumo puedan decidir acerca de los controles a la importación, debe haber suficiente apoyo para su sector de servicio y mantenimiento a fin de reducir al mínimo el consumo de HCFC y permitir el manejo apropiado de las alternativas. Por lo tanto, puede ser apropiado considerar la financiación de actividades de eliminación de HCFC en el subsector de servicio y mantenimiento y en los sectores relacionados (montaje, carga y usuarios finales) en los países donde predomina el consumo en el sector de servicio y mantenimiento en 2010 o inclusive antes, con miras a facilitar el cumplimiento de la medida de reducción del 10 por ciento en 2015.

#### **III.4 Consideraciones de costos**

60. A fin de lograr una mejor comprensión de los posibles costos relacionados con la eliminación de los HCFC en el sector de fabricación de refrigeración, se consultó a expertos con experiencia en países que operan al amparo del Artículo 5 para comprender la estructura de los sectores y subsectores. En un paso siguiente se intentó definir una o dos empresas típicas que utilizan HCFC para cada subsector. Sobre la base de la experiencia con la eliminación de CFC, así como de los servicios de los expertos, listas de precios y otros datos disponibles, se pudo hacer un cálculo estimativo del intervalo de costos adicionales de capital y costos adicionales de explotación para cada una de las alternativas. El enfoque se basa en el supuesto de la sustitución o actualización de las instalaciones existentes durante su vida útil, conforme con la práctica

aplicada durante el período de los proyectos de eliminación de CFC. Dado que varios de los subsectores no cuentan con directrices para determinar el plazo de los pagos de costos adicionales de explotación, todos los plazos de costos adicionales de explotación se normalizaron en un año, a fin de facilitar el cálculo rápido del impacto de los diversos plazos de pago de costos más prolongados o más breves. En el Anexo IV se indican tecnologías alternativas para los diferentes subsectores, descripciones de dichos subsectores, y condiciones y resultados del cálculo de costos adicionales con los que se arriba a los intervalos de costos indicativos.

61. El enfoque de usar una empresa “típica” para determinar los costos adicionales para las empresas fabricantes limita la incertidumbre en el cálculo del costo adicional de capital por empresa, dado que los rubros de costos de capital variarán sólo dentro de límites entre operaciones de diferente tamaño. No obstante, dado que no se conoce la cantidad de empresas de un sector, ni tampoco las líneas exactas de productos, no resultará posible realizar una extrapolación para determinar los costos de conversión para sectores completos en el futuro predecible. Se debe señalar que, en el caso de la eliminación de CFC, los costos de capital e inclusive los costos de rubros relacionados con los costos adicionales de explotación (compresores, aceites, refrigerantes) usualmente disminuyeron con el correr del tiempo y también mostraron importantes variaciones en diferentes mercados.

62. Los cálculos de costos para diferentes empresas modelo en el sector de fabricación de refrigeración arrojan los resultados que se presentan en la Tabla III.1. Los costos de explotación se indican como costos anuales. Si el Comité Ejecutivo decidiera, por ejemplo, un plazo de cuatro años, los valores para los costos adicionales de explotación indicados en la tabla aumentarían del modo consiguiente. El cálculo demuestra que los costos adicionales de explotación de la eliminación de los HCFC a menudo abarcan una proporción mayor de los costos adicionales que lo que resultaba típico para los proyectos de eliminación de CFC. Se debe señalar que dichos costos de explotación, que son el único apoyo ofrecido por el Fondo que se paga realmente en efectivo, proporcionan importantes incentivos para que las empresas conviertan su producción de manera temprana. Por otro lado, la forma actual de los costos adicionales de explotación presenta un incentivo para seleccionar la tecnología menos sostenible desde el punto de vista económico, es decir, la opción con el incremento de costo por unidad más alto. Los riesgos de los problemas durante la ejecución, o de problemas posteriores o de la retroconversión a HCFC-22, son especialmente altos en estos casos.

Tabla III.1: Costo adicional de capital y costo adicional de explotación para plantillas de proyecto seleccionadas en el sector de fabricación de refrigeración <sup>38</sup>

Sector/sub-sector y tipo de equipo	Producción anual (unidad/año)	Costo adic. de capital (\$EUA)		Costo adic. de explotación (\$EUA)	Costo adic. de capital (\$EUA)		Costo adic. de explotación (\$EUA)	Costo adic. de capital (\$EUA)		Costo adic. de explotación (\$EUA)
		Máx.	Mín.	Annual	Máx.	Mín.	Annual	Máx.	Mín.	Annual
<b>Aire acondicionado</b>		<b>R410A</b>			<b>R407C</b>			<b>R290</b>		
AA de habitaciones y dividido	250 000	275 000	950 000	2 660 000	190 000	250 000	4 250 000	545 000	670 000	4 512 000
AA comercial en conductos y envasado**	1 000	245 000	145 000	36 600	120 000	80 000	28 500	n/c	n/c	n/c
	100									
Enfriadores	200	300 000	85 000	A determinar	n/c	n/c	n/c	n/c	n/c	n/c
<b>Refrigeración comercial</b>		<b>R404A</b>			<b>R134a</b>			<b>R290</b>		
Unidades autónomas: congelador comercial	10 000	66 000	66 000	140 000	66 000	66 000	110 000	320 000	320 000	230 000
Unidades autónomas: máquinas de autoservicio	10 000							500 000	800 000	150 000
Unidades condensadoras	5 000	55 000	60 000	390 000	55 000	60 000	310 000			

63. La Secretaría también ha intentado hacer un cálculo estimativo preliminar de los costos adicionales para el sector de servicio. Aún se debe deliberar acerca de la naturaleza y el volumen exactos de las intervenciones en el sector de servicio y mantenimiento, entre otras cosas sobre la base de la experiencia con los planes de gestión de refrigerantes y los planes de gestión de eliminación definitiva. Ya resulta evidente que algunos de los componentes principales de los planes de gestión de eliminación definitiva, tales como apoyo para legislación y aplicación, actualización de los equipos de los técnicos y educación, así como supervisión de la aplicación, continuarán cumpliendo un papel importante. El cálculo de costos presupone que es necesario proporcionar financiación adicional para examinar la legislación sobre SAO, así como para programas de capacitación en el nivel de financiación calculado según el nivel de consumo de HCFC en el año 2006. Se calculó que los costos hasta 2015 serían entre 110 000 \$EUA para los países de menor volumen de consumo y 13 940 000 \$EUA para los países de mayor volumen de consumo. Los detalles de este cálculo se presentan en el Anexo IV.

#### IV. CUESTIONES AMBIENTALES

##### IV.1 Decisiones orientadas a dar prioridad a las cuestiones ambientales

64. La decisión XIX/6 requiere que las Partes “fomenten la selección de alternativas de los HCFC que limitan a un mínimo las repercusiones en el medio ambiente, en particular las repercusiones en el clima, y que cumplen otros requisitos sanitarios, de seguridad y económicos”. También proporciona orientación al Comité Ejecutivo en cuanto a que, cuando elabore los criterios para seleccionar proyectos y programas a ser financiados “dé prioridad a los proyectos y programas eficaces en función de los costos que se centren, entre otras cosas en:

<sup>38</sup> Esta tabla indica el costo adicional de explotación conforme a los datos actualmente disponibles. Se debe señalar que no sólo existe la posibilidad de que se produzcan variaciones en el costo adicional de capital sino también de que las diferentes tecnologías presenten diferentes grados de susceptibilidad para dichos cambios. En consecuencia, es probable que la relación de costos entre las diferentes tecnologías varíe.



sustitutos y alternativas que limitan a un mínimo otras repercusiones en el medio ambiente, incluido el clima, teniendo en cuenta el potencial de calentamiento de la atmósfera, el uso energético y otros factores de importancia”.

65. La índole de la expresión ‘dé prioridad’ podría permitir diversas interpretaciones, inclusive prioridad en cuanto al plazo, en la selección de tecnología absoluta o en el suministro de financiación. La prioridad en cuanto al plazo se podría considerar ‘cumplida’ dado que ya hay disponibles tecnologías beneficiosas para el clima. Sin embargo, pueden preverse conflictos si las medidas para abordar los requisitos respecto del ‘peor caso primero’ estipulados en la decisión XIX/6 en el contexto de la eliminación de SAO son menos ventajosas para el clima (o incluso crean una des-ventaja para el clima) que otras opciones disponibles.

66. En aquellos casos en que existen tecnologías neutras respecto del clima o beneficiosas para el clima que resultan asequibles, puede ir en interés del Comité Ejecutivo desalentar la adopción de tecnologías que conducen a des-ventajas para el clima determinando que no se proporcionará ninguna financiación del Fondo Multilateral en absoluto. Existen antecedentes previos en la historia del Fondo Multilateral. Sin embargo, dicho enfoque debería dejar disponibles para la empresa o el país una variedad de opciones de tecnología financiadas. Al preparar este documento, la Secretaría considera que requiere mayor orientación del Comité Ejecutivo acerca de si este tipo de determinación de prioridades resulta apropiada en este momento.

67. En el presenta análisis, no se ha brindado más consideración al tratamiento de los ‘otros impactos ambientales’ que se infieren de la decisión XIX/6. En principio, éstos podrían incluir elementos tales como emisiones de COV que dan origen a la formación de ozono de bajo nivel. Sin embargo, dado que éstos son a menudo factores localizados, se espera que se apliquen a ese nivel y que sean parte de la selección de tecnología de los beneficiarios.

68. Dado que este documento se centra en el contexto de una consideración de costos, la labor notificada en el mismo se relaciona principalmente en la manera en que se podría aplicar el enfoque de financiación del Comité Ejecutivo para alentar la adopción de tecnologías con los beneficios máximos para el clima. La decisión XIX/6 en sí misma indica la necesidad de tomar en cuenta “el potencial de calentamiento de la atmósfera, el uso energético y otros factores de importancia”. Al evaluar estos indicadores, la Secretaría ha insistido en desarrollar un enfoque que sea suficientemente sólido para servir de base para una evaluación para la financiación, asegurando al mismo tiempo la sensibilidad suficiente para realizar comparaciones relativas al clima significativas. Puede consultarse información adicional en el Anexo V. Han surgido tres metodologías básicas:

- a) La adopción de una metodología basada únicamente en el potencial de calentamiento mundial (PCM);
- b) La adopción de una metodología basada en la repercusión climática durante el ciclo de vida (LCCP); y
- c) La adopción de un enfoque de ‘unidad funcional’ para la evaluación del ciclo de vida.

69. En su examen inicial, la Secretaría no consideró que una metodología basada exclusivamente en el PCM abarcaría por completo el mandato estipulado en la decisión XIX/6, ya que no podría dar cuenta del ‘uso energético’ tal como se requiere en la decisión. Además, el enfoque debería tomar en cuenta las diferencias en las prácticas de contención y opciones de recuperación durante el ciclo de vida a fin de reflejar de manera adecuada una comparación de tecnologías justa. Por su propia definición, conllevaría la evaluación de los componentes del ciclo de vida.

70. Al igual que en todos los procesos de evaluación del ciclo de vida, el desarrollo de la repercusión LCCP formal requiere muchos datos y el ingreso de una cantidad sustancial de variables, de las cuales algunas pueden no resultar conocidas, ya sea para la empresa o para un país, al momento de asignar los fondos. Incluso en el caso de que estuvieran disponibles, la tarea de formular referencias cruzadas y verificar la exactitud de estos supuestos resultaría una tarea sustancial y potencialmente imposible de llevar a la práctica para la Secretaría. La metodología de repercusión LCCP se considera inadecuada como base para una evaluación para la financiación.

71. Con los enfoques basados en el PCM y la LCCP representando los dos extremos del espectro, la Secretaría ha evaluado opciones intermedias que podrían superar las desventajas de cada uno de estos enfoques. Como resultado, se ha realizado la evaluación inicial de un enfoque de ‘unidad funcional’ que ofrece la solidez de una metodología simplificada, que no requiere tantos datos, que a la vez asegura que se puedan tomar en cuenta los criterios clave definidos en la decisión XIX/6 (PCM, uso energético y otros factores de importancia). Se debe acentuar que la evaluación a la fecha se ha limitado a sólo un sector y requiere un desarrollo metodológico más a fondo a fin de asegurar que pueda ser aplicado en la variedad de proyectos y programas previstos en la decisión XIX/6. No obstante, la Secretaría considera apropiado establecer la metodología básica en esta etapa, así como las opciones de financiación que podrían derivarse de la misma, a fin de recibir realimentación del Comité Ejecutivo acerca del enfoque propuesto lo más temprano posible.

72. El enfoque de ‘unidad funcional’ se centra en el uso típico de la sustancia en un sector, denominado ‘elemento’, a fin de caracterizar los impactos relacionados con dicho ‘elemento’ a lo largo de su ciclo de vida. Por ejemplo, la contribución de una espuma a la eficiencia energética se puede cuantificar por unidad de superficie para un edificio típico, manteniendo un promedio de 10 °C de diferencia de temperatura (gradiente térmica) en todo un elemento de edificio. Esta aplicación típica luego se usa como ‘modelo básico’ para las actividades totales de un sector. El objetivo no es calcular el impacto climático preciso de todas las aplicaciones sino caracterizar dichos impactos de manera que se puedan utilizar para comparar tecnologías. En la práctica, el resultado primario de esta metodología podría ser una evaluación comparativa de los impactos en el clima durante el ciclo de vida, tomando en consideración el PCM del producto sustitutivo, el tamaño de la carga, la energía utilizada en la operación y las funciones de emisiones durante el ciclo de vida. Las tecnologías alternativas se pueden evaluar en comparación con el modelo de referencia de la tecnología más eficiente en relación con los costos que elimina completamente las SAO y conduce a un impacto en el clima similar a la tecnología original a base de HCFC.

73. Este enfoque requiere una mayor elaboración y evaluación en una variedad más amplia de sectores a fin de poder asegurar que la metodología básica se pueda usar más ampliamente. La

Secretaría, por lo tanto, solicita que se le otorgue el mandato de continuar su labor de por esta misma vía, o según lo modifique el Comité Ejecutivo, a fin de presentar un conjunto de propuestas más concreto a la 57ª Reunión.

## **V. INCENTIVOS Y OPORTUNIDADES DE COFINANCIACIÓN**

74. Se pidió a la Secretaría que, al preparar este documento, considerase incentivos financieros y oportunidades de cofinanciación que resultarían pertinentes para asegurar que la eliminación de HCFC ofrezca beneficios conforme al párrafo 11 b) de la decisión XIX/6 de las Partes en el Protocolo. Mientras tanto, la 54ª Reunión del Comité Ejecutivo decidió adaptar directrices para la preparación de los planes de gestión de eliminación de HCFC en su decisión 54/39. Estas directrices alientan a los países y organismos a explorar posibles incentivos financieros y oportunidades para obtener recursos adicionales para aumentar al máximo los beneficios ambientales de los planes de gestión de eliminación de HCFC. La cofinanciación se puede aplicar tanto en el nivel de proyectos individuales como de planes nacionales, o en un nivel acumulativo, o en ambos. La decisión 54/39 establece el requisito de explorar la cofinanciación relacionada con proyectos individuales o programas.

75. A los fines de este documento, se entiende que la cuestión de los beneficios ambientales se refiere al cambio climático y a la mitigación de las emisiones de gases de efecto invernadero. Los proyectos de eliminación del Fondo Multilateral crean mitigación de las emisiones de gases de efecto invernadero en diferentes niveles. La reducción de la producción de HCFC-22 conducirá a posteriores reducciones en la coproducción de HFC-23, un potente gas de efecto invernadero. La reducción de la producción y el consumo de HCFC conducirá a la posterior reducción en emisiones de estas sustancias, que también tienen valores de PCM relativamente altos. También se emitirían los productos sustitutivos utilizados en algunas aplicaciones, algunos de los cuales pueden ser potentes gases de efecto invernadero. Finalmente, el uso de HCFC como refrigerante y, en cierta medida, como atente de espumante, están estrechamente relacionados con el consumo de energía, y a su vez están vinculados con las emisiones de carbono.

76. A fin de que los proyectos de eliminación ejecutados en el marco del Fondo Multilateral atraigan cofinanciación, se requerirá, como mínimo, un indicador pertinente respecto del clima como se propone en la sección V de este documento. Esto debería proporcionar un buen punto de partida para evaluar la posible contribución de los proyectos ejecutados en el marco del Fondo Multilateral a los objetivos de otros mecanismos de financiación.

77. Existen varios mecanismos de este tipo que podrían resultar adecuados para proporcionar cofinanciación para proyectos del Fondo Multilateral. Entre éstos se encuentran los fondos de los beneficiarios, mecanismos basados en modelos de financiación tradicionales, proyectos de eficiencia energética gubernamentales o industriales y mecanismos basados en el mercado. Estos representan actualmente las fuentes más probables de cofinanciación.

78. Los modelos de financiación tradicionales incluyen fondos con una estructura similar a la del Fondo Multilateral; es decir, varios donantes proporcionan financiación, que está disponible para un grupo de receptores, conforme a las definiciones establecidas por una entidad de control. Se encuentran comprendidos en este grupo el FMAM y fondos relacionados con el clima o el medio ambiente de nivel internacional, regional y de países donantes individuales. Actualmente,

este grupo de fondos está creciendo rápidamente tanto en términos de volumen como en cuanto a la cantidad de mecanismos. Los criterios y las modalidades de acceso a estos fondos pueden no ser compatibles con los objetivos del Fondo Multilateral.

79. En algunos países, los gobiernos o los proveedores de electricidad están aplicando fondos para el ahorro de energía. En general, puede esperarse que dichos fondos sean compatibles con los proyectos del Fondo Multilateral, pero no parecen ser comunes en los países que operan al amparo del Artículo 5.

80. Los mecanismos basados en el mercado emiten créditos de carbono o derechos de emisiones de carbono destinados a compensar las emisiones de carbono que se producen en algún otro lugar por medio de reducciones de emisiones logradas por medio de determinados proyectos bien definidos. Los ingresos generados con dichos emprendimientos depende del precio de mercado de dichos derechos o créditos al momento de la venta. Estos mecanismos funcionan sobre la base de las reducciones de emisiones reales, y requieren adicionalidad ambiental; es decir, los proyectos deben dar lugar a reducciones de emisiones que no se hubieran producido de otro modo. Se podría interpretar que las actividades para aumentar al máximo los beneficios ambientales son adicionales.

81. Ya existe experiencia con la cofinanciación de proyectos o programas disponibles dentro del Fondo Multilateral y sus organismos de ejecución. La mayor parte de los proyectos del Fondo Multilateral se han aprobado como donaciones a empresas e instituciones beneficiarias de los países que operan al amparo del Artículo 5, con la excepción de una pequeña cantidad de proyectos para los que se requirió cofinanciación, tal como en el caso de los enfriadores. El nivel de donaciones se ha determinado sobre la base de un análisis de los costos adicionales admisibles. Otros costos, ya sea no admisibles o no adicionales, han sido pagados en muchos casos por las empresas beneficiarias, a veces con la asistencia de fondos en efectivo proporcionados por medio del pago de costos adicionales de explotación.

82. Algunos ejemplos de costos no adicionales pagados por las empresas son: costos de construcción relacionados con la conversión de la planta, aumento de capacidad o actualizaciones de tecnología por encima del nivel básico<sup>39</sup>. Además, hay una gran cantidad de programas de incentivos en el sector de servicio y mantenimiento de refrigeración que se han desarrollado como parte de los planes de gestión de refrigerantes, planes de gestión de eliminación definitiva y planes nacionales de eliminación, en los que se otorgan fondos parciales a los usuarios finales beneficiarios para retroadaptar o sustituir sus equipos a base de SAO con refrigerantes de alternativa. Éstos constituyen ejemplos de lo que podría considerarse cofinanciación del beneficiario en los proyectos del Fondo Multilateral<sup>40</sup>.

83. El programa de sustitución de refrigeradores centrífugos basado en una ventana de financiación establecida por el Comité Ejecutivo en su 45ª Reunión, que se aprobó en la inteligencia de que la sustitución de los enfriadores antiguos a base de CFC por enfriadores con

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<sup>39</sup> Estos costos no adicionales no han sido evaluados y registrados por la Secretaría y, por lo tanto, no se puede proporcionar información cuantitativa diferente de la recopilación de información adicional que se pueda haber incluido en los documentos de proyecto.

<sup>40</sup> En otros mecanismos de financiación, estos costos se consideran “financiación de contraparte” o “cofinanciación”.

tecnologías de alternativa ofrecería múltiples beneficios, y de que la financiación se desembolsaría solo cuando se hubiera conseguido cofinanciación<sup>41</sup>. Los proyectos de enfriadores fueron aprobados por el Comité en sus 46ª y 47ª Reuniones. Varios de los proyectos dependían de altas contribuciones de los beneficiarios, con lo que se creaba esencialmente un instrumento de ejecución similar a los programas de incentivos antes mencionados. Otros proyectos solicitaron el uso de otros mecanismos de financiación, tal como el FMAM, otros fondos ambientales o fondos de compañías de electricidad relacionados con la conservación de energía. La financiación de fondos ambientales comenzó a desembolsarse solo 18 meses después de la aprobación de los proyectos, y no está aún completamente disponible. Los fondos de instrumentos financieros internacionales y compañías de electricidad no han estado disponibles hasta la fecha, a pesar de grandes esfuerzos.

84. Es probable que los proyectos deban incorporar actividades que pueden no resultar admisibles conforme a las directrices actuales del Fondo Multilateral mientras son financiados con parte de la cofinanciación recibida. Este podría ser el caso, por ejemplo de una actualización técnica de la tecnología utilizada en los acondicionadores de aire para lograr una mayor eficiencia energética. Del mismo modo, pueden imponerse restricciones, por ej., en las fuentes para los equipos, el uso de tecnologías específicas, etc. Se deberá evaluar cuidadosamente, a la luz del mandato general impartido por las Partes, en qué condiciones la cofinanciación esperada es suficientemente importante para encarar el esfuerzo adicional necesario para cumplir con estos requisitos.

85. Al convenir en las directrices sobre los HCFC, el Comité Ejecutivo ya ha solicitado información respecto de los mecanismos de financiación nacionales o regionales que podrían aplicarse. Por lo tanto, ya se ha establecido la premisa de cofinanciación para los proyectos individuales y planes.

86. A partir de una evaluación del proceso de los proyectos, resultó claro que los proyectos de eliminación de HCFC deberían desarrollarse y ejecutarse entre 2009 y 2013 para alcanzar los objetivos de cumplimiento relacionados con los HCFC para 2013 y 2015. La experiencia en la ejecución de los proyectos de enfriadores, que incluyeron un importante componente de cofinanciación, sugiere que es probable que se produzcan demoras importantes en los proyectos de eliminación de HCFC si están condicionados a la cofinanciación proveniente de fuentes regionales o multilaterales, lo que posiblemente plantearía retos adicionales para alcanzar los objetivos para el cumplimiento en 2013 y 2015. Considerando los compromisos de reducción del Protocolo de Montreal basados en plazos, para los países resulta difícil correr el riesgo de que se produzcan demoras en sus proyectos debido a las perspectivas inciertas de la cofinanciación. Consiguientemente, si se mantiene el ritmo lento de apoyo de otras entidades de financiación, se pondría en duda la posibilidad de usar otras instituciones para apoyar las actividades del Fondo Multilateral.

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<sup>41</sup> A fin de permitir el examen de los proyectos de enfriadores en el marco de esta ventana de financiación, la Secretaría llevó a cabo en los documentos ExCom/46/37, ExCom/47/20 y ExCom/47/21 un análisis de aspectos importantes y la experiencia pertinente de la cofinanciación que también podrían ser válidos para el mandato de este documento.

87. También se podría acceder a cofinanciación en un nivel general, es decir, más allá de la cofinanciación de proyectos o programas individuales. Para este fin, se podrían usar tanto mecanismos basados en el mercado como fondos climáticos o ambientales. Un enfoque general paralelo podría ofrecer algunas ventajas, tales como simplificar los procedimientos y centralizar el esfuerzo para apalancar la cofinanciación. A fin de reducir la cuestión de las demoras en los proyectos debido a la exploración de posibilidades de cofinanciación, la Secretaría del Fondo podría consultar a otras instituciones para saber si se pueden desarrollar metodologías claras y mecanismos más racionalizados para permitir que otras instituciones completen la financiación del Fondo Multilateral para el ozono a fin de lograr beneficios adicionales para el clima. El intercambio con otras instituciones comenzaría una vez que hayan avanzado las deliberaciones del Comité Ejecutivo acerca de determinadas cuestiones planteadas en este documento, especialmente en cuanto a la fecha límite, la segunda conversión y cómo reducir al mínimo otros impactos en el medio ambiente.

88. Dichas actividades podrían consistir en lo siguiente:

- a) Identificación de mecanismos de financiación adecuados y compatibles regionales o multilaterales;
- b) Evaluación de los requisitos operativos conexos, tales como necesidad de supervisión, requisitos de actividades adicionales o restricciones;
- c) Desarrollo de posibles conceptos operacionales para cooperación y ajustes necesarios en la evaluación, ejecución, aplicación, supervisión y verificación de los proyectos.

89. Los puntos anteriores son una lista preliminar, y requerirían una estrecha cooperación entre la Secretaría y los organismos de ejecución, con la orientación y supervisión continuas del Comité Ejecutivo. Por lo tanto, el Comité Ejecutivo pudiera considerar si desea continuar explorando más a fondo las posibilidades de cofinanciación.

## **VI. RECOMENDACIONES**

90. El Comité Ejecutivo pudiera:

- a) Tomar nota del documento para el debate que proporciona un análisis de las consideraciones de costos pertinentes relacionadas con la financiación de la eliminación de los HCFC;
- b) Tomar nota de la limitada introducción de varias de las tecnologías alternativas a los HCFC disponibles a la fecha en los países que operan al amparo del Artículo 5, de la necesidad de convalidarlas y optimizarlas conforme a las condiciones locales prevalecientes en los países que operan al amparo del Artículo 5, y de la amplia variación de costos de los equipos sustitutos y las materias primas y, consiguientemente:

- i) Pedir a la Secretaría que recopile información técnica respecto de la eliminación de los HCFC en los aerosoles, extintores de incendios y solventes en forma continua, que examine todos los proyectos de estos sectores cuando se presenten y que los remita según sea apropiado para la consideración individual de parte del Comité Ejecutivo; y
  - ii) Considerar aplazar hasta su primera reunión de 2010 cualquier decisión que pudiera desear adoptar sobre políticas para el cálculo de los costos o ahorros adicionales de explotación de los proyectos de conversión de HCFC, así como la determinación de umbrales de relación de costo a eficacia, a fin de aprovechar la experiencia adquirida por medio del examen de los proyectos de eliminación de HCFC antes de dicha reunión;
- c) Convenir en que la información técnica contenida en el documento UNEP/OzL.Pro/ExCom/55/47 resulta suficiente para permitir la preparación, examen y presentación caso por caso de varios proyectos autónomos (4 por región) para la eliminación de los HCFC en los sectores de espumas, refrigeración y aire acondicionado, con miras a demostrar la posibilidad de aplicación de las tecnologías alternativas y facilitar la recopilación de datos exactos sobre costos o ahorros adicionales de capital o explotación, así como otros datos pertinentes a la aplicación de las tecnologías, conforme a los párrafos d) y e) siguientes;
- d) Invitar a los organismos bilaterales y de ejecución a que, con carácter de urgente, preparen y presenten una cantidad limitada de propuestas de proyecto con plazos específicos en las que participen proveedores de sistemas y/o proveedores de sustancias químicas interesados para el desarrollo, optimización y convalidación de sistemas químicos para el uso con agentes espumantes que no contengan HCFC sobre la base siguiente:
- i) Como parte de los proyectos, tras el proceso de desarrollo y convalidación, los proveedores de sistemas colaborantes proporcionarían transferencia de tecnología y capacitación a una cantidad seleccionada de empresas de espumas conexas a fin de completar la eliminación de los HCFC en estas empresas;
  - ii) Los organismos deben recopilar y notificar datos de costos de proyecto exactos así como otros datos pertinentes a la aplicación de las tecnologías;
  - iii) Estos proyectos específicos, a fin de resultar beneficiosos para la preparación y ejecución de los planes de gestión de eliminación de HCFC, así como de los posibles planes autónomos, deben completarse dentro de un plazo que no supere los 18 meses, y se pondrá a disposición del Comité Ejecutivo un informe sobre la marcha de las actividades sobre cada una de las dos fases de ejecución descritas en los párrafos i) y ii) anteriores;
  - iv) Se alienta a los organismos bilaterales y de ejecución y a los proveedores de sistemas colaborantes a abordar las cuestiones tecnológicas

relacionadas con la preparación y distribución de polioles premezclados que contienen agentes espumantes con hidrocarburos;

- e) Considerar invitar a los organismos bilaterales y de ejecución a presentar una cantidad limitada de proyectos de demostración para la conversión de proyectos de HCFC en los subsectores de refrigeración y aire acondicionado a tecnologías de bajo PCM a fin de identificar todos los pasos requeridos y evaluar sus costos relacionados;
- f) Continuar sus deliberaciones acerca de las políticas relacionadas con las conversiones de segunda etapa y la determinación de la fecha límite para la instalación de equipos de fabricación a base de HCFC, después de la cual los costos adicionales para la conversión de dichos equipos no resultarán admisibles para la financiación, con miras a concluir sus deliberaciones antes de la presentación de proyectos autónomos, que comenzaría en la 56ª Reunión;
- g) Considerar si un enfoque del tipo descrito en el documento UNEP/OzL.Pro/ExCom/55/47 proporciona una base satisfactoria para determinar las prioridades entre las tecnologías para la eliminación de los HCFC para reducir al mínimo los impactos climáticos como se prevé originalmente en la decisión XIX/6, y si desea que la Secretaría continúe su evaluación a fin de informar de manera más detallada en una reunión posterior del Comité Ejecutivo;
- h) Considerar la posibilidad de que la Secretaría consulte con otras instituciones con el objetivo de identificar mecanismos de financiación adecuados y compatibles, regionales o multilaterales, como fuentes de cofinanciación para completar la financiación del Fondo Multilateral para el ozono a fin de lograr beneficios adicionales para el clima, y de que presente un informe más a fondo a una reunión futura;
- i) Considerar si desea examinar, en una futura reunión, opciones para dar prioridad al apoyo del Fondo Multilateral para la sustitución de equipos en un momento en que los mismos estén llegando al fin de su vida útil a fin de evitar el retiro y destrucción prematuros de infraestructura costosa y plenamente operativa, una vez que se hayan abordado los objetivos de cumplimiento para 2015.

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**Anexo I**



## ANNEX I

### POLICIES FOR FUNDING HCFC PHASE-OUT

1. The evaluation of the incremental costs of all Multilateral Fund project has been based on the general principles agreed by the Parties to the Montreal Protocol at their 2nd Meeting<sup>1</sup>, namely:

- (a) The most cost-effective and efficient option should be chosen, taking into account the national industrial strategy of the recipient Party. It should be considered carefully to what extent the infrastructure at present used for production of the controlled substances could be put to alternative uses, thus resulting in decreased capital abandonment, and how to avoid deindustrialization and loss of export revenues;
- (b) Consideration of project proposals for funding should involve the careful scrutiny of cost items listed in an effort to ensure that there is no double-counting;
- (c) Savings or benefits that will be gained at both the strategic and project levels during the transition process should be taken into account on a case-by-case basis, according to criteria decided by the Parties and as elaborated in the guidelines of the Executive Committee; and
- (d) The funding of incremental costs is intended as an incentive for early adoption of ozone protecting technologies. In this respect the Executive Committee shall agree which time scales for payment of incremental costs are appropriate in each sector.

#### I.1 Categories of incremental costs

2. On the basis of these principles, the Executive Committee has developed specific policies and guidelines of categories of incremental costs in different industrial applications. The two main categories of incremental costs are capital costs and operating costs:

- (a) Capital costs are typically related to the additional equipment that would be needed to replace ODSs with the alternative technology selected by the enterprise, technology transfer, technical assistance, training, trials and commissioning. They also include safety equipment and modifications to the enterprise when the technology selected is based on flammable substances. The size of the capital costs depends on the installed production capacity of the enterprise, the equipment available before the conversion, the alternative technology selected, and the location of the enterprise. Throughout the years, as the number of investment projects increased, the actual prices of major pieces of equipment required for the conversion were well established and used in the majority of the projects.

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<sup>1</sup> Appendix 1 of decision II/8 (Financial Mechanism).

- (b) Incremental operating costs reflect changes in costs attributable to the conversion to CFC alternatives and arising from changes in starting materials and chemicals used in the production process such as additives, propellants and blowing agents. Fluctuations in raw material prices leading to changes in incremental operating costs occur frequently<sup>2</sup>, and vary widely at the local and regional levels<sup>3</sup>. Typically enterprises respond to these changes by passing the increases to their customers in an orderly manner and as market conditions allow;
- (c) The level of incremental operating costs is associated with their duration. According to decisions adopted by the Executive Committee, the duration for the application of incremental operating costs varies among sectors and sub-sectors<sup>4</sup>, as follows:
  - (i) No operating costs for compressors;
  - (ii) For domestic refrigeration, ten per cent of incremental cost to be paid up-front, or six months of incremental operating costs calculated at current prices and paid up-front, or incremental operating costs for a duration of one year adjusted according to prevailing costs at the time of disbursement, when the modified plant was operating, whichever is greater;
  - (iii) Two years for commercial refrigerator, rigid and integral skin foam manufacturing plants; and
  - (iv) Four years for aerosol and flexible slabstock manufacturing plants.

## I.2 Cost-effectiveness thresholds

3. In order to prioritize the approvals of investment projects, at its 16th Meeting in March 1995, the Executive Committee established cost-effectiveness threshold<sup>5</sup> values for different sectors and sub-sectors, as shown in Table I.1 below. The values were established on the basis of project proposals that were fully prepared and submitted by implementing agencies, as well as proposals that were partially developed where costs and amounts of ODS to be phased out were roughly estimated.

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<sup>2</sup> For example, the price of HCFC-141b dropped from US \$5.45/kg in 1993 to US \$3.40/kg in 1998, a reduction that is typical of pricing trends once a product is introduced, production is optimised, economies of scale increase and competition becomes established in the marketplace. Enterprises that received funding in 1993 when the price of HCFC-141b was at US \$5.45/kg were overcompensated for the incremental operating costs that they actually incurred (UNEP/OzL.Pro/ExCom/36/34).

<sup>3</sup> According to the progress report on the implementation of the 2007 country programme submitted to the Fund Secretariat by Article 5 countries the 2006 price of HCFC-22 ranged from less than US \$1.00 to US \$30.00 per kilogram.

<sup>4</sup> These are the sectors where HCFC technologies were chosen for phasing-out the use of CFCs in Article 5 countries.

<sup>5</sup> The cost-effectiveness value is calculated as the ratio between the sum of the total incremental capital and operating costs and the total amount of ODS to be phased in kilograms ODP.

**Table I.1. Sectoral cost-effectiveness threshold values established by the Executive Committee**

<b>Sector</b>	<b>Subsector</b>	<b>CE (US\$/kg ODP)</b>
<b>Aerosol</b>	Hydrocarbon	4.40
<b>Foam</b>	General	9.53
	Flexible polyurethane	6.23
	Integral skin	16.86
	Polystyrene/polyethylene	8.22
	Rigid polyurethane	7.83
<b>Halon</b>	General	1.48
<b>Refrigeration</b>	Domestic	13.76
	Commercial	15.21
<b>Solvent</b>	CFC-113	19.73
	TCA	38.50

4. While adopting the threshold values, the Executive Committee recognized that the conversion from CFCs to hydrocarbon technology of domestic refrigerators manufacturing enterprises would require additional funding for the provision of safety equipment and agreed that when calculating the cost of domestic refrigeration projects the safety related costs be discounted in a way that ensures parity with other options<sup>6</sup>. Since the adoption of cost-effectiveness thresholds, the cost-effectiveness of projects have been assessed against the threshold value, with projects above this threshold receiving lower funding priority or partial funding.

5. The Committee also recognized the special situation of low-volume consuming (LVC) countries and decided to reserve US \$6,630,000 for allocation to projects from these countries in addition to any funds received as a result of approval of projects from LVC countries that qualified under the cost effectiveness threshold values.

### **I.3 Small and medium-sized enterprises (SMEs)**

6. Special consideration has been given by the Executive Committee to the phase-out of ODSs by small and medium-sized enterprises SMEs since its 22nd Meeting in May 1997, when it constituted a contact group to address issues related to SMEs.

7. Subsequently, at its 25th Meeting, the Executive Committee allocated US \$10 million from the resource allocation for 1999 for a funding window designed to facilitate pilot conversions of significant groups of small firms in the aerosol and foam sectors from non-LVC countries. The maximum allowable levels of consumption per enterprise were 25 ODP tonnes/year for flexible and extruded polyethylene/polystyrene foams and 10 ODP tonnes/year for flexible integral skin and rigid polyurethane foams. It was also decided that group projects should: be at a level of US \$1 million or less; have an overall cost-effectiveness of no more than 150 per cent of the level of the current cost-effectiveness threshold values; use the most cost-

<sup>6</sup> The cost effectiveness threshold value for domestic refrigeration projects was adjusted at the 20th Meeting by discounting the numerator by 35 per cent which was sufficient to maintain parity between HCFC 141b/HFC 134a and cyclopentane/HFC 134a technology options in the domestic refrigeration sector (decision 20/45).

effective technologies reasonably available; and consider the possible use of centralized use of equipment and industrial rationalization. These projects should be submitted with a Government plan including policies and regulations designed to ensure that the specific level of agreed reduction to be achieved was sustained (decision 25/56).

#### **I.4 Policies on HCFCs**

8. As HCFCs are controlled substances under the Montreal Protocol, specific decisions addressing the phase-out of these ODSs have been taken by the Parties since their 5th Meeting in November 1993, and the Executive Committee since its 12th Meeting in March 1994. As reference, all relevant decisions adopted by the Parties to the Montreal Protocol and the Executive Committee regarding HCFCs are presented below in chronological order of adoption.

##### Fifth Meeting of the Parties (November 1993)

9. The Fifth Meeting of the Parties decided (decision V/8) that each Party is requested, as far as possible and as appropriate, to give consideration in selecting alternatives and substitutes, bearing in mind, *inter alia*, Article 2F, paragraph 7, of the Copenhagen Amendment regarding hydrochlorofluorocarbons, to:

- (a) Environmental aspects;
- (b) Human health and safety aspects;
- (c) The technical feasibility, the commercial availability and performance;
- (d) Economic aspects, including cost comparisons among different technology options taking into account:
  - (i) All interim steps leading to final ODS elimination;
  - (ii) Social costs;
  - (iii) Dislocation costs; and
- (e) Country-specific circumstances and due local expertise.

##### Twelfth Meeting of the Executive Committee (March 1994)

10. The Twelfth Meeting of the Executive Committee adopted the following recommendations on the use of transitional substances as substitutes for ozone depleting substances:

- (a) In view of the ongoing review requested of the Technology and Economic Assessment Panel by the Parties to the Montreal Protocol, the paper on The Use of Transitional Substances as Substitutes for Ozone Depleting Substances (UNEP/OzL.Pro/ExCom/12/34) may not be considered as a policy guideline but

as a possible input to the work of the Open-ended Working Group of the Parties to the Montreal Protocol.

- (b) Meanwhile, consideration of the use of HCFC in the Multilateral Fund projects should be sector-specific and approved for use only in areas where more environment-friendly and viable alternative technologies are not available.

#### Fifteenth Meeting of the Executive Committee (December 1994)

11. The Fifteenth Meeting of the Executive Committee stated that, whenever possible, HCFCs should not be used. It further requested that the applicability of HCFCs in commercial refrigeration projects should be examined by an expert group, possibly the OORG, which should prepare a report for submission to the Executive Committee.

12. The Executive Committee also requested Implementing Agencies to take the following issue into consideration when preparing projects for domestic refrigerator insulation foam conversion:

- (a) As HCFCs were not controlled substances for Article 5 countries, incremental costs for conversion of HCFC-141b plants were not eligible for funding;
- (b) Implementing Agencies should note a presumption against HCFCs when preparing projects; and
- (c) Where HCFC projects were proposed, the choice of this technology should be fully justified and include an estimate of the potential future costs of second-stage conversion.

#### Nineteenth Meeting of the Executive Committee (May 1996)

13. The Executive Committee, noting the recommendation of the Sub-Committee (UNEP/OzL.Pro/ExCom/19/5, para. 12), decided (decision 19/2):

- (a) To take note of decision VII/3 of the Seventh Meeting of the Parties to control HCFCs and to note further that projects involving conversion to HCFCs should be considered in the light of that decision, as well as other relevant factors;
- (b) That in the future, in cases where conversion to HCFCs was recommended, the Implementing Agencies should be requested to provide a full explanation of the reasons why such conversion was recommended, together with supporting documentation that the criteria laid down by the Executive Committee for transitional substances had been met, and should make it clear that the enterprises concerned had agreed to bear the cost of subsequent conversion to non-HCFC substances; and
- (c) To request the Secretariat to prepare for examination by the Executive Committee at its Twentieth Meeting a paper on:

- (i) The historical background to HCFC conversion projects;
- (ii) What information on alternatives to HCFCs had been provided by the Implementing Agencies to the applicant countries, and how that information had been received and acted upon; and
- (iii) The justifications given for the choice of one technology over another.

Twentieth Meeting of the Executive Committee (October 1996)

14. The Twentieth Meeting of the Executive Committee, decided (decision 20/48 (b, c)):
- (a) To request the Implementing Agencies to ensure that adequate information on all alternative technologies was provided to enterprises converting from CFCs;
  - (b) To reaffirm paragraph (b) of its decision 19/2 which stated that, in cases where conversion to HCFCs was recommended, the Implementing Agencies should be requested to provide a full explanation of the reasons why such conversion was recommended, together with supporting documentation that the criteria laid down by the Executive Committee for transitional substances had been met, and should make it clear that the enterprises concerned had agreed to bear the cost of subsequent conversion to non-HCFC substances.

Eighth Meeting of the Parties (November 1996)

15. The Eighth Meeting of the Parties decided (decision VIII/13):
- (a) That UNEP distribute to the Parties of the Montreal Protocol a list containing the HCFCs applications which have been identified by the Technology and Economic Assessment Panel, after having taken into account the following:
    - (i) The heading should read "Possible Applications of HCFCs";
    - (ii) The list should include a chapeau stating that the list is intended to facilitate collection of data on HCFC consumption, and does not imply that HCFCs are needed for the listed applications;
    - (iii) The use as fire extinguishers should be added to the list;
    - (iv) The use as aerosols, as propellant, solvent or main component, should be included, following the same structure as for other applications;
  - (b) That the Technology and Economic Assessment Panel and its Technical Options Committee be requested to prepare, for the Ninth Meeting of the Parties, a list of available alternatives to each of the HCFC applications which are mentioned in the now available list.



Twenty-third Meeting of the Executive Committee (November 1997)

16. The Twenty-third Meeting of the Executive Committee decided (decision 23/2):
- (a) To request the Fund Secretariat to produce a paper containing figures on an analysis of what projects were being submitted for funding using HCFC technologies, to see whether there existed any trend towards or away from HCFC use in specific sectors, particularly the foam sector;
  - (b) To request the Secretariat to incorporate the following elements in the project evaluation sheets and, in the case of (i) below, in the list of projects and activities presented to the Committee for approval:
    - (i) Information on the conversion technology to be used;
    - (ii) A comprehensive outline of the reasons for selection of the HCFC technology, if used; and, where possible,
    - (iii) An indication of how long an enterprise intended to use a transitional HCFC technology.

Twenty-sixth Meeting of the Executive Committee (November 1998)

17. The Twenty-sixth Meeting of the Executive Committee decided (decision 26/26):
- (a) That the full information provided in the project document should be included in the project evaluation sheet;
  - (b) That where, upon review by the Fund Secretariat, a project proposal requesting HCFC technology was considered to provide inadequate information justifying the choice of that technology, the project should be submitted for individual consideration by the Sub-Committee on Project Review.

Twenty-seventh Meeting of the Executive Committee (March 1999)

18. The Executive Committee at its Twenty-seventh Meeting (decision 27/13) expressed its appreciation for the increased information/justification provided for the selection of HCFCs and noted that that was the level of information originally expected, and that at least that level was expected in the future; stressed to the Implementing Agencies that it considered this to be more than a paper exercise, and urged the Agencies to take seriously the obligations related to providing information on alternatives available; and decided, in recognition of Article 2F of the Montreal Protocol, to request that Implementing Agencies provide, for all future projects or groups of projects for HCFCs from any country, a letter from the Government concerned. In the letter, the country should:

- (a) Verify that it had reviewed the specific situations involved with the project(s) as well as its HCFC commitments under Article 2F;

- (b) State if it had nonetheless determined that, at the present time, the projects needed to use HCFCs for an interim period;
- (c) State that it understood that no funding would be available for the future conversion from HCFCs for these companies.

Twenty-eighth Meeting of the Executive Committee (July 1999)

19. The Twenty-eighth Meeting of the Executive Committee decided (decision 28/28) that information on a possible study comparing costs of alternative technologies and the impact on their choice of support from the Multilateral Fund should be the subject of a separate agenda item for its Twenty-ninth Meeting, for consideration by the Executive Committee itself.

Eleventh Meeting of the Parties (December 1999)

20. The Eleventh Meeting of the Parties decided (decision XI/28) to request the Technology and Economic Assessment Panel to study and report by 30 April 2003 at the latest on the problems and options of Article 5 Parties in obtaining HCFCs in the light of the freeze on the production of HCFCs in non-Article 5 Parties in the year 2004. This report should analyze whether HCFCs are available to Article 5 Parties in sufficient quantity and quality and at affordable prices, taking into account the 15 per cent allowance to meet the basic domestic needs of the Article 5 Parties and the surplus quantities available from the consumption limit allowed to the non-Article 5 Parties. The Parties, at their Fifteenth Meeting in the year 2003, shall consider this report for the purpose of addressing problems, if any, brought out by the report of the Technology and Economic Assessment Panel.

Thirtieth Meeting of the Executive Committee (March 2000)

21. The Thirtieth Meeting of the Executive Committee decided (decision 30/1) to establish an open-ended contact group, with Sweden as convener, in order to consider the question of policy on HCFC use as an interim technology and that the outcome of the group's work would be discussed under "Other matters".

Thirty-fourth Meeting of the Executive Committee (July 2001)

22. The Thirty-fourth Meeting of the Executive Committee decided (decision 34/51) to request the Secretariat, in relation to all future projects which involved conversion to HCFC-141b, to include in the meeting documentation the letter from the Government concerned, explaining the reasons for the choice of the technology, as per Decisions 23/20 and 27/13.

Thirty-sixth Meeting of the Executive Committee (March 2002)

23. The Thirty-sixth Meeting of the Executive Committee decided (decision 36/56):
- (a) To take note with appreciation of the paper submitted by France;
  - (b) To request the Multilateral Fund Secretariat to update document

UNEP/OzL.Pro/ExCom/36/34 with new costs for various options and to investigate the availability of non-ODS pre-blended polyol, and to submit the updated document and its findings for the consideration of the 39th Meeting;

- (c) To request Implementing Agencies to amplify the relevant enterprise information pursuant to Decision 20/48 with data concerning import restrictions into non-Article 5 countries and the cost situation for alternatives, and to inform the enterprises that they should acknowledge having received that information. The corresponding documentation should accompany the project proposal;
- (d) To request the Secretariat to send to the National Ozone Unit of the recipient country, a letter recalling that HCFC-141b projects would be excluded from funding in the future (no second conversion), with copies to the Ministries of the Environment and Foreign Affairs;
- (e) That the annual Executive Committee report to the Meeting of the Parties should state by country the amount of HCFC-141b consumption phased in through projects using HCFC as replacements, a consumption which would - in application of Decision 27/13 - be excluded from funding at future stages.

#### Thirty-eighth Meeting of the Executive Committee (November 2002)

24. The Thirty-eighth Meeting of the Executive Committee decided (decision 38/38) for projects to phase-out CFCs by conversion to HCFC technologies, Governments had officially endorsed the choice of technology and it had been clearly explained to them that no further resources could be requested from the Multilateral Fund for funding any future replacement for the transitional HCFC technology that had been selected.

#### Fourteenth Meeting of the Parties (November 2002)

25. The Fourteenth Meeting of the Parties (decision XIV/10), noting that the Intergovernmental Panel on Climate Change and the Technology and Economic Assessment Panel are invited by the Convention on Climate Change to develop a balanced scientific, technical and policy-relevant special report as outlined in their responses to a request by the Subsidiary Body for Scientific and Technological Advice of the Convention on Climate Change (UNFCCC/SBSTA/2002/MISC.23), decided to request the Technology and Economic Assessment Panel to work with the Intergovernmental Panel on Climate Change in preparing the report mentioned above and to address all areas in one single integrated report to be finalized by early 2005. The report should be completed in time to be submitted to the Open-ended Working Group for consideration in so far as it relates to actions to address ozone depletion and the Subsidiary Body for Scientific and Technological Advice of the Convention on Climate Change simultaneously.

Fifteenth Meeting of the Parties (November 2003)

26. The Fifteenth Meeting of the Parties decided:

- (a) That the Parties to the Beijing Amendment will determine their obligations to ban the import and export of controlled substances in group I of Annex C (hydrochlorofluorocarbons) with respect to States and regional economic organizations that are not parties to the Beijing Amendment by January 1 2004 in accordance with the following:
  - (i) The term “State not party to this Protocol” in Article 4, paragraph 9 does not apply to those States operating under Article 5, paragraph 1, of the Protocol until January 1, 2016 when, in accordance with the Copenhagen and Beijing Amendments, hydrochlorofluorocarbon production and consumption control measures will be in effect for States that operate under Article 5, paragraph 1, of the Protocol;
  - (ii) The term “State not party to this Protocol” includes all other States and regional economic integration organizations that have not agreed to be bound by the Copenhagen and Beijing Amendments;
  - (iii) Recognizing, however, the practical difficulties imposed by the timing associated with the adoption of the foregoing interpretation of the term “State not party to this Protocol,” paragraph 1 (b) shall apply unless such a State has by 31 March 2004:
    - (i) notified the Secretariat that it intends to ratify, accede or accept the Beijing Amendment as soon as possible;
    - (ii) certified that it is in full compliance with Articles 2, 2A to 2G and Article 4 of the Protocol, as amended by the Copenhagen Amendment;
    - (iii) submitted data on (i) and (ii) above to the Secretariat, to be updated on 31 March 2005, in which case that State shall fall outside the definition of “State not party to this Protocol” until the conclusion of the Seventeenth Meeting of the Parties;
- (b) That the Secretariat shall transmit data received under paragraph 1 (c) above to the Implementation Committee and the Parties;
- (c) That the Parties shall consider the implementation and operation of the foregoing decision at the Sixteenth Meeting of the Parties, in particular taking into account any comments on the data submitted by States by 31 March 2004 under paragraph 1 (c) above that the Implementation Committee may make.

Forty-second Meeting of the Executive Committee (April 2004)

27. The Forty-second Meeting of the Executive Committee decided (decision 42/7):

- (a) To request the Government of Germany to take into account the views expressed on the eligibility of funding HCFC phase-out management studies by the Multilateral Fund at the 42nd Meeting of the Executive Committee, in the informal group meeting and, in addition, further submissions of additional ideas and opinions sent by e-mail to GTZ-Proklima, as the German bilateral Implementing Agency, provided that they were received 10 weeks prior to the 43rd Meeting of the Executive Committee; and
- (b) Also to request the Government of Germany to circulate to the Executive Committee, through the United Kingdom delegation, a policy paper on the issues of the responsibility of the Multilateral Fund and potential eligibility requirements for such a study and to reformulate the project proposal for submission and consideration at the 43rd Meeting of the Executive Committee on that basis.

Forty-third Meeting of the Executive Committee (July 2004)

28. The Forty-third Meeting of the Executive Committee decided (decision 43/19):
- (a) To note that:
    - (i) The May 2003 Technology and Economic Assessment Panel's HCFC Task Force Report predicted a dramatic increase in HCFC consumption in China in the foreseeable future;
    - (ii) The intent of the proposed project was also to allow utilization of its results for all Article 5 countries; and
    - (iii) Established Executive Committee policies did not support conversion of capacity installed after July 1995 nor a second conversion and the study was therefore not aiming at preparing or initiating any conversion projects;
  - (b) To approve the project "Development of a suitable strategy for the long-term management of HCFCs, in particular HCFC-22, in China", addressed in documents UNEP/OzL.Pro/ExCom/43/21 and UNEP/OzL.Pro/ExCom/43/51, at the level of funding of US \$300,300 plus support costs for the Government of Germany of US \$39,039 on an exceptional basis on the condition that, as one of the outcomes, a study would look into the effects of management of HCFCs in China and in other Article 5 countries; and
  - (c) To further note that:
    - (i) A schedule for the study, indicating a project duration of 21 months, had been submitted to the Fund Secretariat. Both the Government of Germany and the Government of China would strive to adhere to that schedule;
    - (ii) The Government of China intended to use relevant outcomes of the study as a basis for subsequent national action by the Government and expected that such action would take place within three years after finalization of

the study; and

- (iii) Interested Executive Committee members and Implementing Agencies would be invited to participate in an informal advisory group, which might discuss survey methodologies, the evaluation of information gathered, and policies.

Nineteenth Meeting of the Parties (September 2007)

29. The Nineteenth Meeting of the Parties agree (decision XIX/6) to accelerate the phase out of production and consumption of hydrochlorofluorocarbons (HCFCs), by way of an adjustment in accordance with paragraph 9 of Article 2 of the Montreal Protocol and as contained in annex III to the report of the Nineteenth Meeting of the Parties, on the basis of the following:

- (a) For Parties operating under paragraph 1 of Article 5 of the Protocol (Article 5 Parties), to choose as the baseline the average of the 2009 and 2010 levels of, respectively, consumption and production; and
- (b) To freeze, at that baseline level, consumption and production in 2013;
  - (i) For Parties operating under Article 2 of the Protocol (Article 2 Parties) to have completed the accelerated phase out of production and consumption in 2020, on the basis of the following reduction steps:
    - (ii) By 2010 of 75 per cent;
    - (iii) By 2015 of 90 per cent;
    - (iv) While allowing 0.5 per cent for servicing the period 2020–2030;
- (c) For Article 5 Parties to have completed the accelerated phase out of production and consumption in 2030, on the basis of the following reduction steps:
  - (i) By 2015 of 10 per cent;
  - (ii) By 2020 of 35 per cent;
  - (iii) By 2025 of 67.5 per cent;
  - (iv) While allowing for servicing an annual average of 2.5 per cent during the period 2030–2040;
- (d) To agree that the funding available through the Multilateral Fund for the Implementation of the Montreal Protocol in the upcoming replenishments shall be stable and sufficient to meet all agreed incremental costs to enable Article 5 Parties to comply with the accelerated phase out schedule both for production and consumption sectors as set out above, and based on that understanding, to also direct the Executive Committee of the Multilateral Fund to make the necessary

changes to the eligibility criteria related to the post-1995 facilities and second conversions;

- (e) To direct the Executive Committee, in providing technical and financial assistance, to pay particular attention to Article 5 Parties with low volume and very low volume consumption of HCFCs;
- (f) To direct the Executive Committee to assist Parties in preparing their phase-out management plans for an accelerated HCFC phase-out;
- (g) To direct the Executive Committee, as a matter of priority, to assist Article 5 Parties in conducting surveys to improve reliability in establishing their baseline data on HCFCs;
- (h) To encourage Parties to promote the selection of alternatives to HCFCs that minimize environmental impacts, in particular impacts on climate, as well as meeting other health, safety and economic considerations;
- (i) To request Parties to report regularly on their implementation of paragraph 7 of Article 2F of the Protocol;
- (j) To agree that the Executive Committee, when developing and applying funding criteria for projects and programmes, and taking into account paragraph 6, give priority to cost-effective projects and programmes which focus on, inter alia:
  - (i) Phasing-out first those HCFCs with higher ozone-depleting potential, taking into account national circumstances;
  - (ii) 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;
  - (iii) Small and medium size enterprises;
- (k) To agree to address the possibilities or need for essential use exemptions, no later than 2015 where this relates to Article 2 Parties, and no later than 2020 where this relates to Article 5 Parties;
- (l) To agree to review in 2015 the need for the 0.5 per cent for servicing provided for in paragraph 3, and to review in 2025 the need for the annual average of 2.5 per cent for servicing provided for in paragraph 4 (d);
- (m) In order to satisfy basic domestic needs, to agree to allow for up to 10% of baseline levels until 2020, and, for the period after that, to consider no later than 2015 further reductions of production for basic domestic needs;
- (n) In accelerating the HCFC phase out, to agree that Parties are to take every practicable step consistent with Multilateral Fund programmes, to ensure that the

best available and environmentally-safe substitutes and related technologies are transferred from Article 2 Parties to Article 5 Parties under fair and most favourable conditions.

30. The Nineteenth Meeting of the Parties also decided (decision XIX/8):
- (a) To request the Technology and Economic Assessment Panel to conduct a scoping study addressing the prospects for the promotion and acceptance of alternatives to HCFCs in the refrigeration and air-conditioning sectors in Article 5 Parties, with specific reference to specific climatic conditions and unique operating conditions, such as those as in mines that are not open pit mines, in some Article 5 Parties;
  - (b) To request the Technology and Economic Assessment Panel to provide a summary of the outcome of the study referred to in the preceding paragraph in its 2008 progress report with a view to identifying areas requiring more detailed study of the alternatives available and their applicability.

Fifty-third Meeting of the Executive Committee (November 2007)

31. The Fifty-third Meeting of the Executive Committee decided (decision 53/37):
- (a) That ratification of or accession to the Copenhagen Amendment was the prerequisite for an Article 5 Party to access Multilateral Fund funding for phasing out the consumption of HCFCs;
  - (b) That ratification of or accession to the Beijing Amendment was the prerequisite for an Article 5 Party to access Multilateral Fund funding for phasing out the production of HCFCs;
  - (c) That, in the case of a non-signatory country, the Executive Committee might consider providing funding for conducting an HCFC survey and the preparation of an accelerated HCFC phase-out management plan, with the commitment of the government to ratify or accede to the necessary Amendment and on the understanding that no further funding would be available until the Ozone Secretariat had confirmed that the government had ratified or acceded to that Amendment, through the deposit of its instrument in the Office of the United Nations Headquarters in New York;
  - (d) That the existing policies and guidelines of the Multilateral Fund for funding the phase-out of ODS other than HCFCs would be applicable to the funding of HCFC phase-out unless otherwise decided by the Executive Committee in light of, in particular, decision XIX/6 of the Nineteenth Meeting of the Parties;
  - (e) That institutions and capacities in Article 5 countries developed through Multilateral Fund assistance for the phase-out of ODS other than HCFCs should be used to economize the phase-out of HCFCs, as appropriate;



- (f) That stable and sufficient assistance from the Multilateral Fund would be provided to guarantee the sustainability of such institutions and capacities when deemed necessary for the phase-out of HCFCs;
- (g) That the production sector sub-group would be reconvened at the 55<sup>th</sup> Meeting to consider issues pertaining to the phase-out of HCFC production, taking into account decision XIX/6 of the Nineteenth Meeting of the Parties and the following issues, as well as further elaboration and analysis of those issues to be prepared by the Secretariat in consultation with technical experts:
  - (i) The continued applicability of the current approach to funding HCFC production phase-out being based on the assumption of plant closures;
  - (ii) The timing of funding HCFC production phase-out in view of the long duration between the HCFC freeze in 2013 and the final phase-out in 2030, taking into consideration that production and consumption phase-out could take place simultaneously;
  - (iii) The eligibility of the CFC/HCFC-22 swing plants in view of the commitment in the CFC production phase-out agreement not to seek funding again from the Multilateral Fund for closing down HCFC facilities that use the existing CFC infrastructure;
  - (iv) The cut-off date for funding eligibility of HCFC production phase-out;
  - (v) Other measures that could facilitate management of HCFC production phase-out; and
  - (vi) Other issues related to the HCFC production sector, taking in account subparagraph (g)(ii) above.
- (h) That the Secretariat would work with the implementing agencies to examine the existing guidelines for country programmes and sector plans (decision taken at the 3<sup>rd</sup> Meeting of the Executive Committee and decision 38/65), and propose draft guidelines to the 54<sup>th</sup> Meeting for the preparation of HCFC phase-out management plans incorporating HCFC surveys, taking into consideration comments and views relating to such guidelines expressed by Executive Committee members at the 53<sup>rd</sup> Meeting and the submissions to the 54<sup>th</sup> Meeting referred to in paragraph (l) below, and that the Executive Committee would do its utmost to approve the guidelines at its 54<sup>th</sup> Meeting;
- (i) That the Secretariat, in consultation with technical experts with knowledge of experiences in Article 5 countries with different levels of development and non-Article 5 countries, would prepare by 25 March 2008 a preliminary discussion document providing analysis on all relevant cost considerations surrounding the financing of HCFC phase-out, taking into account the views expressed by Executive Committee Members in the submissions referred to in paragraph (l) below, and including:

- (i) Information on the cost benchmarks/ranges and applicability of HCFC substitute technologies; and
  - (ii) Consideration of substitute technologies, financial incentives and opportunities for co-financing which could be relevant for ensuring that the HCFC phase-out resulted in benefits in accordance with paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties;
- (j) That the current classifications of low-volume-consuming (LVC) countries and small and medium-sized enterprises (SMEs) should be maintained until the cost-effectiveness thresholds of HCFC phase-out had been developed and the potential impact of those thresholds on LVC countries and SMEs had become better known. It would then be possible to review those classifications including a classification for very low-volume consuming countries, and current policies and funding arrangements targeting those countries and enterprises;
- (k) To note that the following cut-off dates for funding HCFC phase-out had been proposed:
- (i) 2000 (Cap of HCFC production/consumption in one major country);
  - (ii) 2003 (Clean Development Mechanism);
  - (iii) 2005 (proposal for accelerated phase-out of HCFCs);
  - (iv) 2007 (Nineteenth Meeting of the Parties);
  - (v) 2010 (end of the baseline for HCFCs);
  - (vi) Availability of substitutes;
- (l) As a matter of priority, and taking into account paragraphs 5 and 8 of decision XIX/6 of the Nineteenth Meeting of the Parties, to invite Executive Committee Members to submit their views on the following issues to the Secretariat, by 15 January 2008, with the understanding that the Secretariat would make the submissions available to the 54<sup>th</sup> Meeting:
- (i) Elements the Secretariat should consider in the draft guidelines for the preparation of national HCFC phase-out management plans;
  - (ii) Cost considerations to be taken into account by the Secretariat in preparing the discussion document referred to in paragraph (i) above;
  - (iii) Cut-off date for funding eligibility; and
  - (iv) Second-stage conversions;

- (m) To approve 2008 expenditure of up to US \$150,000 to cover the costs of consultations with technical experts and other stakeholders required for the preparation of the documents referred to in the present decision.

Fifty-fourth Meeting of the Executive Committee (April 2008)

32. The fifty-fourth Executive Committee decided to adopt the following guidelines (decision 54/39):

- (a) Countries should adopt a staged approach to the implementation of an HCFC phase-out management plan (HPMP), within the framework of their over-arching-strategy;
- (b) As soon as possible and depending on the availability of resources, countries should employ the guidelines herein to develop, in detail, stage one of the HPMPs, which would address how countries would meet the freeze in 2013 and the 10 per cent reduction in 2015, with an estimate of related cost considerations and applying cost guidelines as they were developed;
- (c) The elaboration of stage one of the HPMP and subsequent stages should be developed as follows:
  - (i) For countries with consumption in the servicing sector only:
    - a) To be consistent with existing guidelines for the preparation of RMPs/RMP updates pursuant to decisions 31/48 and 35/57; and, if applicable, with the preparation of TPMPs pursuant to decision 45/54;
    - b) To contain commitments to achieve the 2013 and 2015 HCFC control measures and include a performance-based system for HPMPs based on the completion of activities in the HPMP to enable the annual release of funding for the HPMP;
  - (ii) For countries with manufacturing sectors using HCFCs, HPMPs should contain a national performance-based phase-out plan (NPP) with one or several substance or sector-based phase-out plans (SPP) consistent with decision 38/65 addressing consumption reduction levels sufficient to achieve the 2013 and 2015 HCFC control measures and provide starting points for aggregate reductions, together with annual reduction targets;
- (d) For countries that chose to implement investment projects in advance of completion of the HPMP:
  - (i) The approval of each project should result in a phase-out of HCFCs to count against the consumption identified in the HPMP and no such projects could be approved after 2010 unless they were part of the HPMP;

- (ii) If the individual project approach was used, the submission of the first project should provide an indication of how the demonstration projects related to the HPMP and an indication of when the HPMP would be submitted;
- (e) Consideration should be given to providing funding for assistance to include HCFC control measures in legislation, regulations and licensing systems as part of the funding of HPMP preparation as necessary and confirmation of the implementation of the same should be required as a prerequisite for funding implementation of the HPMP;
- (f) In cases where there were multiple implementing agencies in one country, a lead agency should be designated to coordinate the overall development of stage one of the HPMP;
- (g) HPMPs should contain cost information at the time of their submission based on and addressing:
  - (i) The most current HCFC cost guidelines at the time of submission;
  - (ii) Alternative cost scenarios based on different potential cut-off dates for new capacity if a specific cut-off date had not yet been decided, for funding eligibility of manufacturing facilities as specified in decision 53/37(k), as well as the current policy for a 25 July 1995 cut-off date;
  - (iii) Alternative cost scenarios for the operational and capital costs for second conversions;
  - (iv) The incremental costs of regulating import and supply to the market of HCFC dependent equipment once proven alternatives were commercially available in the country and describing the benefits to the servicing sector of associated reduced demand;
  - (v) Cost and benefit information based on the full range of alternatives considered, and associated ODP and other impacts on the environment including on the climate, taking into account global-warming potential, energy use and other relevant factors;
- (h) Countries and agencies were encouraged to explore potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties;
- (i) HPMPs should address:
  - (i) The use of institutional arrangements mentioned in decision 53/37(e) and (f);

- (ii) The roles and responsibilities of associations of refrigeration technicians and other industry associations and how they could contribute to HCFC phase-out; and
- (j) HPMPs should, as a minimum, fulfil the data and information requirements, as applicable, listed in the indicative outline for the development of HPMPs, as set out in Annex XIX to the present report.

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## ANNEX II

### OVERVIEW OF HCFCs USES

1. HCFCs have been used as early as 1936 when HCFC-22 was commercialized as a refrigerant. Production and consumption levels of HCFCs were substantially increased as a result of new applications particularly in the air conditioning sector as well as the Montreal Protocol, since several countries selected these substances as interim replacements of CFCs and other controlled substances.

2. As a consequence, global production of HCFCs reached 37,749 ODP tonnes (549,941 metric tonnes) in 2000 while the global consumption reached 38,219 ODP tonnes (546,996 metric tonnes) in the same year of which Article 5 countries accounted for 23 per cent. Since then, HCFC production and consumption levels have been reduced worldwide as a result of their phase-out in non-Article 5 countries.

3. However, against the global reduction trend, a substantial growth in HCFC production and consumption occurred in Article 5 countries<sup>1</sup> resulting in this group of countries accounting for nearly 80 per cent of the global production and over 75 per cent of the global consumption, as shown in Table II.1 below:

**Table II.1 Levels of production and consumption of HCFCs (\*)**

	2000	2001	2002	2003	2004	2005	2006
<b>HCFC production</b>							
In ODP tonnes:							
Non-Article 5 countries	29,981	26,176	25,271	17,095	14,180	11,863	7,075
Article 5 countries	7,768	8,460	10,482	13,629	17,589	20,543	27,003
<b>Total ODP tonnes production</b>	<b>37,749</b>	<b>34,635</b>	<b>35,753</b>	<b>30,724</b>	<b>31,769</b>	<b>32,406</b>	<b>34,078</b>
In metric tonnes:							
Non-Article 5 countries	420,785	359,889	335,577	254,287	221,251	205,779	118,044
Article 5 countries	129,156	140,358	165,778	211,580	276,476	326,518	413,659
<b>Total metric tonnes production</b>	<b>549,941</b>	<b>500,247</b>	<b>501,355</b>	<b>465,867</b>	<b>497,727</b>	<b>532,297</b>	<b>531,703</b>
<b>HCFC consumption</b>							
In ODP tonnes:							
Non-Article 5 countries	25,219	23,360	22,333	14,865	10,975	10,278	7,120
Article 5 countries	13,000	12,435	13,403	15,826	19,783	21,536	28,040
<b>Total ODP tonnes consumption</b>	<b>38,219</b>	<b>35,795</b>	<b>35,736</b>	<b>30,691</b>	<b>30,758</b>	<b>31,814</b>	<b>35,160</b>
In metric tonnes:							
Non-Article 5 countries	347,741	321,823	291,318	225,013	185,019	182,326	122,107
Article 5 countries	199,255	191,854	201,023	230,354	287,407	329,104	396,099
<b>Total metric tonnes consumption</b>	<b>546,996</b>	<b>513,677</b>	<b>492,341</b>	<b>455,367</b>	<b>472,426</b>	<b>511,430</b>	<b>518,206</b>

(\*) Data reported under Article 7 of the Montreal Protocol

<sup>1</sup> This category includes data from the Republic of Korea, Singapore and United Arab Emirates, representing countries that have so far not received assistance from the Multilateral Fund.

## II.1 HCFCs consumption in Article 5 countries

4. Based on an analysis of HCFC data reported by Article 5 countries under Article 7 of the Montreal Protocol, it was noted that:

- (a) HCFC-141b, HCFC-142b and HCFC-22 accounted for more than 99 per cent of the total amounts of HCFCs that were produced or consumed in 2006;
- (b) Consumption of HCFC-22 represented 48.5 per cent of the total consumption of HCFCs in 2006, while consumption of HCFC-141b and HCFC-142b represented 43.5 and 7.2 per cent respectively of the total HCFC consumption;
- (c) Seventy one countries reported a total HCFC consumption below 360 ODP tonnes in 2006 while 29 other countries either report zero consumption or not reported consumption (27 of these countries are currently classified as LVC countries);
- (d) HCFC-142b increased significantly from 106.5 ODP tonnes (1,639 metric tonnes) in 2000 to 2,029.9 ODP tonnes (31,229 metric tonnes) in 2006. Consumption of HCFC-141b increased by 19 per cent while consumption of HCFC-22 increased by 8 per cent over the same period;
- (e) In 2006, the total production and consumption of HCFCs by Republic of Korea, Singapore and United Arab Emirates amounted to 146.5 ODP tonnes (6,764 metric tonnes) and 1,016.2 ODP tonnes (33,372 metric tonnes) respectively. These three Article 5 countries have not received any assistance from the Multilateral Fund for phasing out their production and consumption of ODSs;
- (f) For the purpose of comparison, the total consumption of CFCs reported by all Article 5 countries under Article 7 excluding Republic of Korea, Singapore and United Arab Emirates, amounted to 178,144 metric tonnes in 1995, which represented the maximum amount ever reported. The total 2006 consumption of HCFCs in metric tonnes is more than two times the CFC consumption reported in 1995.

5. Consumption of HCFC-141b and HCFC-142b was reported only in 40 and 19 Article 5 countries<sup>2</sup> respectively in 2006. Twenty<sup>3</sup> of the 40 countries reported consumption of HCFC-141b consumption below 10 ODP tonnes (91 metric tonnes). Similarly, 16<sup>4</sup> of 19 countries reported consumption of HCFC-142b below 10 ODP tonnes (154 metric tonnes). Thus, virtually three countries accounted for the entire HCFC-142b consumption of Article 5 countries in 2006. These levels of HCFC consumption point to a large number of SMEs among Article 5 countries with respect to HCFCs.

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<sup>2</sup> Excluding Republic of Korea, Singapore and United Arab Emirates.

<sup>3</sup> Excluding 1,028.7 ODP tonnes (9,352 metric tonnes) consumed by Republic of Korea, Singapore and United Arab Emirates.

<sup>4</sup> Excluding 126.7 ODP tonnes (1,949 metric tonnes) consumed by Republic of Korea and Singapore.



6. Seventy<sup>5</sup> of the 114 Article 5 countries that reported consumption of HCFC-22<sup>6</sup> in 2006 had consumption below 10 ODP tonnes (182 metric tonnes). It appears that the consumption of HCFC-22 in these countries is mainly for servicing refrigeration systems.

7. The number of countries by level of consumption and type of HCFC is presented in Table II.2 below.

**Table II.2 Number of countries by level of HCFC consumption in 2006 (ODP tonnes)**

HCFC	<10	>10 and <50	>50 <100	>100 <1,000	>1,000	Total
HCFC-141b**	22	8	6	3	1	40
HCFC-142b**	17		1		1	19
HCFC-22(*)	73	20	7	13	1	114

(\*) An additional 16 countries had reported HCFC-22 consumption in 2005.

### II.3 Sectoral distribution of HCFCs

8. The only information on the sectoral uses of HCFCs in Article 5 countries available at the Fund Secretariat was that contained in the preliminary surveys on HCFCs undertaken by the Government of Germany for China<sup>7</sup> and UNDP for 12 selected Article 5 countries<sup>8</sup>. Some of the results of these surveys were the following:

- (a) Excluding HCFC feedstock consumption, about 4,950 ODP tonnes of HCFC-22 were used in China in 2004 as refrigerant and 550 ODP tonnes as foaming agent and in the aerosol sector. The largest share of HCFC-22 consumption in China is for room air-conditioners, with a total production of 67.6 million units in 2005. During the next ten years, the use of HCFC-22 is likely to increase to about 16,500 ODP tonnes for domestic consumption, unless constrained by policy and technology improvements;
- (b) The room air-conditioner and the expanded polystyrene foam sub-sectors in China are expected to grow at an annual rate of 7 per cent and 9 per cent, respectively;
- (c) According to the surveys conducted by UNDP, the two main industrial sectors where HCFCs are currently consumed in Article 5 countries are the foam sector (32.5 per cent of the total consumption) and the refrigeration sector (66.2 per cent). The remaining consumption is in the aerosol (0.2 per cent), fire extinguisher (0.1 per cent) and solvent (1.0 per cent) sectors; and
- (d) The breakdown of HCFC use by manufacturing versus servicing sectors in countries covered by UNDP's surveys are country dependent as shown below:

<sup>5</sup> Excluding 1,213.9 ODP tonnes (22,071 metric tonnes) consumed by Republic of Korea, Singapore and United Arab Emirates.

<sup>6</sup> An additional 16 countries Article 5 countries had reported HCFC-22 consumption in 2005. Republic of Korea, Singapore and United Arab Emirates are excluded from the analysis.

<sup>7</sup> UNEP/OzL.Pro/ExCom/51/Inf. 3.

<sup>8</sup> UNEP/OzL.Pro/ExCom/51/Inf. 2.

Country	Manufacturing (%)	Servicing (%)
Argentina	38.0	59.0
Brazil	45.0	52.0
Colombia	59.0	31.0
India	79.0	20.0
Indonesia	56.0	44.0
Iran	83.0	17.0
Lebanon	31.0	69.0
Mexico	64.0	35.0
Venezuela	21.0	77.0

#### II.4 HCFC technology in Multilateral Fund projects

9. Since the inception of the Multilateral Fund in 1991, the Executive Committee has approved 858 stand-alone investment projects in 47 Article 5 countries where HCFCs have been selected as the technology to replace CFC consumption, partially or totally<sup>9</sup>. Additionally, sectoral phase-out plans in the foam and refrigeration sectors and the conversion of CFC-12 compressors to HCFC-22-based systems have also been approved by the Executive Committee in a few Article 5 countries. The sectoral distribution of the stand-alone projects is presented in Table II.3 below:

**Table II.3 Sectoral distribution of Multilateral Fund stand-alone projects with HCFC replacement technology**

Sector	Projects	Countries
Foam	491	31
Refrigeration(*)	364	44
Solvent	3	2
<b>Total</b>	<b>858</b>	

(\*) Compressor projects converted to HCFC-22 technology are not included.

10. Over 40,000 ODP tonnes of CFCs have been replaced by HCFC technologies, mainly HCFC-141b in foam applications including foam insulation in domestic refrigerator manufacturing enterprises, and HCFC-22 as a refrigerant and to a lesser extent as a foam blowing agent. The total amount of HCFC-141b and HCFC-22 consumption phased in through projects using HCFCs as a replacement of CFC-11 and CFC-12 amounts to over 3,700 ODP tonnes<sup>10</sup>, as shown in Table II.4 below.

<sup>9</sup> Inventory of Approved Projects, including projects approved at the 53rd Meeting of the Executive Committee.

<sup>10</sup> This analysis has not included the amounts phased in from refrigeration manufacturing enterprises and a few foam enterprises covered under multi-year national phase-out plans since composite phase-out data for these plans are not yet available, although it is to be expected that the conversion technologies and their outcomes will be similar to those of the projects implemented as individual, umbrella projects or specific sector plans. It is also expected that these figures are relatively small.

**Table II.4 Amounts of HCFC consumption phased-in through approved projects (ODP tonnes)**

<b>Country</b>	<b>CFC phased out in projects using HCFC technologies</b>	<b>HCFC phased in</b>
Algeria	54.2	5.4
Argentina	817.4	79.0
Bahrain	15.3	1.5
Bolivia	11.0	1.1
Bosnia and Herzegovina	29.1	2.9
Brazil	4,830.8	476.1
Chile	236.5	20.2
China	14,078.4	1,168.4
Colombia	644.9	63.9
Costa Rica	33.1	3.3
Cuba	0.8	0.1
Dominican Republic	135.3	13.4
Egypt	484.4	37.4
El Salvador	18.3	1.8
Guatemala	45.4	4.5
India	4,463.8	432.6
Indonesia	2,839.7	281.4
Iran	1,045.5	103.6
Jordan	330.3	32.7
Kenya	22.8	2.3
Lebanon	81.0	8.0
Libya	61.5	6.1
Macedonia, FYR	75.1	7.4
Malaysia	1,226.5	118.5
Mauritius	4.2	0.4
Mexico	2,106.3	193.6
Morocco	118.0	11.7
Nicaragua	8.0	0.8
Nigeria	487.5	48.3
Pakistan	781.1	77.4
Panama	14.4	1.4
Paraguay	66.5	6.6
Peru	146.9	14.6
Philippines	518.9	51.4
Romania	192.0	19.0
Serbia	44.2	4.4
Sri Lanka	7.2	0.7
Sudan	4.4	0.4
Syria	628.4	62.3
Thailand	2,015.8	199.3
Tunisia	234.9	20.3
Turkey	372.2	36.9
Uruguay	98.1	9.7
Venezuela	699.1	69.3
Vietnam	44.4	4.4
Yemen	9.7	1.0
Zimbabwe	11.3	1.1
<b>Total</b>	<b>40,194.6</b>	<b>3,706.6</b>

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## ANNEX III

### INCREMENTAL COSTS FOR PHASING OUT HCFC CONSUMPTION IN THE FOAM SECTOR

1. To date, over 89,370 ODP tonnes of CFCs used by Article 5 foam manufacturing enterprises have been phased out through Multilateral Fund individual and umbrella projects and sectoral phase-out plans, comprising 80,370 ODP tonnes of CFC-11 from the rigid polyurethane foam including domestic and commercial refrigeration, and integral skin foam sectors, and 9,000 ODP tonnes of CFC-12 from the extruded polystyrene and polyethylene foam sector. Out of this amount, some 34,000 ODP tonnes of CFC-11 were replaced by HCFC-141b, 760 ODP tonnes were replaced by HCFC-22<sup>1</sup> and about 280 ODP tonnes by HCFC-22/HCFC-142b<sup>2</sup>, with a phase-in of some 3,380 ODP tonnes of HCFC-141b and 42 ODP tonnes of HCFC-22. The latest (2006) HCFC-141b consumption reported by Article 5 countries under Article 7 of the Montreal Protocol is about 12,200 ODP tonnes. The differences in the consumption levels may possibly be attributed to growth in the consumption of HCFC-141b resulting from industrial expansion in the foam sector already supported by the Multilateral Fund and installation of new capacity.

#### Size of Multilateral Fund projects

2. An analysis of 657 Multilateral Fund foam projects approved as individual projects for 38 Article 5 countries to phase out CFC-11 using HCFC-141b technology showed the following:

- (a) About 50 per cent of the enterprises were small scale enterprises with CFC consumption below 20 ODP tonnes, 20 per cent were medium scale with CFC consumption ranging from 20 to 40 ODP tonnes, while 30 per cent had consumption above 40 ODP tonnes. Thus, nearly 70 per cent of all the enterprises were small and medium scale foam producers;
- (b) Only 20 per cent of the enterprises had CFC consumption over 60 ODP tonnes and could have cost-effectively used hydrocarbon-based technology;
- (c) Nearly 80 per cent of the foam enterprises converting to HCFC-141b technology were located in seven of the 38 Article 5 countries (i.e., Brazil, China, India, Indonesia, Malaysia, Mexico and Thailand). In these countries 80 per cent of the enterprises had consumption below 40 ODP tonnes per year.

3. An additional analysis of 454 Multilateral Fund projects approved for 48 Article 5 countries to phase-out CFC-11 using HCFC-141b technology and CFC-12 using alternative refrigerants in the domestic and commercial refrigeration sector, showed that:

- (a) Over 75 per cent of the enterprises were small and medium scale producers with

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<sup>1</sup> HCFC-22 was used as a substitute for CFC-11 in rigid and integral skin foam projects only in the early stages of project funding in only one country under a special programme. Over 80 ODP tonnes of CFC-11 funded to be phased out using HCFC-22/HCFC-142b was phased out using HCFC-141b.

<sup>2</sup> These consumption data under the Multilateral Fund are based on baseline data reported in project proposals at the various times of their approval and do not factor in any growth in consumption.

annual CFC consumption below 40 ODP tonnes (over 60 per cent of the enterprises consumed less than 20 ODP tonnes);

- (b) Nearly 14,300 ODP tonnes of CFCs used as blowing agent (i.e., over 63 per cent of the total consumption) were replaced by cyclopentane (63.5 per cent of the total) in only 119 enterprises (26 per cent). The other 335 enterprises (74 per cent) selected HCFC-141b technology;
- (c) The selection of cyclopentane technology by 26 per cent of the enterprises was mainly related to the production capacity (size) of the enterprises and the products being manufactured.

4. Cyclopentane technology was selected by 26 refrigeration manufacturing enterprises with CFC-11 consumption below 20 ODP tonnes per year. The cyclopentane technology was feasible for these low volume CFC consuming enterprises since the projects were funded under the refrigeration manufacturing sub-sector where foam and refrigerant components were treated as one project, with cost-effectiveness thresholds of US \$13.76/kg for domestic refrigeration and US \$15.21/kg for commercial refrigeration. However, with a sub-sector cost-effectiveness threshold of US \$7.83/kg, among rigid foam enterprises not manufacturing refrigeration equipment, only those with CFC consumption of over 40 ODP tonnes could select hydrocarbon-based technologies as a replacement of CFCs, .

5. From the above analysis and from a review of the baseline equipment described in Multilateral Fund project documents, the foam sector in many Article 5 countries comprises a large number of small scale units which are technically and chemically unsophisticated. Many of the enterprises usually manufacture within the same facility different combinations of foam products. For example, insulated panels for truck bodies could be produced in the same facility as block foam and moulded pipe sections, while at the same time doing spray foam at different sites using the same type of blowing agent. Some enterprises also manufacture both rigid foam and integral skin foam products in the same facility, using the same dispenser and hand mixing and the same type of blowing agent.

### **Selection of alternative technologies**

6. Given the limited technical capabilities of many enterprises, the selection of alternative technology to CFC-11 has been driven by the need to have a technology which would not only resemble CFC-based technology (virtual drop-in) but would also be locally available to ensure readily available technical support from material suppliers (i.e., systems houses). Depending on the products being manufactured, the production volume and the baseline equipment, several alternative technologies were chosen by Article 5 countries. Specifically, methylene chloride and liquid carbon dioxide technologies were selected for polyurethane flexible slabstock foam; water/carbon dioxide technology for flexible moulded polyurethane; hydrocarbons (butane/LPG) for polystyrene and polyethylene foam and pentane/cyclopentane/isopentane for relatively large rigid and some integral skin foam operations.

7. For a large number of foam enterprises manufacturing rigid polyurethane and integral skin polyurethane foam enterprises, HCFC-141b met the needs of both small scale and medium scale enterprises. HCFC-141b-based systems were technically mature and commercially

available. They also provided relatively the most acceptable insulation value and energy efficiency, and the lowest investment and operating costs vis-à-vis other options. No major changes in the auxiliary equipment/tooling in the production programme, such as jig or mould redesign, were needed. According to information in approved project documents and enterprise commitment letters submitted with them, enterprises understood the transitional nature of HCFC-141b and expected the final replacement for it to have similar characteristics that would meet their production demands. Accordingly, the use of HCFCs as alternative blowing agent accounted for about 34 per cent of all CFCs phased out. Table III.1 below provides detailed breakdown of alternative blowing agents to CFC-11 used in approved Multilateral Fund rigid and integral skin polyurethane foam projects.

**Table III.1. CFC replacement technologies in rigid and integral skin polyurethane foam projects**

<b>Replacement</b>	<b>ODP tonnes</b>	<b>% of subtotal</b>
<b>Rigid polyurethane foam</b>		
50% reduced CFC	46.0	0.2%
HFC-134a	57.8	0.3%
HCFC-22	542.2	2.4%
Water/carbon dioxide	904.8	4.1%
Pentane/cyclopentane	4,036.2	18.2%
HCFC-141b	16,630.9	74.9%
<b>Sub-total rigid polyurethane</b>	<b>22,217.9</b>	<b>100.0%</b>
<b>Rigid polyurethane (insulation refrigeration)</b>		
Water/carbon dioxide	93.0	0.4%
50% reduced CFC	450.0	1.8%
HCFC-141b	9,255.7	36.6%
Pentane/cyclopentane	15,472.0	61.2%
<b>Sub-total rigid (insulation ref.)</b>	<b>25,270.7</b>	<b>100.0%</b>
<b>Integral skin</b>		
DOP (di-octyl-phtalate)	8.6	0.2%
Methylene chloride	8.8	0.2%
HCFC-22	60.0	1.5%
Pentane/cyclopentane	164.6	4.0%
Hexane	255.0	6.2%
HCFC-141b	837.6	20.4%
Water/carbon dioxide	2,766.6	67.5%
<b>Sub-total integral skin</b>	<b>4,101.2</b>	<b>100.0%</b>
<b>Multiple-subsectors (*)</b>		
HCFC-22	157	4.6%
Water/carbon dioxide	1,031	30.2%
HCFC-141b	2,231	65.2%
<b>Sub-total multiple-subsectors</b>	<b>3,419</b>	<b>100.0%</b>
<b>Total</b>	<b>55,008.8</b>	

(\*) Enterprises producing a mix of several products either within or across foam sub-sectors, e.g., rigid polyurethane pipe sections, panels and flexible polyurethane moulded and integral skin foams.

**Baseline equipment upgrades for conversion to HCFC-141b and other alternatives**

8. Equipment baseline information provided in project documents showed invariably that existing equipment in many enterprises consisted of low pressure foam dispensers several of them home-made, with simple open top pre-mixers or mechanical drill and bucket for premixing foam chemical components and pouring into moulds and/or cavities by hand. Better equipped enterprises predominantly had low pressure foam dispensers with mechanical mixing heads while relatively small number had high pressure dispensers.

9. After extensive technical review and discussions among the Fund Secretariat, the implementing agencies, experts from the foam industry and representatives of equipment and chemical manufacturers, it was concluded that HCFC-141b-based foam would have poorer quality of insulation (e.g., increased thermal conductivity) than that produced with CFC-11, which was being replaced. It was also concluded that this problem could be mitigated by producing foam of fine cell structure which is achieved by impingement mixing of high pressure dispensers.

10. As a consequence, financial assistance was provided from the Multilateral Fund through approved projects to enterprises manufacturing rigid polyurethane foam for insulation applications as follows:

- (a) Low pressure foam dispenser that existed in the baseline was replaced with a new high pressure dispenser of equivalent effective capacity. Where cost limitations precluded provision of high pressure foam dispenser, the existing low pressure unit was replaced with a low pressure dispenser with variable ratio and heating/coating facility;
- (b) High pressure dispensers already existing in the baseline were retrofitted to enable them to accommodate the new formulations and mixing ratios, by changing the pump kits, the parts vulnerable to the solvent action of HCFC-141b and by recalibration;
- (c) Where no dispenser existed in the baseline (i.e., manual operation), a high pressure dispenser meeting the product output requirements of the enterprise was provided with 50 per cent contribution from the enterprise towards the cost of the new machine. Where the enterprise could not afford the contribution required to be made for a high pressure machine, a low pressure machine was provided with a much lower agreed contribution from the enterprise (usually between 25 and 35 per cent depending on the size and capacity of the machine). It was understood by recipient enterprises that the equipment provided under such arrangement was sufficient for handling the next stage of phasing out the HCFC;
- (d) Additional pieces of equipment were provided, mainly polyol pre-mixers, if they were used with the CFC-based foam production.

11. In the integral skin and flexible moulded foam sub-sector most enterprises had low pressure machines that had the capability to process CFC-based formulations while those that were inadequate were upgraded through retrofits. Since the insulation property of the foam is not



an issue in these applications, the replacement of the low pressure dispenser with a high pressure dispenser was not justified except when hydrocarbon-based technology was selected. Partial funding was provided for low pressure dispensers as described above for those enterprises that did not have a foam dispenser in the baseline (i.e., SMEs with hand-mixing operations). The weaknesses in the baseline dispensers, both low and high pressure, were addressed through several retrofits, including variable drive pump motors to control the ratio of the dispenser; heat exchangers for controlling material temperature; refrigeration unit (chiller) to properly control the reactivity of the water blown foams in a hot environment; barrier coat system to replicate the thick skin of the CFC-11 blown foams as closely as possible; power washer for product finishing operations; mould ovens for preheating of the moulds for the water-blown integral skin foam and for drying the barrier coat; and/or suitable moulds where baseline moulds are of glass fibre.

12. In one country, to cover polyurethane foam production for insulating products using HCFC-22 as a blowing agent in rigid polyurethane foam thermoware products, funding was provided to replace existing low-pressure with high-pressure foaming dispensing units as well as on-site pre-mixers since polyol blends with HCFC-22 were not available. For production of extruded polystyrene foam sheets using HCFC-22/HCFC-142b as a blowing agent, funding was provided for installation of a gas storage facility, replacement of the existing extruder with a new extruder and auxiliary equipment.

#### **Items of IOC paid for CFC phase-out**

13. The level of IOC of Multilateral Fund foam projects depend on several factors, including the nature of the new formulations that would produce foam of a similar quality as in the baseline, the relative prices of chemicals required for the manufacturing of foams; cost penalty resulting from increase in the density of the foam (applicable mainly to rigid insulation polyurethane foam); the cost of incremental maintenance, incremental insurance (estimated to be 5.5 per cent of net incremental cost of equipment) and incremental energy usage when selecting hydrocarbon-based technologies; and the cost of in-mould coating chemical in integral skin foam products.

14. Experience from approved foam projects shows that the IOC associated with foam density could be as high as 60 per cent of the total IOC of the project. Since the duration of IOC for rigid foam projects is two years, calculation of the component of IOC associated with increase in foam density is based on “initial density increase” for the first year and “mature density increase” for the second year. IOC of high density rigid insulation foams (above 45 kg/m<sup>3</sup>), such as pipe-in-pipe foam (density: 70-80 kg/m<sup>3</sup>) and spray foam for roofs (density: 48-50 kg/m<sup>3</sup>) are not affected by foam density increase, all other applications are affected with increases in density ranging from 4-16 per cent for the first year and 3-13 per cent for the second year. Pentane and cyclopentane-based foam for boards and domestic refrigeration have the highest increase respectively of 16 and 13 per cent and 16 and 10 per cent in the first and second years.

15. The Secretariat and the implementing agencies have worked on and agreed the baseline densities and mature densities during conversion from CFC-11 to HCFC-141b technology. These mature densities could consequently become the baseline densities for the second stage conversion from HCFC-141b to non-ODS alternatives. However, information obtained on conversions using the new generation of alternative blowing agents, particularly HFC-245fa and

methyl formate indicate that increase in foam density after conversion might not be an issue as lower foam densities than that obtained with HCFC-141b could be achieved although 1 to 2 per cent increases in density could occur particularly with methyl formate which could be mitigated with time through formulation optimization. It may, therefore, be necessary to revisit the issue of changes in foam density in order to more accurately account for the required level of IOC.

### **Alternative blowing agents to HCFCs**

16. The choice of substitute blowing agent and its associated conversion technology had to meet the following criteria which are equally applicable to conversion from HCFC-based technology:

- (a) Proven and reasonably mature technology;
- (b) Critical properties to be maintained in the end product;
- (c) Cost effective conversion and local availability of substitute, at acceptable pricing;
- (d) Support from the local systems suppliers; and
- (e) Meeting established standards on environment and safety.

17. Information available from project documents and confirmed by project completion reports, the TEAP Foam Technical Options Committee and other sources point to the following technologies as potential alternatives to HCFCs in foam blowing.

#### Technologies already in use in Article 5 countries

##### *Water-based (water/CO<sub>2</sub>)*

18. Water-based systems, where the blowing agent is carbon dioxide generated during the foaming process, became available in some Article 5 countries during the conversion from CFC-11 in rigid integral skin foams, rigid foams with relatively less critical insulation applications such as in-situ foams, surf boards, low density packaging foams, and thermoware and spray foam, initially with the use of HCFC-141b. Water-based systems, particularly for rigid foams, are up to 50 per cent more expensive than other CFC-free technologies since the technology is associated with reductions in insulation value and lower cell stability. The problem is addressed by adding more material (up to 50 per cent) to increase foam thickness, where feasible, with resulting increase in cost. Thus, the use of water-based technology in pour-in-place for insulation applications, while in principle feasible, would require an increase in thickness, which is not always practical or cost-effective.

19. Rigid integral skin foams have almost universally converted to all-water-based systems. In most of these applications, skin formation is triggered through densification (mould pressure) rather than condensation. Accordingly, subsequent coating may be required and densities can be increased. However, since densities in this application are already relatively high, this is not a major issue. This is not the case for flexible and semi-flexible integral skin foams. The related

cost penalty arising from significantly increased densities and the poor skin formation associated with water blown systems has made the use of pentane, hexane and HFCs attractive in non-Article 5 countries and has caused almost universal conversion to HCFC-141b in Article 5 countries. Under the Multilateral Fund also projects have been approved for 23 shoe sole (semi-flexible integral skin) manufacturers, mainly in Brazil, Indonesia, Mexico and Pakistan. About 60 per cent of the enterprises employed water/CO<sub>2</sub> technology while 40 per cent used hexane.

20. In one Article 5 country, with the assistance from the Multilateral Fund some enterprises converted their integral skin foam production to water-blown technology without increase in foam density to achieve a surface finish of the product using water-based cross-linked in-mould coating. This required inexpensive modifications to their manufacturing equipment. However, the IOC was still higher than that of using HCFC-141b due to the higher cost of the coating. Water-based systems have zero ODP. Water vapour is a major greenhouse gas; however, new emissions do not affect global warming because it is already at a saturation point in the atmosphere. CO<sub>2</sub> has a GWP of 1.

### *Hydrocarbons*

21. Hydrocarbons as foam blowing agents have been proven commercially in both non-Article 5 and Article 5 countries. Pentanes, namely n-, iso-, and cyclopentane or their blends, have emerged as the most favoured blowing agents among the hydrocarbons, because the level of their use needed to achieve the same foam density is substantially lower than that for other blowing agents such as HCFC-141b. They constitute a permanent final technology, and their relatively low prices compared to other blowing agents make them economically attractive. However, in several projects approved under the Multilateral Fund claims for costs associated with increase in foam density or dimensional stability, incremental maintenance, incremental energy usage and incremental insurance have often resulted in substantial IOC.

22. Hydrocarbons have been the preferred conversion technology for large and organized foam producers, where the safety requirements could be complied with and investments could be economically justified. However, small-sized enterprises in non-Article 5 Parties have been unable to adopt hydrocarbon technologies to any significant extent due to the investment need in new equipment<sup>3</sup>. Most of these enterprises have selected HFC-based technologies despite the higher system costs. Where insulation requirements are less stringent, greater use of CO<sub>2</sub> (water) has also occurred.

23. Recent developments in equipment and technological processes appear to have made it possible for the investment costs as well as safety concerns associated with the technology to be considerably reduced. These late developments would appear to make the conversion to hydrocarbon technology more affordable and feasible to enterprises with low to medium level of HCFC consumption. Furthermore, the role of systems houses in optimizing formulations for SMEs has been particularly important. Hydrocarbons have zero ODP and a relatively low GWP (maximum 25).

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<sup>3</sup> TEAP Progress Report, May 2008.

Technologies with limited application/use in Article 5 countries*HFCs*

24. HFCs have a higher insulating value than other foam blowing alternatives at operating temperatures for applications such as walk-in coolers and cold storage areas. They are mainly used where end product fire performance is an issue with insurers or where investment costs for hydrocarbon-based technology are prohibitive mainly for SMEs.

25. The three main HFCs currently used in foam applications are HFC-134a, HFC-245fa and HFC-365mfc (and its blend with HFC-227ea).

- (a) HFC-245fa (marketed primarily by Honeywell as Enovate 3000) is currently available across most, if not all, non-Article 5 countries although only currently manufactured in the United States and, to a smaller extent, in Japan (Central Glass). It has been used to replace HCFCs in most rigid foam applications, including domestic refrigeration, spray foam, and metal faced sandwich panels. Feedback from users underlines the excellent flow properties of systems containing HFC-245fa, good solubility in polyol, possible foam density reductions and reduced panel waste due to ease of processing. In most cases it can be processed with the same spray foam and pour in place dispensers used for HCFC-141b. HFC-245fa is typically used as co-blowing agent with CO<sub>2</sub>/water in order to gain from the thermal performance, while limiting the cost impact. However, HFC-245fa poses some technical challenges to formulators due to its low boiling point and its lower fire-resistance properties relative to HCFC-141b. It currently has limited commercial availability in Article 5 countries due to lack of demand. It has a high price, currently costing over US \$10.00/kg for bulk containers. HFC-245fa has zero ODP value and a GWP of 1,020.
- (b) HFC-365mfc and its blend HFC-365mfc/HFC227ea (marketed almost exclusively by Solvay Fluor as Solkane-365 and Solkane-365/227, respectively), is currently available in most, if not all, non-Article 5 countries with the exception of the Canada and the United States, where patents prevent its use in foams. HFC-365mfc-blown foams have a fine cell structure with good insulation properties and good compressive strength. These foams are good for insulation purposes, where a non flammable liquid foaming agent with low thermal conductivity is needed, but does have a lower blowing efficiency than some other alternatives. For several applications, HFC-365mfc is blended with HFC-227ea to overcome a minor flammability issue. It has also a high price ranging from US \$4.50 to US \$5.00/kg. HFC-365mfc has zero ODP and GWP of 610. HFC-227ea has a much higher GWP value (2,900), however, it is used in relatively small proportions;
- (c) HFC-134a has been used widely in Multilateral Fund projects as a refrigerant in refrigeration projects. However its use as a foam blowing agent has been very minimal due to processing difficulties, the fact that its pre-blends cannot be made available, and high production costs owing to the need for on-site pre-mixer which would limit its application by SMEs. New formulations for replacing

HCFCs in the manufacture of extruded polystyrene boards in North America are almost certain to rely on HFC-134a as a large component of the final blowing agent<sup>4</sup>. HFC-134a has zero ODP and GWP of 1,300.

26. In order to optimise the cost-effectiveness of HFC-based systems, foam formulators have developed products containing levels of co-blowing agents higher than have traditionally been used with HCFC-based formulations. The most prevalent co-blowing agent used is CO<sub>2</sub> (water) and to a lesser extent hydrocarbons, CO<sub>2</sub> (LCD), methyl formate, alcohols, and others. In many applications where limited space prevents an increase in insulation thickness (i.e., domestic and commercial refrigerators, closed cell spray foam insulation for existing building envelopes, building panels, and insulated transport containers), HFCs are selected as the blowing agent in order to provide the best available energy efficiency. In many cases the energy efficiency requirements are dictated by regulation, building codes or voluntary programmes<sup>5</sup>.

#### *Methyl formate*

27. Methyl formate marketed by Foam Supplies Inc. (FSI) of the United States as Ecomate, is an emerging technology that could be of interest in Article 5 countries due to its reported high efficiency and low cost. Information available from the suppliers indicates that methyl formate seems an ideal replacement for HCFC-141b in integral skin foams because it has a desirable combination of boiling point and solubility to mimic those of HCFC-141b. Its boiling point just above ambient, allows good skin formation without expensive cooling. Spray and pour foams made with methyl formate are also said to have good physical properties, good fire resistance and good stability<sup>6</sup>. However, other market information appears to contradict some of the supplier information indicating that while Ecomate technology is interesting and promising it does not appear to be proven for many foam applications and at this stage could be more expensive than HCFC-141b, although it could be more cost competitive in the long run. Activities to optimize the technology for use in Multilateral Fund projects would be desirable.

28. The chemical is considered “extremely flammable but not explosive”. FSI indicates that process emissions from Ecomate systems are so low as not to require special precautions in the manufacturing area. As Ecomate is normally sold as a system to foam producers, any flammability issues would be restricted to the systems supplier. Shipping of the systems is possible without “flammable” tags.<sup>7</sup>

29. Ecomate is exclusively licensed to Purcom<sup>8</sup> for Latin America, to BOC Specialty Gases for the United Kingdom and Ireland and to Australian Urethane Systems for Australia, New

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<sup>4</sup> TEAP Progress Report. May 2008.

<sup>5</sup> Several analyses have been carried out on these applications that demonstrate that the Life Cycle Climate Performance (LCCP) associated with the use of HFCs is, in many cases, favourable and no worse than neutral in others compared to low GWP alternatives, even when all of the blowing agents contained in the foams are deemed to be emitted over the lifecycle. The situation is further improved when measures can be adopted to minimise emissions, particularly at end-of-life.

<sup>6</sup> Dennis Jones, BOC Ltd., Ecomate – A Revolutionary yet Economical New Blowing Agent.

<sup>7</sup> John Murphy, Mark Schulte, Buck Green, Ecomate® Foam Blowing Agent, API Polyurethanes 2005 Technical Conference, 10/18/2005 (page 302ff); John Murphy – Foam Supplies, Inc and Dennis Jones, BOC Ltd. Ecomate - The Revolutionary New Blowing Agent for Europe, Utech 2006, Paper #18, March 28, 2006.

<sup>8</sup> Juan Valásquez - São Paulo – Brazil. International Gazeta, Purcom acquires foam suppliers license (Mjzanon’s IP Newsletter - September 2005).

Zealand and the Pacific Rim. The price of methyl formate worldwide is reported to be in the same range as of the price of pentanes but not affected by the price pressures of crude oil on pentanes. Methyl formate has zero ODP and relatively low GWP<sup>9</sup>, likely to be similar to other hydrocarbons.

#### *Other technologies*

30. Other alternatives technologies to HCFC-141b have been introduced in non-Article 5 countries<sup>10</sup>, including:

- (a) Super-critical CO<sub>2</sub> spray foam technology. This technology has been established mainly in Japan with a market penetration of no more than 10 per cent. The technology is yet to make any significant market penetration beyond Japan. The Green Procurement Law has also promoted the greater uptake of CO<sub>2</sub> (water), which is particularly suited to the Japanese market and growth of this technology has exceeded that of super-critical CO<sub>2</sub>;
- (b) A new low-GWP blowing agent, HBA-1, has been launched (Honeywell), where hydrocarbons cannot be used to replace HFC-134a for one-component foams for safety and performance reasons. This blowing agent will be commercially available in July 2008, in time to enable compliance with the requirements of the European F-Gas Regulation;
- (c) The use of not-in-kind technologies such as fibrous insulation has increased in insulation markets as a result of the greater thermal efficiency of foam insulation and improvements in fire performance (greater use of polyisocyanurate technologies);
- (d) The alternative technologies for HCFCs by extruded polystyrene board producers in the United States are likely a combination of HFCs, CO<sub>2</sub>, hydrocarbons and/or water.

#### **Costs associated with the financing of HCFC phase-out in the foam Sector**

31. The costs associated with the financing of HCFC phase-out in the foam sector would include:

- (a) Initiation costs: Costs associated with preparatory/enabling activities such as formulation validation activities and other initiatives to demonstrate the feasibility, performance and acceptability of alternative technologies, and investigate and establish inherent costs of conversion;
- (b) Investment costs: ICC and IOC, including technical assistance and training, site preparation, trials, testing, installation and commissioning; and

<sup>9</sup> The supplier's claim of zero GWP is based on the US EPA SNAP evaluation which described the GWP of methyl formate as 'likely to be negligible'. However, no actual testing was carried out to support this. Indeed, there is no chemical reason why the value should not be similar to that of other hydrocarbons.

<sup>10</sup> TEAP Progress Report, May 2008.

- (c) Management costs: Costs for supervision, monitoring, reporting, evaluation, verification, agency coordination, as a component of the overall HCFC management plan.

32. As the management costs are expected to be addressed as part of the preparation of the various HCFC management plans (HPMPs) only the initiation and investment costs are discussed in this paper. As the initiation activities are precursors to the investment activities the associated costs have been addressed as a whole. The main initiation activity under the HCFC phase-out programme is the validation of HCFC alternative foam formulations involving systems houses and foam chemical suppliers. The cost of this activity has been estimated and is attached as Appendix II to this Annex. The components of the investment cost, namely ICC and IOC are discussed below.

### **Range of ICC for phasing-out HCFCs**

33. For purposes of funding the phase-out of HCFCs, the recipient enterprises may be put into the following categories, namely

- (a) Enterprises that have converted their foam production from CFC-11 to HCFC-141b with the financial and technical assistance of the Multilateral Fund;
- (b) Enterprises that have converted their foam production from CFC-11 to HCFC-141b through their own resources and/or enterprises that might have established new foam production plants or installed new foaming equipment based on HCFC-141b.

34. The second category of enterprises consists of the following:

- (a) Enterprises that established CFC-based foam production facilities after the cut-off date of 25 July 1995 using low pressure machines and have subsequently converted to HCFC-141b-based production by replacing the low pressure machines with high pressure ones and enterprises that established CFC-based foam production facilities after the cut-off date of 25 July 1995 using high pressure machines and have converted to HCFC-141b;
- (b) Enterprises that established CFC-based foam production facilities after the cut-off date of 25 July 1995 using low pressure machines and have subsequently converted to HCFC-141b-based production on the same machines or enterprises that established HCFC-141b-based production on low pressure machines and continue to produce on the same machine;
- (c) Enterprises that have converted part of their CFC-based foam production to HCFC-141b with the assistance of the Multilateral Fund while the other part on low pressure foaming capacity established after the July 1995 cut-off date did not receive assistance but continues to be used to produce HCFC-141b-based foam without any changes.

35. Against the background of the technical upgrades of enterprises that received assistance from the Multilateral Fund and of the discussion above regarding categories of enterprises that

may potentially receive assistance from the Fund, the Secretariat made two parallel ICC estimates based on retrofit of existing equipment or replacement of existing equipment. The following considerations informed the calculations of the ICC:

- (a) Conversion from HCFC-141b to liquid blowing agents, such as HFC-245fa, HFC-365mfc, HFC-365mfc/HFC-227ea blend, water/CO<sub>2</sub> or methyl formate, should be based on retrofits of the existing foaming machine in the baseline. The need for replacement of existing production equipment should be technically demonstrated and considered on a case-by-case basis<sup>11</sup>;
- (b) Conversion to hydrocarbon technology should be based on retrofit or replacement of existing foam dispenser and pre-mixers as technically required. Additional equipment for storage of hydrocarbon and for safety is included.

36. Thus the ICC were determined on the basis of the following:

- (a) Calculations were based on a unit operation (i.e., one dispenser and associated manufacturing equipment);
- (b) The majority of enterprises rely on premixed systems instead of premixing in-house for each application segment. Thus, the cost of a new premixer or retrofit of existing premixer was included in the list of equipment for those enterprises that do not rely on premixed systems;
- (c) The minimum cost was based on retrofit of all required equipment items except when an item has to be replaced for technical reasons such as the conversion to hydrocarbon-based blowing agent. The maximum cost was based on installation of new equipment or replacement of old equipment with new ones without any deductions for counterpart contribution. Also, the minimum and maximum cost levels represent the absolute levels;
- (d) The cost of technology transfer, training and trials were estimated at a higher level than the levels during the transition from CFC to HCFCs due to anticipated need for more activities for finessing foam formulations with potentially higher cost of trials than was the case with transition to HCFC-141b;
- (e) The ICC for integral skin foam sub-sector were calculated based on retrofits only except in the conversion from HCFC-141b to hydrocarbon-based technology where new production equipment is required.

37. Detailed calculations and breakdown for the various segments are provided in Appendix I.

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<sup>11</sup> For example, the cost of a new storage tank could be an eligible incremental capital cost where the baseline tank is not suitable to safely handle HFC-245fa. Any need for retrofit or replacement of any existing equipment or installation of additional equipment for conversion from HCFCs to non-ODS alternatives would have to be technically justified and fully demonstrated.



## Range of IOC

38. The level of IOC for conversion from HCFCs to non-ODS-based technologies would depend on the nature of the new formulations that would produce foam of a similar quality as in the baseline formulation, the relative prices of chemicals required for the manufacturing of the foam; the expected increase in foam density; potential incremental maintenance, insurance and energy usage costs when using hydrocarbon-based technologies; and the price and quantities of in-mould coating chemicals when used during production of water-blown integral skin foam.

39. The proportions of the main chemical ingredients in foam formulations (namely blowing agent, the polyol and MDI) and their prices are the key determinants of the level of incremental costs or savings. From an analysis of several Multilateral Fund projects, it was observed that small changes in material ratios and/or price differential could result in substantial incremental operating costs for one enterprise but incremental operating savings for another enterprise for the same type and amount of foam produced. Increase in foam density which translates into the cost of additional foam material also has a significant impact on IOC, representing in some cases 50 per cent or more of the total operating costs. The levels of increase in foam densities associated with different foam applications were approved at the 31st Meeting of the Executive Committee (decision 31/44) with the view to revisit the issue in future and make modifications where necessary. The increases in foam densities were based on the transition from CFC-11 to HCFC-141b and need to be revisited for the transition from HCFC-141b to other alternative technologies, especially since there are indications that for some of the alternatives increase in foam density following conversion may no longer be the case.

40. Cost ranges of IOC were calculated for the following alternative technologies: water-based systems, hydrocarbons, both pentane and cyclopentane, HFC-245fa and methyl formate. The precise levels of IOC can only be fully quantified when all the cost elements are known, including the cost of all the component chemicals (polyol, isocyanate, blowing agents), formulation ratios, foam densities. This information is available only at the time of review and evaluation of actual projects. Thus in the absence of actual projects the IOC were estimated on the basis of the following assumptions and considerations:

- (a) Prices of chemicals for pentane and water-based technologies for which the Secretariat has extensive experience and a large body of information from project completion reports, prices were derived from project completion reports completed between 2000 and 2006. The information was complemented with information on prices provided by some Ozone Units through bilateral and implementing agencies;
- (b) Prices of HFC-245fa and methyl formate were obtained from the relevant companies (Honeywell and Foam Supplies Inc.);
- (c) Calculations were based on the relationship between HCFC-141b and the replacement chemicals based on ratios of 1:0.50 and 1:0.75 for HFC-245fa and 1:0.50 for methyl formate consistent with information obtained from the suppliers; 1:1.5 for water-based systems; 1:0.5 for pentane and cyclopentane in rigid foam; and 1:0.3 for integral skin foam similar to the method used in approved projects;

- (d) Given the limited time available for the preparation of this paper, the direct association between increases in foam density from HCFC-141b to other technologies for the various rigid polyurethane insulation foam application segments could not be subject to a thorough review. Therefore, no increase in density was factored into the calculation for HFC-245fa and methyl formate. However, as stated earlier, increase in foam density may not be a factor in reality. Based on observations made upon review of calculations of the IOC of hydrocarbon-based projects a 10 per cent increase in foam density was factored into the calculations for pentane and cyclopentane-blown foams;
- (e) The cost of in-mould coating chemical was included in the calculations for the integral skin foam as it is a component of the foam processing chemicals accounting for up to about 70 per cent of the total IOC;
- (f) Costs associated with incremental maintenance, insurance and energy usage of hydrocarbon-based technologies were also included in the calculation for integral skin foam consistent with the practice in approved projects.

41. The IOC were calculated for enterprises with HCFC-141b consumptions of 5, 25, and 75 metric tonnes (0.55, 2.75 and 8.25 ODP tonnes) to represent the rigid foam sub-sector and enterprises with consumptions of 10 and 30 metric tonnes (1.1 and 3.3 ODP tonnes) for the integral skin foam sub-sector. Calculation per kg of HCFC-141b eliminated was also made. The calculations were checked against approved projects to ensure consistency and accuracy of the methodology.

42. The detailed calculations as well as its application to typical consumption levels as indicated above for rigid and integral skin foams can be found in Appendix 1.

### **Strategies for viable and sustainable HCFC conversion in the foam sector**

43. In rigid and integral skin polyurethane foam production, most enterprises rely on polyols commercially premixed with the blowing agent and other essential ingredients (premixed polyols)<sup>12</sup> that are provided by companies known as systems houses. While enterprises with pre-mixers on site have the flexibility to vary their foam formulations to meet their customers' end-product requirements, SMEs have to rely on systems houses to meet their customers' requirements. In that regard access to a systems house becomes critical to the competitiveness and/or productivity of a foam producer and above all the sustainability of the conversion programme overall. During the first phase of CFC phase-out, systems houses played a key role in the market penetration of HCFC-141b in Article 5 countries.

44. Eleven group projects involving 290 SMEs centered around local indigenous systems houses were approved in four countries at a total cost of US \$7.2 million. The direct impact of involvement of the systems houses was a phase-out of over 1,300 ODP tonnes of CFC-11. Table III.2 provides basic information on the systems houses assisted through the Multilateral Fund.

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<sup>12</sup> Data on approved CFC-based integral skin and rigid foam projects shows that about 80 to 85 per cent relied on premixed polyol. Also, over 60 per cent of foam enterprises relying on premixed polyol were SMEs consuming between 0.2 and 20.0 ODP tonnes CFC-11 per year.

**Table III.2. Systems house activities in the phase-out of CFCs**

Country	Systems house	Number of enterprises	Sector/sub-sectors	Project cost (US\$)	Impact (ODP tonnes)	Substitute blowing agent
Brazil	JNP	25	Rigid PU, integral skin/ flexible molded PU	636,400	80.3	HCFC-141b
Brazil	Plastquim	50	Rigid PU, integral skin/ flexible molded PU	721,500	153.4	HCFC-141b
Brazil	Polsul	14	Rigid PU	536,892	55.0	HCFC-141b
Colombia	GMP	29	Rigid PU	449,130	56.6	HCFC-141b
India	Polymermann	80	Rigid PU	1,403,921	290.0	HCFC-141b
India	Shevathene Linopack	28	Rigid PU	699,139	105.7	HCFC-141b
Mexico	Comsisa	20	Rigid PU, integral skin	424,055	68.7	HCFC-141b
Mexico	Orca	11	Integral skin shoe sole	1,321,500	190.0	Hexane
Mexico	Productos Eiffel	10	Rigid PU spray foam	345,000	100.0	Water/CO2
Mexico	Pumex	19	Rigid PU spray foam	519,750	167.7	HCFC-141b
Mexico	Valcom	5	Rigid PU spray foam	122,440	44.3	HCFC-141b
Total		291		7,179,727	1,311.7	

45. In collaboration with implementing agencies' experts, systems houses not only provided suitable foam systems to their customers but also they undertook technology transfer and training of the downstream foam enterprises as technology partners.

46. The infrastructure already put in place at some system houses should be utilized to continue to facilitate the phase-out of HCFCs, through the development, optimization and validation of formulations with non-HCFC blowing agents suited to their local markets and possibly neighboring countries where low levels of HCFC consumption would not make a systems house operation feasible. This validation should include checking processing characteristics; product performance; commercial availability; safety; environmental performance; and related incremental costs. The estimated costs of the proposed validation range from US \$145,000 to US \$210,000 per systems house project for non-flammable blowing agents technology and from US \$200,000 to US \$320,000 per systems house for flammable blowing agents technology. Once the validation process has been completed and new non-HCFC based pre-blended polyols are developed, systems houses would provide technology transfers and training for a selected number of downstream foam enterprises (i.e., no more than 10 enterprises per systems house and should include, if possible, different foam applications). Based on the experience gained in the introduction of the new non-HCFC based polyols, actual ICC and IOC for the conversion of foam enterprises could then be fully assessed. A detailed analysis of the costs can be found in Appendix II to this Annex III.



## Appendix I

## ICC CALCULATIONS

ICC ranges for conversion of panels, pipe in pipe foam, thermoware, domestic refrigerators (US \$)

Foam application	Alternative technology
Panels	HFC-254a, pentane
Pipe-in-pipe	HFC-254a, water (limited applications), pentane
Thermoware	HFC-254a, water, pentane (limited application)
Domestic refrigerator	HFC-254a, pentane

Equipment item	HFC-245fa		Water/CO2		Pentane	
	Low	High	Low	High	Low	High
<b>Production</b>						
Replacement of low pressure with high pressure dispenser	60,000	100,000	60,000	100,000	90,000	170,000
Retrofit of high pressure dispenser	10,000	15,000	10,000	15,000	60,000	100,000
Retrofit of pre-mixing unit (where eligible)	-	10,000	-	10,000		
Replacement of pre-mixing unit	20,000	60,000	20,000	60,000	55,000	85,000
Modification of press					15,000	25,000
Hydrocarbon tank and accessories (piping and pumps, ventilation)					20,000	55,000
Buffer tank for polyol					10,000	15,000
Nitrogen supply system					10,000	40,000
<b>Plant safety</b>						
Ventilation and exhaust system (fans, piping, ductworks, grounding, electrical boards/connections)					15,000	85,000
Heating, ventilation and enclosure for cabinet plant (domestic refrigeration)					40,000	50,000
Heating, ventilation and enclosure for door plant (domestic refrigeration)					40,000	50,000
Gas sensors, alarm, monitoring system for entire plant					25,000	50,000
Fire protection/control system for the plant					-	10,000
Lightning protection and grounding					15,000	25,000
Antistatic floor					-	5,000
Safety audit/Safety inspection & certification					10,000	25,000
Stand-by electric generator					-	15,000
<b>General works</b>						
Civil work/plant modifications					20,000	25,000
Technology transfer/training	10,000	20,000	5,000	10,000	20,000	30,000
Trials and commissioning	10,000	15,000	10,000	20,000	10,000	20,000
<b>Total</b>						
Total retrofit	30,000	60,000	25,000	55,000	375,000	710,000
Total replacement	100,000	195,000	95,000	180,000	385,000	780,000

**ICC ranges for conversion of spray foams and discontinuous block foam (US \$)**

<b>Equipment item</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>
	<b>Low-output dispenser</b>		<b>High-output dispenser</b>	
<b>Production: Spray foam (*)</b>				
Replacement of low pressure with high pressure spray foam dispenser (7 kg/min) (with standard accessories)	15,000	20,000		
Replacement of low pressure with high pressure spray foam dispenser (12-15 kg/min) (with standard accessories) (***)			25,000	40,000
Retrofit of high pressure spray foam dispenser	-	15,000	-	15,000
Replacement of pre-mixing unit (where eligible)	20,000	40,000	20,000	40,000
Retrofit of pre-mixing unit (where available)	-	10,000	-	10,000
<b>Production: Discontinuous blocks (**)</b>	<b>Dispenser option</b>		<b>Boxfoam option</b>	
Replacement of box foam (handmix) with large output low pressure dispenser	50,000	70,000		
Replacement of box foam with semi-automatic boxfoam unit			50,000	65,000
Retrofit of low pressure dispenser	-	15,000	-	-
Retrofit of semi-automatic boxfoam unit			-	10,000
Replacement of pre-mixing unit (where eligible)	20,000	40,000		
Retrofit of pre-mixing unit (where available)	-	10,000	-	-
<b>General works</b>				
Technology transfer and training	5,000	10,000	5,000	10,000
Trials and commissioning	10,000	20,000	10,000	20,000
<b>Total</b>				
Total retrofit spray foam	15,000	55,000	15,000	55,000
Total replacement spray foam	50,000	110,000	60,000	110,000
Total retrofit discontinuous blocks foam	15,000	55,000	5,000	40,000
Total replacement discontinuous blocks foam	85,000	140,000	65,000	95,000

\* Hydrocarbon technology not included.

\*\* Hydrocarbon technology not included as availability in this segment is uncertain.

\*\*\* For SMEs having spray foam and pour-in-place operations.

**ICC ranges for integral skin foams (US \$)**

Equipment item	HFC-245fa		Water/CO2		Pentane	
	Low	High	Low	High	Low	High
<b>Production</b>						
Retrofit of dispenser for refrigerated thermal control	10,000	15,000	10,000	15,000		
Retrofit of dispenser for variable ratio control	10,000	15,000	10,000	15,000		
Penta-foam dispenser					90,000	120,000
Premixer with polyol and buffer tank					65,000	85,000
Pentane tank (500-1,000 l) with auxiliaries					25,000	35,000
In mold coating high-volume low-pressure spray system			10,000	15,000		
Mold preheating oven	5,000	10,000	5,000	10,000		
Infrared coating drying system			10,000	15,000		
In mold coating exhaust booth			10,000	15,000		
<b>Plant safety</b>						
Process ventilation					20,000	30,000
Electrical grounding					5,000	10,000
Pentane monitoring/alarm system					20,000	40,000
<b>General works</b>						
Technology transfer/training (foam)	5,000	10,000	5,000	10,000	10,000	30,000
Technology transfer, training (coating)			5,000	10,000		
Trials and commissioning	10,000	20,000	10,000	20,000	5,000	10,000
Safety audits					10,000	20,000
Miscellaneous local works					15,000	25,000
<b>Total</b>						
Retrofit	40,000	70,000	75,000	125,000	265,000	405,000

**IOC: Rigid polyurethane foam (US \$)**

Chemical	Prices US \$/kg		Ratio (*)	Consumption (metric tonnes)		
	Low	High		Plant 1	Plant 2	Plant 3
HCFC-141b	2.50	3.80	1.00	5.00	25.00	75.00
HFC-245fa(**)	10.40	12.00	0.50	2.50	12.50	37.50
HFC-245fa (**)	10.40	12.00	0.75	3.75	18.75	56.25
Methyl formate	2.20	3.20	0.50	2.50	12.50	37.50
Water-based systems	3.00	3.50	1.50	7.50	37.50	112.50
Pentane	1.90	2.50	0.50	2.50	12.50	37.50
Cyclopentane	2.10	3.30	0.50	2.50	12.50	37.50
MDI (pentane)	3.00	3.50	0.10	0.50	2.50	7.50

(\*) Ratio between HCFC-141b and the alternative blowing agent

(\*\*) The lower and higher prices represent bulk price and small package price allowing for 15% difference.

Description	Plant capacity: 5 tonnes		Plant capacity: 25 tonnes		Plant capacity: 75 tonnes	
<b>Before conversion</b>						
HCFC-141b	12,500	19,000	62,500	95,000	187,500	285,000
<b>After conversion</b>						
HFC-245fa (50%)	26,000	30,000	130,000	150,000	390,000	450,000
HFC-245fa (75%)	39,000	45,000	195,000	225,000	585,000	675,000
Water-based system	22,500	26,250	112,500	131,250	337,500	393,750
Methyl formate	5,500	8,000	27,500	40,000	82,500	120,000
Pentane	6,250	8,000	31,250	40,000	93,750	120,000
Cyclopentane	6,750	10,000	33,750	50,000	101,250	150,000
<b>One year IOC</b>						
HFC-245fa (50%)	13,500	11,000	67,500	55,000	202,500	165,000
HFC-245fa (75%)	26,500	26,000	132,500	130,000	397,500	390,000
Water-based system	10,000	7,250	50,000	36,250	150,000	108,750
Methyl formate	(7,000)	(11,000)	(35,000)	(55,000)	(105,000)	(165,000)
Pentane	(6,250)	(11,000)	(31,250)	(55,000)	(93,750)	(165,000)
Cyclopentane	(5,750)	(9,000)	(28,750)	(45,000)	(86,250)	(135,000)
<b>Two year IOC</b>						
HFC-245fa (50%)	23,490	19,140	117,450	95,700	352,350	287,100
HFC-245fa (75%)	46,110	45,240	230,550	226,200	691,650	678,600
Water-based system	17,400	12,615	87,000	63,075	261,000	189,225
Methyl formate	(12,180)	(19,140)	(60,900)	(95,700)	(182,700)	(287,100)
Pentane	(10,875)	(19,140)	(54,375)	(95,700)	(163,125)	(287,100)
Cyclopentane	(10,005)	(15,660)	(50,025)	(78,300)	(150,075)	(234,900)

## Notes

- For pentane projects to the IOC should be added the following costs:
  - Incremental maintenance of 5 per cent of net incremental investment
  - Incremental insurance of 0.5 per cent of net incremental investment
  - Extra power of 5 kW/dispenser, 10 kW for premixer, 10 kW for ventilation for 2,000 hr/year at 0.10/kW
- The prices of HFC-245fa and methyl formate are global prices as provided by manufacturers



**IOC: Integral skin foam (US \$)**

Chemical	Prices US \$/kg		Ratio (*)	Consumption (metric tonnes)	
	Low	High		Plant 1	Plant 2
HCFC-141b	2.50	3.80	1.00	10.00	30.00
HFC-245fa(**)	10.40	12.00	0.35	3.50	10.50
HFC-245fa (**)	10.40	12.00	0.40	4.00	12.00
Methyl formate	2.20	3.20	0.30	3.00	9.00
Water-based systems	3.00	3.50	1.50	15.00	45.00
Pentane/Isopentane	1.90	2.50	0.30	3.00	9.00
In-mold coating	1.20	2.10			

(\*) Ratio between HCFC-141b and the alternative blowing agent

(\*\*) For water-based systems.

Description	Plant capacity: 10 tonnes		Plant capacity: 30 tonnes	
<b>Before conversion</b>				
HCFC-141b	25,000	38,000	75,000	114,000
<b>After conversion</b>				
HFC-245fa (50%)	36,400	42,000	109,200	126,000
HFC-245fa (75%)	41,600	48,000	124,800	144,000
Water-based system	99,000	162,750	297,000	488,250
Methyl formate	6,600	9,600	19,800	28,800
Pentane	23,089	31,434	34,489	46,434
<b>One year IOC</b>				
HFC-245fa (50%)	11,400	4,000	34,200	12,000
HFC-245fa (75%)	16,600	10,000	49,800	30,000
Water-based system	74,000	124,750	222,000	374,250
Methyl formate	(18,400)	(28,400)	(55,200)	(85,200)
Pentane	(1,911)	(6,566)	(40,511)	(67,566)
<b>Two year IOC</b>				
HFC-245fa (50%)	19,836	6,960	59,508	20,880
HFC-245fa (75%)	28,884	17,400	86,652	52,200
Water-based system	128,760	217,065	386,280	651,195
Methyl formate	(32,016)	(49,416)	(96,048)	(148,248)
Pentane	(3,326)	(11,425)	(70,490)	(117,565)

Notes;

1. For pentane conversion projects to the IOC should be added the following operating costs:

Incremental maintenance & insurance (minimum) = 5.5% of 85% of \$265,000

Incremental maintenance & insurance (maximum) = 5.5% of 85% of \$405,000

Incremental energy @ 25kW for 2000hrs/year (US \$0.1/kWh)

2. For water-based systems the cost of in-mold coating is 1.2 to 2.1 times the cost of MDI, depending on whether in-mold coating is used before and after conversion or only after conversion with water-blowing. Price of in-mold coating taken as US \$10.0/kg.



## Appendix II

### SYSTEM HOUSES PROJECTS TO VALIDATE HCFC ALTERNATIVE FOAM SYSTEMS

Description	Low (US \$)	High (US\$)
<b>I.1 Preparatory work</b>		
Preparation cost (participants, profile, contacts, arrangements for workshops)	20,000	25,000
Technology transfer*	40,000	50,000
Technical (training) workshop	30,000	50,000
Sub-total preparatory work	<b>90,000</b>	<b>125,000</b>
<b>I.2 Items for non-flammable blowing agents technology</b>		
Analytical equipment	10,000	15,000
Blending equipment	10,000	20,000
Trials	20,000	30,000
Sub-total non-flammable blowing agents	<b>40,000</b>	<b>65,000</b>
<b>I.3 Items for flammable blowing agents technology</b>		
Analytical equipment	10,000	15,000
Blending equipment	60,000	100,000
Packaging and distribution costs for pre-blended polyol	15,000	30,000
Trials	10,000	20,000
Sub-total flammable blowing agents	<b>95,000</b>	<b>165,000</b>
<b>I.4 Summary cost for systems house</b>		
ICC per systems house project for non-flammable blowing agents technology (I.1 + I.2) including contingency (at 10 per cent)	<b>145,000</b>	<b>210,000</b>
ICC per systems house for flammable blowing agents technology demonstration, (I.1 +I.3) including contingency (at 10 per cent)	<b>200,000</b>	<b>320,000</b>
<b>II. Project cost for each participating enterprise</b>		
<b>II.1. ICC for non-flammable blowing agents</b>		
Retrofit cost	10,000	15,000
Trials	2,000	3,000
Sub-total	12,000	18,000
Contingency (at 10 per cent)	1,200	1,800
Total ICC for non-flammable blowing agents	<b>13,200</b>	<b>19,800</b>
<b>II.2 ICC for flammable blowing agents(**) with retrofit option for use of premixed polyol</b>		
Retrofit of foaming machine (polyol side) (including mix head)	70,000	85,000
Trials	2,000	3,000
Subtotal	72,000	88,000
Contingency (at 10 per cent)	7,200	8,800
Total ICC for flammable blowing agents with retrofit option	<b>79,200</b>	<b>96,800</b>
<b>II.3 ICC for flammable blowing agents(**) with equipment replacement option</b>		
New production equipment	120,000	150,000
Trials	2,000	3,000
Subtotal	122,000	153,000
Contingency (at 10 per cent)	12,200	15,300
Total ICC for flammable blowing agents with equipment replacement option	<b>132,200</b>	<b>165,300</b>

(\*) Does not include licensing fee, where such is required.

(\*\*)Hencke-Krauss Maffei, Experiences and potentials in replacing rigid foam manufacturing equipment in Article 5 countries.

Presented at the HCFC Technical Meeting, Montreal, 6 April 2008

IOC for the participating downstream enterprises will be based on relative systems costs. These will be calculated following the first stage of the project involving the systems formulations at the systems houses.



## ANNEX IV

### DETAILED ANALYSIS ON TECHNICAL AND COSTS ISSUES RELATED TO THE REFRIGERATION SECTOR

#### A. INTRODUCTION

1. Annex IV is meant to provide technical and cost considerations relevant when replacing HCFC-22 in the refrigeration and air-conditioning sector with alternatives, with support by the Multilateral Fund. HCFC-22 is by far the predominant HCFCs in the refrigeration and air-conditioning sector, with an estimated share of more than 97.2 per cent of the total HCFCs consumption (metric tonnes) in the refrigeration sector. Table 1 shows the estimated HCFCs consumption in the refrigeration and air-conditioning sector by substance.

**Table 1: Estimated HCFCs consumption in the refrigeration and air-conditioning sector, by substance**

Substance	Consumption (metric tonnes)	Uses	Estimated consumption in the refrigeration and A/C sector	
			(metric tonnes)	(% of total)
HCFC-22	247,200	Refrigeration and A/C, foam	217,610	97.2%
HCFC-123	3,700	Refrigeration and A/C	3,700	1.7%
HCFC-124	940	Refrigeration and A/C	940	0.4%
HCFC142b	31,230	Foam, refrigeration and A/C	1,640	0.7%

2. The Secretariat has assessed the use pattern of HCFCs in the refrigeration and air-conditioning sector. In Article 5 countries, HCFC-22 is in particular used for air conditioning and, to a somewhat smaller extent, for a wide range of applications subsumed under commercial refrigeration. There are a number of other HCFCs which feature in the refrigeration sector, in particular HCFC-123 in centrifugal chillers, and HCFC-124 and HCFC-142b in drop-in alternative refrigerants for CFC-12. Since it appears that there are no dedicated manufacturing capacities in Article 5 countries for products using these refrigerants, and since the quantities used in the servicing of refrigeration equipment are very small compared to HCFC-22, these HCFCs have not been further investigated in this paper.

3. There is insufficient consistent information available about the HCFC-22 use patterns in developing countries, in particular how much HCFC-22 consumption is associated with the different sub-sectors. Aside from issues related to the definition of sub-sectors, data which would allow an estimate is neither collected by the Fund Secretariat nor by the Ozone Secretariat, and is not available commercially or from associations. An estimate was attempted based on indicative market figures available for the trade in air-conditioning equipment in the year 2006. These figures suggest that the consumption in new air-conditioning systems might have amounted in

the year 2006 to between 80,000 and 100,000 metric tonnes of HCFC-22. The remaining consumption of about 130,000 metric tonnes might have been split approximately equally between commercial refrigeration manufacturing and service sectors.

4. This Annex will, after an introduction and a review of past experience, provide information on the different sub-sectors and some alternative technologies, before providing cost information and other considerations for the manufacturing and service sectors.

#### Experience

5. To date a total of 30,831.2 ODP tonnes of CFCs have been phased out from the domestic and commercial refrigeration sub-sectors through individual and umbrella projects, including 22,471.5 ODP tonnes of CFC-11 and 8,359.7 ODP tonnes of CFC-12. For some of the projects, HCFCs were used as alternatives to CFC. The refrigeration projects frequently had a component related to the insulation foam, where CFC-11 was often replaced by HCFC-141b.

6. Table 2 provides an overview of alternatives approved in Multilateral Fund conversion projects in the refrigeration manufacturing sectors, including domestic and commercial refrigeration.

**Table 2: Alternative technologies in approved stand-alone Multilateral Fund refrigeration projects**

Replacement	Projects	ODP tonnes phased out	%age total	ODP tonnes phased in
<b>Refrigerant component</b>				
Drop-in blend	5	137.0	1.6	2.52 (approx.)
HCFC-22	9	818.4	9.8	45.01
HFC-134a	439	6,188.9	74.1	0
HFC-152a	1	80.0	1.0	0
HFC-152a/HCFC-22	1	70.0	0.8	1.28 (approx.)
HFC-404A	2	0.6	0.0	0
Isobutane	22	983.3	11.8	0
Propane	1	11.5	0.1	0
R-401A	1	70.0	0.8	1.89
Total refrigerant component	481	8,359.7	100.0	50.7
<b>Foam component</b>				
Cyclopentane	120	14,260.9	63.5	0
HCFC-141b	336	8,210.6	36.5	903.17
Total foam component	456	22,471.5	100.0	903.17

7. In addition to projects in refrigeration manufacturing sectors, 42 conversions of CFC-12 compressor production plants to alternative refrigerants in ten Article 5 Parties have been approved by the Executive Committee. Such compressor projects were supported on one hand in cases where the compressor was the technology-defining element in the production chain leading to CFC refrigeration equipment; this is often the case if small assemblers use compressors and other components to produce, frequently on site, refrigeration equipment. On the other hand

these projects were supported when compression production was integrated with equipment production, in particular in the domestic refrigeration sector. In the particular case of China, the Executive Committee agreed on a sector approach and funded the conversion of 24 compressor manufacturing enterprises to alternative refrigerants with an associated phase-out, on the understanding that the Government of China would not seek any assistance from the Multilateral Fund for the conversion of commercial refrigeration manufacturing plants. Of the 24 compressor projects in China, 18 were converted to HCFC-22 refrigerant with an associated phase-out of 361 ODP tonnes of CFC-12 (calculated phase-in: 19.86 ODP tonnes), and three were converted to HFC-134a with an associated phase-out of 253 ODP tonnes. The alternative refrigerant selected for the remaining of these 42 compressors projects were HFC-134a (18 projects), isobutane (two projects) and HCFC-22 (one project).

8. The total funding approved for stand alone training programmes for refrigeration service technicians and customs officers, recovery and recycling projects and RMPs in all Article 5 countries amounts to US \$52.7 million (i.e., US \$29.6 million for LVC countries and US \$23.1 million for non-LVC countries). An additional US \$235.0 million is associated with TPMPs for LVC countries and national/sectoral phase-out plans for non-LVC countries addressing the total remaining consumption of CFCs, mainly used in the refrigeration servicing sector<sup>1</sup>.

## **B. TECHNOLOGY**

### Characteristics of the Air-conditioning sub-sectors

#### *General*

9. Air-cooled air conditioners ranging in capacity from 2.0 to 700 kW are used in residential and commercial applications for cooling or heating (if combined with air-conditioning heat pumps), representing probably the largest sub-sector of HCFC-22 consumption in Article 5 countries. For the purpose of this document the sub-sector is further split between unitary equipment and chillers.

#### *Unitary equipment*

10. The majority of both the existing installed capacity and new production is of the unitary equipment type. Unitary air-conditioning equipment is a broad category of air-to-air air-conditioning systems, including:

- (a) Room air conditioners (window-mounted, through-the-wall and mobile units). A unit has a capacity between 2 kW and 10.5 kW and contains between 0.5 and 2 kg of HCFC-22, with an average of 0.75 kg. These units are manufactured and charged typically in large plants with quality control and leak tests, leading to low leakage rates in the order of 2.0 to 3.0 per cent of the initial charge per year;

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<sup>1</sup> Several national phase-out plans and a few TPMPs address small amounts of CFCs used in small foam and refrigeration manufacturing enterprises or small amounts of other ODSs, mainly CTC and/or TCA.

- (b) Ductless split systems, both mini-splits for one room and larger systems, have usually multiple indoor evaporator/fan units connected to a single outdoor unit, 4 kW refrigerating capacity and above. These air conditioners have average HCFC-22 charge about 1.2 kg per system. These systems are normally produced in large manufacturing plants as well, with the associated quality control and leak tests. However, the systems are installed on-site using pre-charged lines and connectors, which lead to a higher average leak rate for these systems;
- (c) Residential split ducted central air-conditioning systems and heat pumps consist of a condensing unit (compressor/heat exchanger) installed outside of conditioned space, that supplies refrigerant to one or more indoor heat exchangers installed within the building's air duct system. The refrigerating capacity of such systems is generally between 5 kW and 18 kW containing on average about 3.25 kg of HCFC-22 per system; and
- (d) Packaged air-to-air systems and split systems for commercial air-conditioning, ranging in refrigerating capacity from 10 kW to more than 350 kW. Commercial rooftop air conditioners fall into this category. The average HCFC-22 charge is about 10.8 kg per system.

11. Representative leakage rates for the last three categories of split systems are in the literature mentioned to be 4-5 per cent of the nominal charge per year, although anecdotal evidence suggests emissions as high as 15 per cent of the annual charge. The higher leak rates are related to the limitations of installation into existing buildings, including a higher number of connections.

### *Chillers*

12. Chillers are compact refrigeration systems designed to cool down water or a brine for the purpose of air-conditioning or, less often, process cooling for manufacturing of goods or chemicals. The cool water or brine is distributed to the cooling equipment, in case of air-conditioning to heat exchangers distributed throughout a building. The refrigerating capacity ranges from 7 kW for water cooled chillers equipped with reciprocating and scroll compressors to chillers of about 700 kW and above, which are usually built as centrifugal chillers. Centrifugal chillers, which use a turbo-compressor and have been only rarely built using HCFC-22 as refrigerant, are not considered in this document. HCFC-22 has been used for manufacturing virtually all non-centrifugal chillers with screw, scroll and reciprocating compressors. While chillers based on R134a, HFC-407C and R 410A have started penetrating the market in non-Article 5 countries, users in Article 5 countries continue to be supplied with HCFC-22 chillers. Since chillers are often manufactured and quality controlled in large plants, and since their operating conditions tend to be very favourable, chillers can last for several decades before being in need to be replaced. While the HCFC-22 needs for service and repair are normally small per system, the large number of chillers and their long lifetime prolongs the dependence of countries on HCFC-22.



### Characteristics of the commercial refrigeration sub-sector

13. Commercial refrigeration systems are a broad category of refrigeration systems. The sub-sector covers refrigerated equipment found in retail food sector such as supermarkets, convenience stores, restaurants, and other food service establishments. In the context of the Multilateral Fund, every commercial use of refrigeration systems which did not belong to another sub-sector (industrial, chiller, air-conditioning, transport, domestic) was subsumed under commercial refrigeration. Commercial refrigeration systems in Article 5 countries are often locally or regionally made products, catering to the specific need of one or a small group of users. In other cases, products like water fountains, chest or bottle coolers might be produced in medium, sometimes even large quantities as commercial refrigeration products. Commercial refrigeration equipment can be sub-divided into the following broad categories: stand-alone equipment, condensing units and centralized refrigeration systems.

14. The category of stand-alone equipment consists of serial products where all the components are integrated, produced and typically charged in manufacturing facilities and plants. It includes, e.g., commercial-sized refrigerators and freezers, water coolers, chest coolers, ice cream freezers, ice making machines, display cabinets, and hotel mini bars. Currently, HCFC-22 is still widely used as the refrigerant in manufacturing of stand-alone equipment in Article 5 countries. Along with R 134a and HFC-404A, in recent years, hydrocarbons (isobutane and propane) have been introduced to the market for stand-alone units up to 1 kW capacity. The small filling and the opportunity to undertake leak testing and quality control at the manufacturers premises leads to typically reasonable or better quality of production and only relatively small leakage.

15. CFC-12 had been the most important refrigerant in stand-alone equipment in Article 5 countries. The conversion of manufacturing of stand-alone equipment in those countries to non-CFC technology has been addressed through approval of more than 260 investment projects and activities by the Executive Committee. The Secretariat has used its experience gained in reviewing the above projects in assessments of possible incremental costs related to the manufacturing of HCFC-22 – based equipment.

16. Condensing units are the main component of split refrigeration systems. Such a unit, comprising a compressor, a condenser, and a receiver holding the refrigerant in the liquid phase, is typically being pre-manufactured in medium to large quantities, but not charged. On site, such a unit is located typically in a way that the condenser can be cooled by outside air, and is connected via refrigerant-containing tubing to the cooling equipment. This may include one or several display cabinets and walk-in cold rooms or other refrigeration uses. Several condensing units can be installed side-by-side in a machinery room to cool different equipment, reaching up to 50 kW refrigeration capacity. The use of several condensing units is less energy efficient than the installation of one specifically designed centralized system, while the installation of centralized systems requires compressors of larger capacity, and more design and engineering know-how.

17. The use of condensing units is a preferred solution for many end-users in Article 5 countries because these systems are technically simple and easy to install and maintain, locally available and attractive in terms of low initial investments. HCFC-22 remains the

refrigerant of choice in manufacturing condensing units in Article 5 countries. Condensing units are suitable for HFC refrigerants, while the use of hydrocarbons is problematic because of the distance between condensing unit and equipment, which increases refrigerant filling and requires certain site-specific safety considerations.

18. Centralized refrigeration systems are similar to condensing units, only that one unit with normally several compressors serves a large number of parallel sets of cooling equipment, often on several different temperature levels. Such systems are used in particular in medium and larger super markets, to lower energy consumption and increase redundancy. In a configuration similar to the one used for HCFC-22, they are suitable for HFC refrigerants, and the use of CO<sub>2</sub> is under development for moderate climatic conditions. In comparison to condensing units, centralized refrigeration systems have challenging leak testing and large refrigerant filling. These make centralized refrigeration systems in their standard configuration no suitable candidate for hydrocarbon use.

19. There are alternative configurations for centralized systems which allow using refrigerants such as hydrocarbons or ammonia. One can for example use for refrigerating applications (at around 4°C) a cold brine, which reduces the amount of refrigerant and contains it in the machine room, greatly simplifying leakage and safety issues and allowing use of hydrocarbons or ammonia, but on the expense of higher investment cost, increased complexity, and an increase in energy consumption of 5 per cent to 10 per cent. It should be noted that anecdotal evidence suggests that in several industrialized countries, the overall greenhouse emissions of such a system using e.g. a hydrocarbon would still be lower than that of a standard configuration HFC-404A system, which is the commonly used non-HCFCs refrigerant for centralized systems in non-Article 5 countries. For deep-freezing applications (i.e. for keeping goods at -18°C) it is possible to use CO<sub>2</sub> in a cascade system, where another refrigerant provides cooling at around 4°C, and a CO<sub>2</sub> cycle is used in a cascade system in conjunction with another refrigerant to supply deep-freezing temperatures. The necessary know how for these systems is complex. A number of systems are running in Europe. It appears doubtful if the necessary know how and infrastructure will be available in Article 5 countries in time for any significant contribution of these technologies to the 2013 and 2015 compliance requirements.

#### Characteristics of other sectors

20. Decision 31/45 defined the sub-sector for assembly, installation and charging of the refrigeration equipment. This sub-sector covers activities related to installation of condensing units and centralised systems as well as the predominant part of the industrial and transport refrigeration sectors, and establishes eligibility exclusively for capital incremental costs. The guidelines contain an element relating to a cut-off date of July 1995, and might therefore be in need of endorsement should a separate cut-off date be established.

21. Since there are no indications for significant use of HCFC-22 in the industrial and transport refrigeration sectors, this document does not introduce the related sectors further.

Alternative refrigerants to HCFC-22 and suitability considerations

*Introduction*

22. HCFC-22 has been used since the 1930s as a refrigerant, predominantly for air-conditioning systems. It remains in this sector by far the predominantly used technology world wide until to date. When the consumption of CFC, in particular CFC-12 was reduced and subsequently phased out under the Montreal Protocol, HCFC-22 was one of several possible replacement technologies.

23. This document considers a number of alternatives for the replacements of HCFC-22, namely several HFC, ammonia, carbon dioxide and hydrocarbons. The list has been assembled using the criteria of commercial and widespread use or large scale prototype use in the field in sub-sectors with a significant use of HCFC-22 as refrigerant. Further, the criteria for technical suitability specified in the next paragraph had to be fulfilled. A number of technically possible alternatives have therefore not been included in this document because they did not fulfil these criteria. It should also be noted that these assessments, despite representing best efforts and based on broad exchange with experts, still are the result of a subjective judgement; that is similarly true for the selection of whether a refrigerant is suitable for a given application or not. The Secretariat is prepared to extend the lists of alternatives or reassess the applicability if requested by the Executive Committee.

24. To establish the technical suitability of the different alternatives, the following aspects were taken into account:

- (a) Likely availability of the refrigerant in the mid- and long term;
- (b) Suitability for the temperatures for air-conditioning, refrigerating (around 4°C) and deep-freezing (-18 °C) of food;
- (c) Available experience with the use of the refrigerants in actual applications;
- (d) Influence of the technology onto equipment cost;
- (e) Necessary requirements towards manufacturers and service companies;
- (f) Safety related aspects;
- (g) Energy consumption;
- (h) Environmental aspects;
- (i) Capability to be used at high ambient temperatures; and
- (j) Status of development and current availability of technology making the refrigerant a candidate to contribute to achieving compliance with the 2013 and 2015 HCFCs consumption reduction requirements.

25. Table 3 provides an overview of some important characteristics related to HCFC-22 and its replacements.

**Table 3: Properties of zero-ODP refrigerants and HCFC-22**

Refrigerant	Type and/or name	GWP (100a) <sup>2</sup>	Safety classification <sup>3</sup>	Temperature-glide [K]	Condensing temperature at 26 bar [°C] <sup>4</sup>
HCFC-22	HCFCs	1810	A 1	0	63
HFC-134a	HFC	1430	A 1	0	80
HC-290	Propane (HC)	20	A 3	0	70
HFC-404A	HFC-blend	3900	A 1	0,7	55
HFC-407C	HFC-blend	1800	A 1	7,4	58
HFC-410	HFC-blend	2100	A 1	0	43
R-417A	HFC-HC blend (Drop-in)	2300	A 1	5,6	68
R-422A	HFC-HC blend (Drop-in)	3100	A 1	2,5	56
R-422D	HFC-HC blend (Drop-in)	2700	A 1	4,5	62
HFC-507A	HFC-blend	4000	A 1	0	54
HC-600a	Isobutane (HC)	20	A 3	0	114
R-717	Ammonia	0	B 2	0	60
R-744	CO <sub>2</sub>	1	A 1	0	-11
HC-1270	Propylene (HC)	20	A 3	0	61

#### Alternative refrigerants

26. For refrigeration and air-conditioning, presently the most widely used HFC options for HCFC-22 replacement in new equipment are HFC-134a, HFC-404A, HFC-407C, and HFC-410A. All these HFC and HFC blends are non-toxic, non-flammable and require the use of different compressor lubricants as compared to HCFC-22 to ensure satisfactory operation and durability; typically, these are synthetic polyolester-based (POE) oils. These lubricants have a higher cost than those used for HCFC-22, and need more careful handling to avoid contamination. The related issues (training and equipment needs) are known from the introduction of HFC-134a into the market as part of the CFC-12 phase-out efforts. Due to incompatibility with the oils used for HCFC-22, the need for a new lubricant also implies that

<sup>2</sup> According to the 2006 Report of the Refrigeration, Air-conditioning and Heat Pumps Technical Options Committee

<sup>3</sup> Toxicity:

Class A: refrigerants for which toxicity has not been identified at concentrations less than or equal to 400 ppm; Class B: refrigerants for which there is evidence of toxicity at concentrations below 400 ppm.

Flammability: Class 1: no flame propagation; Class 2: lower flammability limit of more than 0.10 kg/m<sup>3</sup> and heat of combustion of less than 19 kJ/kg; Class 3: lower flammability limit of less than or equal to 0.10 kg/m<sup>3</sup> or a heat of combustion greater than or equal to 19 kJ/kg

<sup>4</sup> Common upper working pressure for refrigeration equipment

these refrigerants cannot be used as drop-ins for existing equipment, but would require a complex retrofit procedure in order to be used in existing equipment. In comparison to HCFC-22, the HFC and HFC blends mentioned have the following characteristics:

27. HFC-134a is globally available, and can be used for refrigerating at around 4°C in commercial refrigeration, in small units (up to 2 kW to 4 kW capacity) for commercial refrigeration / deep-freezing and for smaller room air conditioners, as well as where previously CFC-12 has been used and where HCFC-22 has been only an interim solution. There is considerable practical experience in its application in Article 5 countries. In comparison to HFC blends and propane / propylene, HFC-134a requires larger compressors and larger tubing. The energy consumption is similar to HCFC-22 equipment, while the direct greenhouse gas emissions are expected to be lower due to lower GWP, lower pressures and lower risk of pressure oscillations in the tubing<sup>5</sup>. HFC-134a is suitable for very high ambient temperatures.

28. HFC-404A and HFC-R507A are very similar and can therefore be assessed jointly. Both refrigerants have been used in non-Article 5 supermarkets for a number of years and are well suited for refrigerating and deep-freezing applications, in particular in condensing units and centralized commercial plants. While the medium term availability is certain because of the needs of the installed equipment base and the continuous use of these refrigerants, the long term availability depends strongly on the policies regarding industrial greenhouse gas emissions since both substances have a particularly high GWP. The costs of assembly of centralized commercial plants using R404A/R507A are similar to HCFC-22, while the costs for refrigerant and refrigeration oil are higher. In order to use these refrigerants in on-site installations, experience to reduce pressure oscillations in high pressure tubing are meaningful. The energy consumption is slightly higher than with HCFC-22 equipment for refrigerating, slightly lower for deep-freezing. The high GWP leads to a higher emission of greenhouse gases as compared to HCFC-22. In case of very high ambient temperatures the equipment might have to be built for higher than standard working pressures.

29. HFC-407C is a refrigerant with a significant temperature glide and is therefore not suitable for equipment with a large refrigerant filling or accumulators, such as condensing units, centralized systems and certain chillers; in other applications, the temperature glide still needs to be taken into consideration in design and service. It is widely used in Europe as HCFC-22 replacement in air-conditioning equipment, and will therefore likely be available in the medium to long term. The costs of manufacturing HFC-407C equipment are very similar to the costs for HCFC-22 equipment except for the higher costs for refrigerant and refrigeration oil. In case of very high ambient temperatures the equipment might have to be built for higher than standard working pressures. The GWPs of HCFC-22 and HFC-407C are similar, therefore the overall emissions of greenhouse gases attributed to the equipment should remain similar.

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<sup>5</sup> Pressure oscillations on the high pressure side of refrigeration equipment depend on the outdoor temperature and can lead to vibrations, resulting potentially in material fatigue of the tubing and subsequent ruptures. These might take place after a relatively short operating time of some days, and would lead to the emission of the full refrigerant charge. As compared to HCFC-22, the risk increases with HFC-404A and HFC-507A, and increases further with HFC-410A. A trial and error approach to avoid these risks can be used for equipment produced in a series. For on-site installations, experience, training and marksmanship of the technician are the factors reducing the risk of such ruptures.

30. HFC-410A is a commercially available refrigerant blend used in newly designed air-conditioning equipment, which has been commercially available within the capacity range of 2 kW to 175 kW from major manufacturers for a number of years. It seems likely that this refrigerant will be available in the medium to long term. The high refrigerating capacity permits often small, more compact components to be used. A typical hermetic or semi-hermetic compressor designed for HCFC-22 cannot be used with HFC-410A, which might also be true for some other components in the system. The costs information provided for HFC-410A systems suggests a cost increase for the components, which might also include costs for design upgrades independent of the refrigerant. While the higher operating pressure can be addressed in the design of new systems, this refrigerant is inappropriate for retrofit of existing HCFC-22 systems. Units using HFC-410A have demonstrated higher energy efficiency than HCFC-22 units; it should be noted that this might include the effort of optimisation of components and upgrading of technology as part of the development of newly designed systems. HFC-410A is not universally accepted for use in high ambient temperatures due to its elevated pressures and relatively low critical point, which might lead to lower energy efficiency at such temperatures as compared to e.g. HFC-134a or HC-290.

31. HFC-417A, HFC-422A and HFC-422D are relatively recent developments based on HFC mixtures with some isobutane, allowing drop-in conversion of existing HCFC-22 refrigeration equipment, using the same refrigeration oil. They are unlikely to find widespread use for new refrigeration equipment due to certain compromises regarding their overall properties and performance. These HFC refrigerants have a temperature glide and are therefore not suitable for equipment with large refrigerant filling or accumulators, such as condensing units, centralized systems and certain chillers. HFC-422A can be used for refrigerating and deep-freezing, HFC-417A and HFC-422D for refrigerating. The practical experiences with all three refrigerants are so far very limited. Experience of service technicians with refrigerants with temperature glide is necessary. In case of very high ambient temperatures the equipment might have to be built for higher than standard working pressures; the GWPs of all three refrigerants is higher than that of HCFC-22. It should be noted that despite wide encouragement, drop-in replacements for CFC-12 have established themselves only in very few markets in Article 5 countries, therefore the situation with drop-in replacements for HCFC-22 might well be similar. Consequently, the short-term availability for specific markets is not known, and the availability of these fluids beyond the mid-term remains unlikely due to their transitory nature.

32. Ammonia, NH<sub>3</sub> (R717) has been used for more than 100 years as refrigerant, and is common in many countries in large industrial and food processing applications. It is toxic, but usually easily avoidable because of its stench well below the toxicity level. Due to their capacity and specific characteristics, these applications fall under the sub-sector “industrial refrigeration”, not commercial refrigeration. Since industrial refrigeration has not systematically used HCFC-22 as refrigerant, it is not further assessed as part of this paper, although it should be noted that the use in industrial refrigeration ensures the refrigerants long-term availability. Ammonia as refrigerant is suitable for refrigerating, less well for deep-freezing. It can be used in large centralized commercial refrigeration plants and in large chillers; the refrigerant is less well suited for deep-freezing temperatures. The installation costs of ammonia plants are significantly higher than for HCFCs or HFC plants, since parts, assembly and the necessary brine cycles and require different and more complex manufacturing skills, in particular welding. According to experts,

there is some possibility that ammonia could extend from the industrial refrigeration sector into chillers or the commercial refrigeration sector, but only if the technology has already a strong technician base in the country. Despite the good energetic performance characteristics for most except very hot climates, the need to use brines increases energy consumption as compared to HCFC-22 direct cooling applications. Since ammonia has a GWP of 0, the overall greenhouse gas emissions are usually more favourable than with HCFC-22.

33. HC-290 (Propane), HC-1270 (propene) and HC-600a (isobutane) are hydrocarbons and have in several aspects similar characteristics. Isobutane is suitable for small stand-alone refrigerating units, HC-290 and HC-1270 both for refrigerating as well as for deep-freezing applications in stand alone units up to about 1 kW refrigeration capacity and in centralized supermarket systems using brines. While as such very good refrigerants, the flammability of these substances is a problem which requires additional efforts in design, manufacturing and service of the equipment. The flammability leads to a tendency to use hydrocarbons only in small or equipment with relatively small refrigerant filling, or in systems where a brine is being used. While for the production of stand-alone equipment the safety requires only limited efforts and therefore the associated costs are also limited, centralized equipment leads to substantially higher investment costs for the brine cycle and the safety equipment, and requires a high degree of experience with flammable substances. The energy consumption for stand-alone units tends to be similar or lower than with HCFC-22, while for the centralized systems the brine cycle leads to increased energy demand as compared to HCFC-22. The overall climate impact is likely to be lower than with HCFC-22 equipment, in case of stand-alone equipment significantly lower. HC-290 is also well suited for high ambient temperatures.

34. Carbon dioxide, CO<sub>2</sub>, as refrigerant has been used in a limited number of centralised commercial systems, also in food processing, and on a medium scale in light commercial applications (vending machines) and for hot water heat pumps. It is suitable both for refrigerating and deep freezing applications. For deep freezing the refrigerant can be used in a cascade system, limiting the working pressures of the equipment. Should the condenser of CO<sub>2</sub> equipment be cooled with ambient air, then working pressures will be above 75 bar and different components will be needed. For outdoor temperatures above approximately 20°C for larger, centralised systems and above 32°C for smaller systems, the energetic performance of CO<sub>2</sub> equipment is lower than HCFC-22 equipment. Its performance tends to decrease more rapidly with increasing temperatures, which can lead in warmer climates to significantly higher annual energy consumption as compared to HCFC-22. From preliminary assessments it appears that the overall climate impact of CO<sub>2</sub> refrigeration systems in warm climates might be significantly worse than that of HCFC-22 systems. The optimisation of this new technology and the measurements regarding its energy efficiency are still ongoing, therefore a final assessment of its climate impact in warm climates can not be made at this point in time. Since the working principle differs significantly from that of other refrigerants, and because of the very high working pressures about six times above those for HCFC-22, manufacturing and service has to undergo major changes in equipment, practices and know-how in order to use this technology. A component supply base does not currently exist for manufacturing CO<sub>2</sub>-based air-conditioning systems, and therefore the costs for CO<sub>2</sub> equipment other than cascade systems for centralised commercial-refrigeration systems is presently significantly higher than for HFC or HCFCs systems; this is expected to change should there be market acceptance, subsequently leading to

high quantities of standardized components. Cascade systems might have similar costs as HCFC-22 systems.

35. Due to the low performance in warm climates for air cooled systems, the limited applicability for centralized cascade systems in Article 5 countries, and the only slowly emerging market for components, CO<sub>2</sub> as a replacement for HCFC-22 has been seen as unlikely to contribute to reaching the 2013 and 2015 compliance requirements and has therefore not been considered in the costing part of the document.

#### *Suitability overview*

36. It appears that at least for the initial stage of HCFCs phase-out, the above presented alternatives will represent all of the potential choices. Developments are reported for some low GWP refrigerants with no flammability and low toxicity, but presently it remains unclear when these will be available and if they will actually eventually be commercialised. CO<sub>2</sub> is under development as an alternative refrigerant for the last 20 years, and is presently used in demonstration trials. It remains unclear if and under which circumstances it will be used on a larger scale, since it has fundamentally different design, component and, in particular, service characteristics than other refrigerants. The analysis of the above factors will lead to the selection of the appropriate technology by the different manufacturers in Article 5 countries. Table 4 shows an indication for the suitability of alternative refrigerants for widespread use in new equipment in Article 5 countries; the use of the transitory drop-in refrigerants HFC-417A, HFC-422A and HFC-422D has not been considered since they are meant to be used in existing, not new equipment. The typical applications for HC-1270 and HC-600a do presently not appear to be manufactured on a significant scale in Article 5 countries; therefore they are not further shown in Table 4.



**Table 4: Suitability of alternative refrigerants for widespread use in new equipment in Article 5 countries**

	Suitability of alternative refrigerants for widespread use in new equipment (indicative only)*						
	HFC-134a	HFC-404A / 507A	HFC-407C	HFC-410A	HC-290	R-717 Ammonia	CO <sub>2</sub>
<b>Commercial</b>							
Commercial stand-alone	+	+	o	o	+	-	o/-
Commercial condensing	+	+	+/o	o	-	-	-
Commercial centralized systems	+	+	o	o		o/-	-
Commercial deep freezing - one stage	-	+	-	o	-	-	-
Commercial deep freezing - two stage/supermarket	-	+	-	o	-	-	o
<b>Air-conditioning</b>							
Room A/C	o	-	+	+	+	-	-
Ductless split systems	o	-	+	+	o/-	-	-
Residential split ducted central air-conditioning systems	o	-	+	+	o/-	-	-
Packaged air-to-air systems and split systems for commercial air-conditioning	-	-	+	+	-	-	-
Small chiller (scroll)	-	-	+	+	o/-	-	-
Large chiller (screw)	+	-	+/o	+	-	+	-

\*The symbols denote that, according to this preliminary assessment, the different technologies are: +: from a technical perspective suitable or even preferable to be employed widely; o: from a technical perspective not well suited, but can be employed if certain disadvantages are accepted; -: Hardly possible to employ, or can be employed only with significant economic, technical or use limitations

37. It should be noted that systems using a secondary fluid have relatively poor performance at low (deep freezing) temperatures. This lead to a lower assessment for a number of systems with HC-290 and R-717 (ammonia) for supermarkets.

### C. GENERAL ISSUES RELATING TO INCREMENTAL COST IN THE REFRIGERATION SECTOR

38. The Multilateral Fund has assisted many domestic refrigerator and freezer companies and a number of commercial refrigeration companies in Article 5 countries in converting their manufacturing process to HFC-134a and hydrocarbon refrigerants within the stand-alone projects. The experience gained in the review of such projects formed the basis for the following first assessment of the incremental costs associated with the phase-out of the use of HCFC-22 in the manufacturing of refrigeration and air-conditioning equipment.

39. This assessment had to be developed based on a limited set of information. The incremental capital costs for an individual project are typically influenced by:

- (a) The existing equipment in a manufacturing facility; or alternatively
- (b) What could be expected as a minimum to be existing;
- (c) The need of upgrade or replacement of or amendment to this equipment; and
- (d) The cost of the associated activities, in particular the costs for hardware.

40. At the present point in time, information is not accessible about typical levels for the first three factors. In order to overcome this shortcoming, the Secretariat decided to define model enterprises, meant to represent what might turn out to be typical conversion cases for the different sub-sectors, or what might demonstrate the level and spread of costs for conversions. Consequently, the calculation of incremental costs in the refrigeration manufacturing sector in Article 5 countries has been undertaken on the basis of model enterprises in the sub-sectors air-conditioning, chiller and the commercial sector. Each of these activities, sectors and sub-sectors had to be considered individually to make it possible to apply existing Executive Committee policies for better presentation of associated incremental costs.

41. This first attempt to calculate incremental costs has focused on what was perceived to be likely refrigerant choices while at the same time representing cost issues which could be, if needed, relatively easily be transferred to several other refrigerants. The refrigerants choices assumed when calculating incremental cost were HFC-410A, HFC-407C and HC-290 (propane) refrigerants.

42. A higher significance than expected is associated with the incremental operating costs, which are paid based on the incremental, eligible cost difference in the operating cost of the manufacturing plant and are therefore proportional to the duration for which they are being paid. The Executive Committee defined different durations for the incremental operating costs for different sectors and sub-sectors. These ranged from zero months to 48 months; guidelines assigned duration to the commercial sector of 24 months, but the decision specified that guidelines would not be valid for HCFCs phase-out projects. For the air-conditioning and chiller sub-sectors, durations were never determined. Therefore, for the refrigeration and air-conditioning sector all incremental operating costs calculations have been carried out on the basis of one year, i.e. as incremental operating costs per annum, of to allow easy conversion to any duration of incremental operating costs that the Executive Committee might consider. The Secretariat would like to explicitly point out that this is the exclusive reason to show this specific duration, and that there is no reason to prefer this duration to any other duration the Executive Committee might wish to consider.

43. It should be noted that for the refrigeration and air-conditioning sub-sectors, the estimation of incremental operating costs at the present time associated with very high uncertainties is highly problematic. While in this paper significant efforts have been undertaken to arrive at realistic estimates, e.g. by using historical data, the error margin in the estimates of incremental operating costs for this Annex remains significant, and the values should only be

looked at as indicative. Better data will only be available once the Secretariat can actually fully assess cost data, e.g. during the review of a project proposal.

44. It should be noted that for the use of several alternative technologies, calculation of incremental operating costs for components (compressor, heat exchangers, etc.) in the context of this paper cannot sufficiently take into account the issue of energy efficiency. For example, for the new technology of HFC-410A, the technological gap between previous (HCFC-22) designs and the newly developed (HFC-410A) technology is considerably larger than in the case of CFC-12 to HFC-134a. In order to achieve comparable energy efficiency, or to increase energy efficiency, the balance between the characteristics of the various components need to be established anew, and changes in several components might be necessary. For the purpose of this paper, cost-effective solutions with an assumed likeliness of achieving similar energy efficiency have been used, based on discussions with experts. However, this presents a considerable uncertainty because of two reasons:

- (a) The actual costs experienced and reported in publicly accessible documentation combine costs related to the conversion with the cost for technological upgrades. It is difficult to separate out the different cost elements, in particular because the cost know-how forms an important part of the intellectual property of an enterprise; and
- (b) Paragraph 11 (b) of decision XIX/6 of the Meeting of the Parties requested the Executive Committee, when developing and applying funding criteria for projects and programmes, to give priority to cost-effective projects and programmes which focus on, *inter alia*, 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. As pointed out above, conversions which did take place in Article 5 countries for export to non-Article 5 countries have achieved gains in energy efficiency on the expense of higher operating costs. It remains so far unknown whether and how the Executive Committee will deal with the issue of incremental operating costs if those are related to, *inter alia*, energy efficiency improvements.

45. The incremental cost of compressor is an important component of overall production cost. The Executive Committee dedicated a great deal of attention to the issue of incremental cost for compressors while dealing with CFC phase-out in the refrigeration sector. The existing policy allows an Article 5 country to claim either incremental operating costs of the compressor or the cost of conversion of its compressor manufacturing facilities, or both on a proportional basis. The Article 5 country has to make a decision regarding its approach and inform the Executive Committee. Currently, several Article 5 countries have compressor production facilities for air-conditioning equipment. Related compressor manufacturing conversion costs are not assessed in this paper.

#### Incremental cost in manufacturing room and mini-split air-conditioning units

46. As an example, a hypothetical conversion of a production line manufacturing 250,000 units per year of room/mini-split air-conditioners of 4 kW cooling capacity has been

considered for calculation of incremental capital costs and incremental operating costs, assuming a conversion to HFC-410A, R-407C and R-290 (propane) refrigerants. It is assumed that production is set up for three shifts, 250 working days in a year. All the costs are estimates made on certain assumptions and judgments on the basis of experience from conversion from CFC-12 to HFC-134a in the domestic refrigeration sector.

*Conversion to HFC-410A refrigerant technology*

47. Incremental capital costs associated with the replacement and/or adaptation (retrofit) of production equipment will not vary significantly in production of room and split ductless air-conditioning units. Therefore, these two categories of product are considered as one case study. Incremental capital costs are related to the cost of model redesign, investment in new refrigerant and leak detecting equipment, retooling of the production line, including adaptation of the evacuation system, technology transfer, training, commissioning and engineering. Incremental capital costs are calculated in the range of US \$275,000 (Scenario 1) to US \$950,000 (Scenario 2) depending on the availability of the new design, the baseline and set-up of the production line.

48. Incremental operating costs (IOC), however, are closely related to the capacity of the air-conditioning units increasing with higher capacity due to the increased size and cost of the compressor, amount of the refrigerant charge and additional material used. Incremental operating costs will need to be adjusted to reflect particular characteristics of the manufactured product. Incremental operating costs in the manufacturing of ducted commercial and packaged air conditioners may be significantly different from residential air conditioners. The border line between residential and commercial applications is established by ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers) at 19 kW of cooling capacity. These units are being typically installed by contractors, including the charging of the system after the ducting and piping was completed according to the customer requirements. While the manufacturer therefore does not incur incremental costs associated with higher priced refrigerant, there is incremental cost associated to the higher price of compressors.

49. Incremental operating cost is calculated on the basis of the following assumptions:

- (a) The average charge in the room air-conditioner is 1.35 kg of HCFC-22 similar to the charge used in the HCFCs Study for China;
- (b) The baseline cooling capacity is 4 kW;
- (c) The price of HCFC-22 is US \$1.4/kg (HCFCs Study for China);
- (d) The charge of HFC-410A will be 10 per cent less than the baseline (1.21 kg);
- (e) The price of HFC-410A is US \$13.8/kg (HCFCs Study for China);
- (f) Savings in the cost of material due to reduction in size of heat exchanger are estimated and included;

- (g) Incremental cost of compressor is estimated at US \$5.00 on the basis of consultations with industry experts (Scenario 1). The incremental cost of compressor in the HCFCs Study for China is calculated as a surplus of US \$27.62 in the price of HFC-410A/HFC-407C compressor over the average price of HCFC-22-based compressor (Scenario 2); and
- (h) Estimated savings due to size reduction of heat exchangers by 3 square feet, resulting in savings of US \$10.00.

50. The energy efficiency ratio (EER) of HFC-410A-based unit exceeds the EER of a HCFC-22 unit by about 5 per cent (an average conservative estimate). There is a potential for further improvements in the system efficiency and costs through use of smaller diameter tubes, use of micro-channel technology, additional compressor optimization and reducing of charge. Energy savings have not been calculated as part of incremental operating costs.

51. Incremental operating costs for duration of 12 months will range from US \$2,660,000 (Scenario 1) to US \$8,320,000 (Scenario 2). The following table shows the results of calculations of incremental costs:

**Table 5: Incremental cost of conversion of the production line of 250,000 unit per year to HFC-410A refrigerant (estimate)**

Category of incremental cost (US \$)	Scenario 1	Scenario 2
Incremental capital cost	275,000	950,000
Incremental operating cost/year	2,660,000	8,320,000

*Conversion to HFC-407C refrigerant technology*

52. Since the working pressure of HFC-407C is very close to HCFC-22 refrigerant, only minor changes are expected in the design of the product and the manufacturing process. Incremental capital costs associated with the replacement and/or adaptation (retrofit) of production equipment will not vary significantly in production of room and split ductless air-conditioning units. The incremental capital costs for conversion of a production line of 250,000 unit/year capacity to HFC-407 blend have been calculated to be within the range of US \$190,000 to US \$250,000, depending on the local availability of testing facilities at the enterprise. For comparison, the incremental cost of conversion (rebuilding) of the production line of 500,000 unit/yr capacity to HFC-410A/HFC-407C refrigerants is estimated to be US \$104,000 in the HCFCs Study for China, excluding costs of model redesign.

53. Incremental operating costs for the category of room and split ductless air-conditioning products is calculated on the following assumptions:

- (a) The average charge in the room air-conditioner is 1.35 kg of HCFC-22 similar to the charge used in the HCFCs Study for China;
- (b) The baseline cooling capacity is 4 kW;

- (c) The price of HCFC-22 is US \$1.4/kg (HCFCs Study for China);
- (d) The charge of HFC-407C will be 5 per cent less than the baseline (1.28 kg);
- (e) The price of HFC-407C is US \$10.77/kg (HCFCs Study for China); and
- (f) The incremental cost for HFC-407C compressor of US \$5.0/unit has been used in the incremental operating costs calculations as an indicative only. HCFCs Study for China indicates to a significantly higher surplus of R407C compressor over HCFC-22 compressor. This scenario has not been considered. The existing price difference for HCFC-22 and HFC-407C compressors needs further investigation.

54. The annual incremental operating costs will be US \$4,250,000. Table 6 shows calculations of incremental costs:

**Table 6: Incremental cost of conversion of the production line of 250,000 units per year to HFC-407C refrigerant (estimate)**

Category of incremental cost (US \$)	Scenario 1	Scenario 2
Incremental capital cost	190,000	250,000
Incremental operating cost/year	4,250,000	4,250,000

*Conversion to hydrocarbon alternative technology*

55. For the purpose of calculation of incremental costs, the conversion of production of a small room air-conditioner of 1 kW cooling capacity is considered from HCFC-22 to HC-290 (propane) refrigerant. The refrigerant charge would be about 150 g which might be acceptable in some countries meeting the established safety standards. The capacity of a production line is assumed to be 250,000 units a year. It is assumed that compressors equipped with the necessary electrical features are commercially available.

56. The incremental capital costs will cover the cost of model redesign or alternatively the technology transfer fee, new refrigerant charging boards incorporating the necessary safety features, a refrigerant transfer system, the installation of gas detecting and ventilation systems, new leak detectors, refrigerant storage, training and safety inspection. Incremental capital costs are calculated within the range of US \$545,000 and US \$670,000.

57. Incremental operating costs for the small room air-conditioner are calculated on the following assumptions:

- (a) The average charge in the room air-conditioner is 1.0 kg of HCFC-22;
- (b) The baseline cooling capacity is 1.0 kW;
- (c) The price of HCFC-22 is US \$1.4/kg (HCFCs Study for China);
- (d) The charge of HC-290 will be 0.15 kg;

- (e) The price of HC-290 (refrigeration grade) is US \$27.6/kg (HCFCs Study for China). The high price of refrigeration grade propane in China is due to low demand and is likely to be substantially reduced in the future if R290 technology is widely accepted and commercially used;
- (f) The incremental cost of the HC-290 compressor plus the incremental cost to upgrade electrical components to meet safety requirements amount to US \$15/unit, based on information received by a manufacturer; and
- (g) The incremental operating costs for duration of 12 months amounts to US \$4,312,000.

58. The result of an estimation of the total incremental cost of the conversion of a production line of 250,000 units' capacity to R290 refrigerant is shown in Table 7.

**Table 7: Incremental cost of conversion of the production line of 250,000 unit per year to HC-290 refrigerant (estimate)**

Category of incremental cost (US \$)	Scenario 1	Scenario 2
Incremental capital cost	545,000	670,000
Incremental operating cost/year	4,312,000	4,312,000

Conversion of manufacturing of ducted commercial and packaged air-conditioners

59. Incremental capital costs have been calculated for the conversion of a manufacturing facility producing 1000 units of ducted split residential and commercial air conditioners of an average 15 kW cooling capacity and 100 units of packaged commercial units of 70 kW cooling capacity. Two HFC alternative refrigerants are considered: HFC-410A and HFC-407C. Ducted commercial and packaged air-conditioners are being typically installed by contractors with charging the system after the ducting and piping was completed according to the customer requirements

*Conversion to HFC-410A refrigerant technology*

60. Incremental capital costs for conversion of a production line of ducted commercial and packaged air conditioners to HFC-410A refrigerant primarily will involve costs associated with redesign, prototyping, pilot scale production and test trials to accommodate a higher working pressure of a new refrigerant in the design as well as cost for retooling, leak detector, and adaptation of the evacuation system. No or low cost will be associated with refrigerant charging equipment since no refrigerant charging operations are entailed on a production site.

61. The incremental capital costs are estimated to be in the range of US \$145,000 and US \$245,000.

62. The manufacturer will not incur incremental costs associated with higher priced refrigerant. There will be savings in the cost of heat exchanger material. The incremental cost for compressors, new filter/dryer and new expansion valve will be part of the incremental operating

costs. The incremental operating costs for both parts of production are estimated to be US \$36,000. The results of an estimation of the incremental costs are shown in the following table.

**Table 8: Incremental cost of conversion of manufacturing of ducted commercial and packaged air-conditioners to HFC-410A**

Category of incremental cost (US \$)	Scenario 1	Scenario 2
Incremental capital cost	145,000	245,000
Incremental operating cost/year	36,000	36,000

*Conversion to HFC-407C refrigerant technology*

63. Since the working pressure of HFC-407C is very close to HCFC-22 refrigerant, there are limited changes in the design of the product and the manufacturing process. This factor might be especially important for conversion of the higher capacity range equipment. The incremental capital costs are calculated to be in the range US \$80,000 to US \$100,000.

64. Incremental operating costs involve higher price of compressors, and a new filter/dryer, amounting to US \$30,000. The incremental costs are shown in the following table.

**Table 9: Incremental cost of conversion of manufacturing of ducted commercial and packaged air-conditioners to HFC-407C (estimate)**

Category of incremental cost (US \$)	Scenario 1	Scenario 2
Incremental capital cost	80,000	100,000
Incremental operating cost/year	30,000	30,000

Chillers

*Conversion of manufacturing of chillers to HFC-410A refrigerant*

65. The conversion of the manufacturing line of HCFC-22 500 kW water cooled chillers equipped with screw compressors is considered as an example. The direct expansion evaporator is assumed to be part of the system design. The alternative refrigerant is HFC-410A. The annual output is assumed to be 200 units.

66. Incremental capital costs for conversion of a production line of screw chillers of 500 kW capacity has been calculated using assumed costs since the Secretariat has never assessed the conversion of chiller production. The incremental capital costs include the cost of redesigning, prototyping, pilot scale production, test trials, set of equipment for manufacturing the HFC-410A prototype and training. The incremental capital costs are estimated between US \$80,000 and US \$300,000 depending on the source of the new design.

67. These units are typically being installed by contractors, with charging of the system after the ducting and piping is completed according to the customer's requirements. Therefore, the manufacturer does not incur incremental costs associated with higher priced HFC-410A



refrigerant. The incremental cost for compressors is the major incremental operating cost item. In manufacturing of units of about 500 kW cooling capacity, the components will need to have a higher pressure rating than for HCFC-22. This moderate additional cost is likely to be offset by the lower cost for the screw compressor. The total incremental operating costs per unit for this category of air-conditioning will therefore be likely zero. Consequently, the annual incremental operating costs resulting from conversion of production of 200 units would be also zero. The incremental costs are shown in Table 10.

**Table 10: Incremental cost of conversion of manufacturing of ducted commercial and packaged air-conditioners to HFC-407C (estimate)**

Category of incremental cost (US \$)	Scenario 1	Scenario 2
Incremental capital cost	80,000	300,000
Incremental operating cost/year	0	0

*Commercial refrigeration - stand-alone equipment*

68. As an example, the incremental cost has been calculated for the conversion of manufacturing of stand-alone commercial-sized freezers of 1.0 kW cooling capacity to HFC-404A refrigerant and beverage vending machines to propane refrigerant.

*Conversion of manufacturing of stand-alone commercial-sized freezers to HFC-404A refrigerant*

69. HFC-404A is presently the preferred choice for medium and low temperature applications. The conversion of a production line of 10,000 units per year will entail capital incremental cost for model redesign, prototype trials, a new refrigerant charging board, a leak detector, adaptation of the vacuum system, training and technical assistance amounting to US \$66,000. Incremental operating costs will cover the additional cost of new refrigerant with the charge 0.75 kg/unit, compressor, capillary, and filter/dryer, amounting to US \$140,000 per year.

*Conversion of manufacturing of small stand-alone commercial-sized freezers to R-290 (propane) refrigerant*

70. HC-290 (propane) can be a choice in manufacturing of small commercial-sized freezers. HC-290-based compressors are commercially available which are capable to provide up to 0.5 kW cooling capacity at evaporator temperature of -30 C. The refrigerant charge will not exceed 0.15 kg determined as a safety threshold in such appliances by international regulations. The conversion of a production line of 10,000 units per year will cover capital incremental cost for model redesign associated with safety requirements, prototype trials, a new refrigerant charging board designed for safe handling of flammable refrigerant, a new leak detector, safety features in the production area, safety inspection, training and technical assistance amounting to about US \$320,000. The incremental operating costs will cover the additional cost of a refrigerant charge of 0.15 kg/unit, compressor, incremental and the cost of specific electrical components. On that basis the incremental operating cost is estimated to be within the range of US \$230,000 for twelve month duration, leading to a total incremental cost in the range of US \$550,000.

*Conversion of manufacturing of beverage vending machines to isobutane (R-600a) refrigerant*

71. Beverage coolers and small commercial refrigeration equipment based on hydrocarbon (HC) refrigerants such as isobutene (HC-600a), propane (HC-290) or HC blends have been developed in several non-Article 5 countries. Through developmental efforts, it was possible to reduce the refrigerant charge to limits required by safety standards in several non-Article 5 countries. An example of conversion of a manufacturing facility with an annual output of 10,000 units was used for the calculation of incremental cost. The cooling capacity of the refrigeration system is assumed to be 0.25 kW with the refrigerant charge of 0.25 kg.

72. The incremental capital costs will cover the cost of model redesign or alternatively a technology transfer fee, new refrigerant charging boards incorporating the necessary safety features, a refrigerant transfer system, the installation of gas detecting and ventilation systems, new leak detectors, refrigerant storage, training and safety inspection. The incremental capital costs are estimated to be within the range of US \$500,000 to US \$800,000.

73. The incremental operating costs will be associated with the higher price of the refrigerant, new compressor and the cost of safety features in the design. The overall incremental operating costs will be dependent on the source and availability of hydrocarbon compressors and refrigerant. The annual incremental operating costs will be in the range US \$150,000 to US \$200,000.

**Table 11: Incremental cost of the conversion of manufacturing of beverage vending machines to isobutane (R-600a) refrigerant**

Category of incremental cost (US \$)	Scenario 1	Scenario 2
Incremental capital cost	500,000	800,000
Incremental operating cost/year	150,000	200,000

Commercial refrigeration - condensing units

74. Currently, HFC-404A is the leading choice of refrigerant in manufacturing new condensing units. HFC-134a is also used mainly for medium temperature applications. The incremental capital costs are estimated for the conversion of a production line of 5,000 condensing units a year. The cost will be associated with the redesign and testing of the new product and the cost of new production equipment and retraining the personnel to handle more hygroscopic lubricant. It is assumed that middle-sized companies have the in-house technical expertise to cope with the redesign challenge. The estimated cost is within the range of US \$55,000 and US \$60,000, depending on the baseline.

75. In order to be eligible for both capital and operating costs from the Multilateral Fund, the production at the particular enterprise needs to be recognized as one belonging to the manufacturing sector. In its decision 31/45, the Executive Committee established Guidelines for definition of the sub-sector for assembly, installation and charging of the refrigeration equipment and the calculation of incremental operating costs. It is assumed that the company is considered under the rules pertaining to the commercial refrigeration sector and eligible for incremental operating costs. The cooling capacity of condensing units varies from 1 kW for deep freeze

applications to 20 kW. For this cost estimation, the assumed compressor size is sufficient for a refrigeration capacity of 5 kW, and the average charge to be 5 kg per system. The incremental operating costs for one year duration are estimated in the range of US \$390,000 to US \$415,000 depending on the source of supply of new compressors. Table 12 presents the results of the estimation of incremental costs.

**Table 12: Incremental cost of the conversion of the manufacturing of commercial refrigeration – condensing units (estimate)**

Category of incremental cost (US \$)	Scenario 1	Scenario 2
Incremental capital cost	55,000	60,000
Incremental operating cost/year	390,000	415,000

**D. SERVICE SECTOR**

General considerations

76. Consumption of HCFC-22 in the service sector is likely to take place in every Article 5 country that has HCFC-22 equipment. In particular, HCFC-22 room air conditioners can be assumed to exist in every but very few countries. Therefore it is safe to assume that, with potential minor exceptions, every Article 5 country uses HCFC-22 for servicing.

77. On an enterprise basis, the distinction between the service sector and the sub-sector for assembly, installation and charging of the refrigeration equipment is very blurred; even the distinction to the commercial refrigeration manufacturing sector is not always clear. It can be assumed that a large number of smaller enterprises fall into service sector as well as into one or both of the other categories and are likely to be addressed only through service sector activities such as training and equipment support. Service sector activities were for most Article 5 countries addressed together with awareness, legislative and enforcement activities in RMPs and TPMPs. This section of Annex IV is therefore also covering to some degree those activities.

78. The service sector is particular in its very broad spectrum of enterprises covered, their often informal structure, the large amount of enterprises and the small consumption per enterprise. The service is predominantly performed at the customers' site, i.e. not at the premises of the service enterprise. Contrary to activities in the manufacturing sector, where the ODS consumption of the beneficiary can be monitored, these characteristics make it virtually impossible to monitor whether an enterprise phased out the use of HCFCs; the problem that their customers might be dependent on continued use of HCFCs in the service of their equipment is a sub-set of this issue. Experience indicates that instead of direct phase-out enforcement, refrigerant supply and, in particular, refrigerant costs are the main drivers leading to phase-out of ODS use in the service sector.

79. Experience in the phase-out of CFCs suggests that if refrigeration manufacturing enterprises and the service sector compete for a limited supply of refrigerant, the service sector is likely to be able to pay higher refrigerant costs since it is easier to pass the costs onto the consumer. This might indicate that in countries where both HCFC-22 refrigeration manufacturing and servicing sectors are present, the contribution of the service sector for phase-out will initially be low, and phase-out will predominantly be achieved in the

manufacturing sectors. This is particularly important when planning phase-out activities to meet the compliance targets of 2013 and 2015, and might lead to a differentiation in activities in the service sector between countries with and without a HCFC-22 refrigeration manufacturing sector.

80. Approaches to reduce supply are performed on a national level by restricting imports or requesting that a certain minimum amount of ODS produced has to be exported. Such restrictions on the national level have become increasingly effective in the last few years. Verification reports reviewed by the Secretariat demonstrate significant improvements in the co-ordination between the NOU, licence issuing bodies, customs and importers. The monitoring of imports is also improved greatly, and more and more countries are using a computerised data basis for customs. It appears therefore likely that governments can control successfully the HCFCs imports into their countries, and thus achieve compliance with their phase-out obligations. Nevertheless, this can not be interpreted as removing the need for assistance to the service sector because of two reasons:

- (a) The service sector is eligible for funding of incremental cost. The eligibility has been established in the indicative list of incremental cost (“cost of providing technical assistance to reduce consumption and unintended emission of ozone depleting substances”), as well as in the practice and guidelines of the Executive Committee; and
- (b) It might be viewed as a precondition before a government takes regulatory action to reduce the supply of HCFCs that there is an understanding that the country will be able to cope with the reduced supplies. Activities for the service sector provide the necessary assurance to governments.

81. Some Article 5 countries have already completely phased out CFC consumption, the remaining are implementing CFC phase-out activities in the servicing sector. These activities are i.e., customs officers and technicians are being trained; training centres are being properly equipped; refrigeration associations and project monitoring units have been established; and recovery/recycling, retrofits and other technical assistance programmes are also under implementation. Activities in the service sector related to HCFCs phase-out commencing at about the time of the CFC phase-out will maintain the momentum gained and capacity established beyond 2010 and will thus facilitate the cost effective phase-out of HCFCs.

82. Every HCFC-22 dependent refrigeration system imported into an Article 5 country will lead to a broadening of the HCFC-22 dependent equipment base and will subsequently lead to the need of HCFC-22 for service, to the need for retrofit or to premature retirement. It is therefore meaningful to consider how to avoid growth of and, subsequently, reduce the size of the HCFC-22 equipment base. This might require import restrictions, taxing of equipment and/or subsidies/tax breaks for equipment operating with HCFC-22 alternatives. The earlier such restrictions and incentives are decided upon by a government, the easier will be the transition away from HCFC-22 consumption in the service sector. Such legislative measures can be effective only under the circumstances when HCFCs-free refrigeration equipment is made available at a competitive price. Timely conversion of refrigeration equipment manufacturing facilities existing in some Article 5 countries might facilitate meeting the demand for

non-HCFCs equipment and reduce the dependence on HCFC-22 refrigerant in all Article 5 countries.

83. A number of activities in the service sector, in particular the non-investment activities, are recurring activities. Customs officers and, on a slower rate, refrigeration technicians are rotating out of their jobs, new arrivals need to be trained. In addition, training might need repetition or amendments relating to new developments. During CFC phase-out, service sector activities occurred on a large scale from about 1995 on, i.e. from 15 years before the final phase-out. Due to the need to achieve significant consumption reductions in the service sector in more than 70<sup>6</sup> of the Article 5 countries from 2010 onwards to comply with the 2013 and 2015 reduction steps, such activities will commence 30 years before the final phase-out date. The recurring nature of many activities and the long duration until final phase-out might suggest assessing which might be the best approaches to achieve sustainable, cost effective support for the service sector; these might differ from previously used approaches.

#### Existing experience

84. Phasing out CFC use in the refrigeration servicing sector has long been one of the Executive Committee's priorities. The Executive Committee was approving training programmes for refrigeration technicians, and recovery and recycling projects for this purpose as early as 1991. Since then, recovery and recycling projects and stand-alone training programmes have been replaced by refrigerant management plans (RMPs) and more recently by national/terminal phase-out management plans (NPPs/TPMPs) which has been a tool used by Article 5 countries to achieve compliance with the control measures established by the Montreal Protocol<sup>7</sup>.

85. At its 31st Meeting, the Executive Committee decided on the modalities for approving funding for the preparation and implementation of RMP projects (decision 31/48). Subsequently, at its 45th Meeting the Executive Committee decided to approve further funding for phasing out CFC consumption post-2007 period (i.e., 15 per cent of the CFC consumption baseline) in LVC countries through the preparation and implementation of terminal phase-out management plans (TPMPs) (decision 45/54). Through this decision, the Executive Committee, *inter alia*, established maximum funding levels on the basis of the CFC baseline consumption of LVC countries on the understanding that individual project proposals would still need to demonstrate that the funding level was necessary to achieve complete phase-out of CFCs.

86. The total funding approved for stand alone training programmes for refrigeration service technicians and customs officers, recovery and recycling projects and RMPs in all Article 5 countries amounts to US \$52.7 million (i.e., US \$29.6 million for LVC countries and US \$23.1 million for non-LVC countries). An additional US \$235.0 million is associated with TPMPs (for LVC countries) and national/sectoral phase-out plans (for non-LVC countries)

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<sup>6</sup> There are 70 Article 5 countries with HCFC-22 consumption below 150 metric tonnes (8.25 ODP tonnes) which is believed to be predominantly or exclusively used in the refrigeration servicing sector.

<sup>7</sup> At its 31st Meeting, the Executive Committee decided on the modalities for approving funding for the preparation and implementation of RMP projects to achieve the 2005 and 2007 allowable levels of CFC consumption (decision 31/48). Subsequently, at its 45th Meeting the Executive Committee decided to approve further funding for phasing out CFC consumption post-2007 period (15 per cent of the CFC consumption baseline) in LVC countries through the preparation and implementation of terminal phase-out management plans (TPMPs) (decision 45/54).

addressing the total remaining consumption of CFCs, mainly used in the refrigeration servicing sector.<sup>8</sup>

#### Good practices in refrigeration

87. The Multilateral Fund has invested significant funding in the improvement of refrigeration servicing practices of CFC-based systems through the implementation of RMP and TPMP activities. Servicing practices for CFC and HCFC based systems are very similar; in both cases, there are additional measures that could be considered where appropriate to reduce emissions from refrigeration equipment.

- (a) In many Article 5 countries preventive maintenance of air-conditioning and refrigeration equipment is not a routine practice. Regular preventive maintenance and repair of the system can significantly reduce the leakage rate; and
- (b) Substantial resources have been allocated for introduction of recovery and recycling operations in Article 5 countries. Despite the introduction predominantly for the purpose of CFC recovery and recycling, many countries report higher amounts of HCFCs recovered/recycled than of CFCs; this might be related to the fact that even small air-conditioning systems have significant refrigerant content and that room air conditioners are often transported to a repair location, where equipment is available. It could be assessed whether additional efforts are meaningful to optimise the usefulness of recovery and recycling of HCFC-22; these might include better monitoring and creating appropriate incentives for owners of equipment and servicing technicians.

#### Retrofit and replacement activities in end-user sector

88. The HCFC-22 equipment base can be reduced by retrofit of HCFC-22 equipment, reducing future service demand and, in certain cases, making recovered HCFC-22 from the converted equipment available to the service sector. This is particularly relevant for equipment in commercial refrigeration. Conversions and retrofit activities in the end-user sector have been defined in decision 32/28. In addition, it appears meaningful to expect certain circumstances which must prevail before priority can be accorded to end-user conversions. Such potential pre-conditions for the funding of retrofitting activities might be e.g. that the country has banned the production and import of new HCFC equipment, or that the costs for using HCFC is comparatively higher than the costs of alternative technologies available in the country. For the next years until 2015, it is unlikely that these circumstances prevail in a significant number of countries; nevertheless, some additional considerations are provided below.

89. In order to assess whether a retrofit is meaningful, the remaining life-time of each system needs to be considered and a cost-benefit analysis should be performed. Since HFC alternatives are presently more costly than HCFC-22, there is a significant risk of a reverse retrofit back to HCFC-22. There are several possibilities to provide incentives against a reverse retrofit, which

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<sup>8</sup> Several national phase-out plans and a few TPMPs address small amounts of CFCs used in small foam and refrigeration manufacturing enterprises or small amounts of other ODSs, mainly CTC and/or TCA

need to be integrated into the design of the retrofit scheme; these would include long-term subsidies and long-term monitoring of the equipment. The retrofit schemes currently used would similarly subsidize the installation of new equipment with alternative technologies.

90. The administration of retrofit incentive projects is complex since inherently they provide a large incentive for inappropriate use, and require therefore careful monitoring of activities related to relatively small amounts of funding to ensure eligibility and sustainability. The Secretariat calculated in detail the costs associated with retrofits and came to a cost effectiveness of between US \$300/kg ODP and US \$650/kg ODP (US \$16.50 and US \$35.75/kg, respectively) for the actual retrofit alone, i.e. without accounting for administrative procedures. This figure is based on the assumption that the Multilateral Fund would cover 50 per cent of the costs, and the equipment owner the remaining, as is the case in existing retrofit schemes.

#### Cost information

91. The costing of HCFCs phase-out plans in the refrigeration servicing sector is influenced significantly by the prevailing circumstances in the country concerned, such as the size of the country in terms of population and surface area and the geographical distribution of the main economic activities; the actual amounts of HCFCs consumed in the servicing sector by type of equipment; and the characteristics of the refrigeration servicing sector including the number of service workshops and their geographical distribution. At present, some of this basic information is not available, and will only be known when Article 5 countries submit their HCFCs phase-out plans.

92. In spite of the limitations in the availability of information, the Secretariat has attempted a preliminary estimate on the incremental costs based on the Multilateral Fund experience in CFC phase-out activities.<sup>9</sup> The estimation is meant to cover the funding needs for service sector activities and other non-investment activities until the 2015 reduction step, and was used exclusively to provide an approximation of the potential costs so as to better inform the on-going discussion of the Executive Committee. It was assumed that the service sector activities would be targeted to enable a reduction of consumption in the service sector proportional to the necessary national consumption. The level of detail in which the information is provided would allow also understanding the financial implications if countries with a HCFC-22 equipment manufacturing capacity would not commence service sector related activities immediately, but would rather concentrate on their manufacturing sectors. The following estimate assumes providing additional funding for reviewing ODS legislation, as well as training programmes at a level of funding estimated according to the level of HCFCs consumption in the year 2006.

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<sup>9</sup> Since the inception of the Fund, the total funding approved by the Executive Committee for stand alone training programmes for refrigeration service technicians and customs officers, recovery and recycling projects and RMPs in all Article 5 countries amounts to US \$52.7 million (i.e., US \$29.6 million for LVC countries and US \$23.1 million for non-LVC countries). An additional US \$235.0 million is associated with TPMPs (for LVC countries) and national/sectoral phase-out plans for non-LVC countries addressing the total remaining consumption of CFCs, mainly used in the refrigeration servicing sector. Several national phase-out plans and a few TPMPs address small amounts of CFCs used in small foam and refrigeration manufacturing enterprises or small amounts of other ODSs, mainly CTC and/or TCA.

Further, funding for technical assistance estimated at US \$18.20/kg ODP (US \$1.00/kg) of consumption, and additional funding (about 20 per cent of the total costs) for monitoring and reporting are assumed. The details of this estimate are presented in Table 13 below.

**Table 13: Cost estimate for the refrigeration service sector as well as legislative, enforcement and monitoring activities to comply with the 2013 and 2015 HCFCs reduction steps, by national HCFC-22 consumption in 2006 in metric tonnes**

Consumption (metric tonnes):	HCFC-22 consumption in 2006							
	Below 30	Up to 100	Up to 300	Up to 500	Up to 1,000	Up to 5,000	Up to 8,000	Above 8,000
<b>Activities (in US \$):</b>								
Legislation	10,000	10,000	10,000	20,000	30,000	50,000	50,000	80,000
Custom training	20,000	40,000	50,000	60,000	80,000	120,000	140,000	160,000
Technicians training	30,000	60,000	70,000	100,000	160,000	240,000	300,000	400,000
Technical assistance	30,000	100,000	300,000	500,000	1,000,000	5,000,000	8,000,000	11,000,000
Monitoring	20,000	40,000	90,000	140,000	250,000	1,000,000	1,700,000	2,300,000
<b>Total (in US \$)</b>	<b>110,000</b>	<b>250,000</b>	<b>520,000</b>	<b>820,000</b>	<b>1,520,000</b>	<b>6,410,000</b>	<b>10,190,000</b>	<b>13,940,000</b>

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## ANNEX V

### ENVIRONMENTAL ISSUES

#### V1. Characteristics of the ‘functional unit’ approach

1. One of the advantages of the ‘functional unit’ approach is a simplified and transparent derivation of lifecycle impacts. It should be noted that, in contrast to an LCCP approach, the purpose is not to calculate the precise climate impact for each and every application, but to characterise these impacts to the extent that they can be used for the purpose of comparing technologies. It is therefore desirable to fix as many of the potential variables as possible across a sector or sub-sector and only allow those which have clear localised character (e.g. average carbon loading of energy) to be modified routinely.

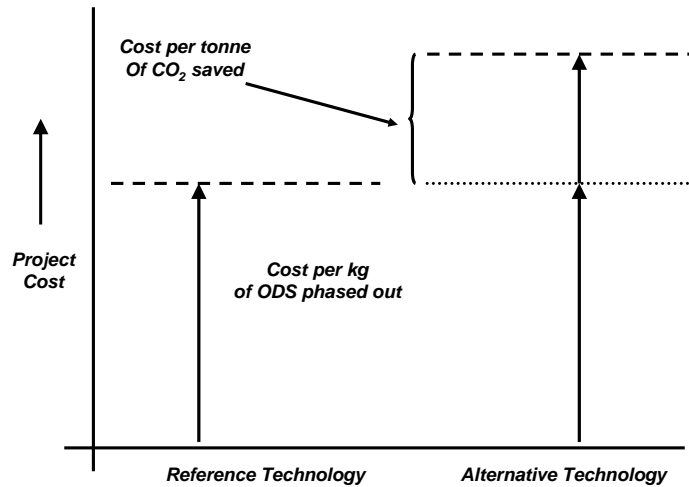
2. In practice, the primary output from any ‘functional unit’ approach would be a comparative assessment of lifecycle climate impacts taking into consideration the GWP of the ODS substitutes involved, the charge size, the energy used in operation, the emission functions through the various phases of the life-cycle and any efforts anticipated for recovery at end-of-life. The normal comparison would use the HCFC-based technology as the baseline, in order to assess whether the alternative technology offers better or worse climate performance

#### V.2 Analysis made possible by the ‘functional unit’ approach

3. Carrying this approach forward into a practical analysis, some alternative technologies offer the capability of continuous adjustment. An example of such a technology would be HCFC-245fa-blown foams, co-blown with CO<sub>2</sub> (water). Since the level of co-blowing can, in theory, at least, be modified between 0 and 100 per cent, it is possible to envisage a range of climate impacts from ‘low-to-high’ associated with this range of technology options. At a certain point (in this case about 43.3 per cent co-blowing with CO<sub>2</sub> (water)) climate neutrality is reached with the HCFC-141b technology being replaced, based on the outputs of the ‘functional unit’ analysis. It is proposed that this technology is referred to as a “reference technology” for the transition and will be defined for each project or sector. Interestingly, the identity of the ‘reference technology’ is independent of the size of the enterprise being considered, since the analysis is based on a ‘functional unit’.

4. In some sectors, it may not be possible to identify a technology capable of continuous adjustment. In such instances, the “reference technology” could be defined in terms of the closest such technology to climate neutrality. Although this could be defined as the closest either side of neutrality, some might prefer to see only those technologies with ‘better than neutral’ climate performance adopted as “reference technologies”.

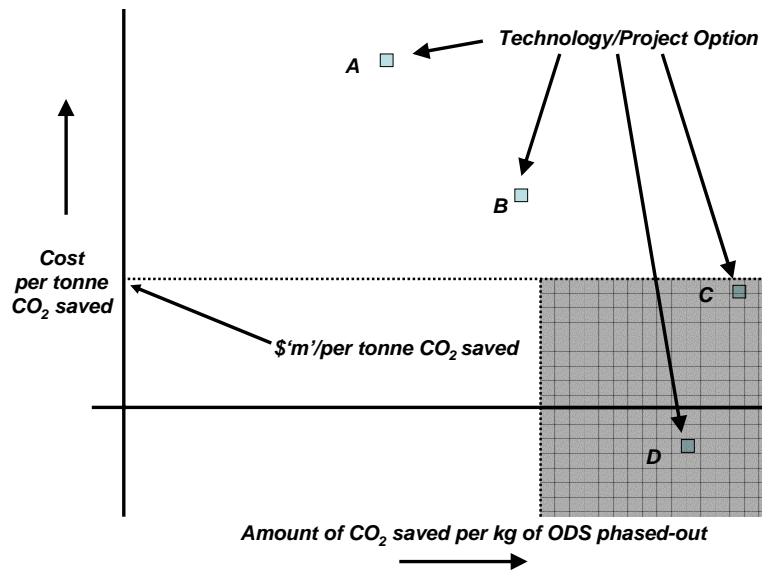
5. By evaluating the cost of implementing the “reference technology” using the existing Incremental Capital Cost (ICC) and Incremental Operating Cost (IOC) analysis, it is possible to derive the cost of an ‘ozone only’ transition, where the climate impact is broadly neutral. The analysis therefore delivers a cost per kilogramme of ODS phased-out (see graph below)



6. Against this benchmark any alternative technologies can be evaluated. In some instances the cost of alternative technologies may be less, even in cases where they deliver a climate benefit and there are no incremental costs. In other cases, such as that shown in the graph above, the alternative technology might be more expensive. In such circumstances, it is appropriate to consider the additional cost to be that required to achieve the additional climate benefit and a cost per tonne of CO<sub>2</sub> saved can be derived.

### V.3 Possible funding mechanisms arising from the ‘functional unit’ approach

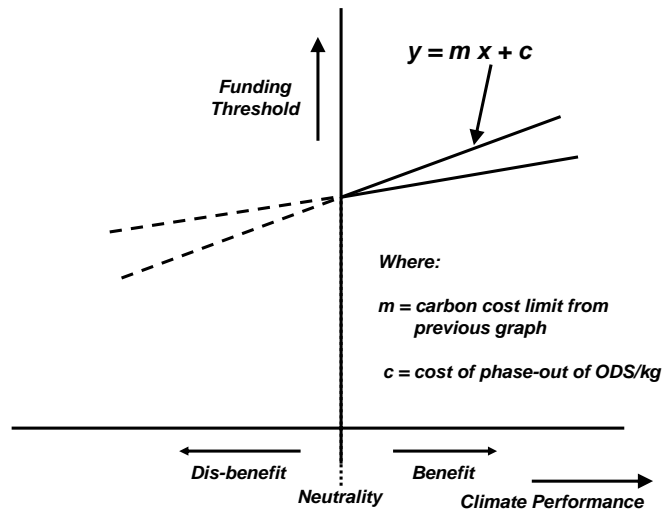
7. The Executive Committee might like to evaluate the output of such analyses on a number of different technology options for a project or programme in order to decide whether it is appropriate to provide funding for additional climate benefits over and above the reference scenario. To facilitate such an evaluation, there is a need to plot the unit cost of the saving in carbon terms against the ‘potency’ of the measure (i.e. the amount of CO<sub>2</sub> saved per kg of ODS phased-out). The following graph illustrates what this analysis might look like.



8. Using this approach, Executive Committee members could make decisions on the criteria for investment in additional climate benefits in terms of potency and climate benefit (as defined by the shaded area). In the example shown above, Technology A might be a blowing agent technology delivering poorer thermal performance, although being based on a low GWP blowing agent, whereas Technology C might be a similar low GWP technology delivering better thermal performance. It is useful to note, that this analysis would also take into consideration the size of the project envisaged. Therefore, Technology C might be situated in the shaded area for a 50te/yr plant, but outside of the shaded area (higher in terms of cost per tonne of CO<sub>2</sub> saved) for a 10te/yr plant.

9. Executive Committee members would have the ability to define these criteria by sector and region, with the additional ability to cross-reference the cost of the savings against other climate measures adopted by their own governments.

10. Having considered all aspects, the Secretariat believes that it would provide best use of Multilateral Funds to retain the existing ICC and IOC approaches in assessing the overall cost of a project or programme rather than reward climate benefits through market-based mechanisms based on carbon itself. However, it could be possible to use the upper bound of the permitted investment (\$'m'/ per tonne CO<sub>2</sub> saved) to drive cost effectiveness thresholds, as shown in the diagram below:



11. Such an approach would not only provide an incentive, in terms of funding threshold, for climate benefits, but could also be used to determine lower thresholds for technologies creating climate dis-benefits against those offered by the “reference technology”. However, the Executive Committee would need to satisfy itself that such an approach would still meet the obligations of the Multilateral Fund in terms of phasing out the relevant HCFC consumption targeted under decision XIX/6

12. As noted in earlier paragraphs, the ‘functional unit’ needs further evaluation across a wider range of sectors to provide assurance that the basic methodology can be applied more widely. The Secretariat therefore seeks the mandate to continue this work on the current path, or as revised by the Executive Committee in order to present a more concrete set of proposals at a future Meeting of the Executive Committee.

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## ANNEX VI

### COMMENTS RECEIVED FROM MEMBERS OF THE EXECUTIVE COMMITTEE ON DOCUMENT UNEP/OZL.PRO/EXCOM/54/54:

#### **“Preliminary discussion paper providing analysis on all relevant cost considerations surrounding the financing of HCFC phase-out (decision 53/37 (I))”**

#### **Comments from the German Constituency, 30 April 2008**

We do understand the time constraints under which Document 54/54 was produced. We therefore would like to propose the following considerations as constructive suggestions to improve the paper.

#### **General comments**

1. We thank the secretariat for presenting historic data, which is crucial for the identification of a methodological approach. In fact we would appreciate an even more in-depth analysis of historic cost developments under the MLF, not only averages, but tables providing more fundamental background information<sup>1</sup>. Illustrating cost developments over time in the past could help to support certain assumptions on future application of innovative solutions and typical scenarios of cost adjustment for innovative technologies.

2. An analysis of the **incremental operating costs** raises serious concerns on the role of operational cost reimbursement. Operational costs appear to be detrimental in two ways,

- By covering operational costs, the use of higher cost HFC substances with high GWP (e.g. 245fa, 404a) may be promoted, instead of sustainable low GWP, low environmental impact substances, which may require higher capital investment but have subsequently lower operational costs and are overall cost effective, helping A 5 countries to keep product prices long term at a low level.
- Providing more cash for high IOC's of high GWP, HFC alternatives contradicts economic decision making for sustainable investments. Even though cash contributions of IOC's will be granted only for a short period of two years, the subsequent increase in production costs bears the high risk and economic incentive for enterprises to pursue illegal, continued use of HCFCs.

In conclusion, the incentive provide from incremental operational cost in doc. 54/54 appears to be in conflict with dec. XIX/6 by providing higher IOC's for high GWP alternatives bearing a high risk for illegal demand of HCFC. Therefore, in light of dec. XIX/6 in the case of the HCFCs, IOC's should not be eligible.

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<sup>1</sup> For example, comprehensive back ground tables could be provided on historic development of consumption overall and in each individual (major) sub sectors (e.g. manufacturing, servicing), use of refrigerants in sub sectors, most common replacements in a sub sector, prices, products, cost overview for sub sectors in relation to impact ODP/GWP; alternative/technology; individual/multiyear/umbrella; ICC/IOCs; enterprise/production level;

3. Furthermore, as the **price of alternative technologies** will decrease over time, there should be an option for flexibility over time.

4. In general, calculations and developments of **cost effectiveness thresholds** in the different sub sectors should be made more transparent. In some of the cost samples of doc 54/54 (ANNEX III and IV) the cost per kg ODS for HCFC's are evaluated higher than historic costs per kg ODS for CFC's. It would be helpful to provide an analysis of the most cost effective sub sector projects. This will necessarily include activities of the MYA, because the HCFC phase out activities will be implemented within the frame work of Multiyear plans. Also, there might be lessons to be learned by comparing historic cost differences between individual and sector plan activities. Such comparison should pay specific attention to examples where long term low GWP solutions were applied in various sub sector.

5. Such exercise should include the influence of **end-of-life scenarios**. This would show how replacements made at the equipment's end-of-life and the loss of residual equipment value would influence the incremental costs calculation.

### **Foam Sector**

6. The estimates provided in Annex III for **incremental capital costs** of low GWP technologies seem to be too high. Unfortunately, the document does not disclose any sources, references and authors to verify the validity of such information. During the EC HCFC-workshop in Montreal for example, suppliers indicated in their presentations that costs for low GWP technologies could be less than half of those stated in ANNEX III of doc 54/54. Doc. 54/54 should take into account the latest development in CO<sub>2</sub>, ammonia and/or hydrocarbon technology use for medium to small scale foaming and in refrigeration.

7. **Small scale users** might be better served by concentrating the MLF support on system house solutions rather than individual enterprise funding.

### **Refrigeration and air conditioning sector:**

8. Future **Economies of scale** need to be factored in. For example, cost differences for compressors disappear when entering economies of scale through mass production. One cost difference between 22 and HC technology for example is not due to the compressors, but because of the need for additional ex-protected and safety components. These components however should contribute only to marginal cost differences. Experiences exist (e.g. with the Italian manufacturer Delonghi).

9. Based on past experience, fund assistance could be more effective by providing long term technology only to enterprises that **demonstrate sustainable business patterns**. Providing short term (high GWP) solutions to enterprises that are obviously operating ad hoc and with short term arrangements should be avoided. Criteria should be developed to assess these options, including business rationalization. Experiences from evaluating National Phase Out and Sector Plans indicate that a significant large number of enterprises funded in the past were apparently not operating on long term basis. Specifically in the refrigeration manufacturing sector many small

and medium enterprises have operated only on a temporary basis<sup>2</sup>. Considering the long time period of the HCFC phase out, these situations must be dealt with appropriately while describing eligibility of sub sector projects.

### **Environmental considerations and cost implications**

10. Decision XIX/6 calls for the Parties “to promote the selection of alternatives to HCFCs that minimize environmental impacts, in particular impacts on climate as well as meeting other health, safety and economic considerations”. **Energy efficiency effects** and respective savings of different technologies need to be considered therefore in any discussion of relevant cost considerations of funding HCFC projects. It should not be assumed however that the MLF should fund additional costs that relate solely to climate benefits resulting from energy savings, since this is not the purpose for which the MLF was established. Germany looks forward to further discussion of this issue at Excom 55. For example, where there is a case for additionality of the energy efficiency gains, consideration might be given to support countries to encourage their enterprises to apply for CDM projects or seek finance through the voluntary carbon market or through other sources. It will remain very important however to have an approach to assess the cost-effectiveness of HCFC phase-out projects that is consistent with Decision XIX/6.

11. It is for further consideration, whether the inclusion of TEWI or LCA in project analysis is required. It would complicate the process of MLF project approval. On the other hand, **environmental considerations** could be factored into threshold limits. For example, the higher the GWP of an alternative, the lower the funding threshold would be to pay for it unless there were significant compensating energy savings.

12. In the continuing process of approving cost-effective HCFC phase out projects there needs to be a mechanism in place ensuring responsible use of the funds for **sustainable, overall positive impact** on climate as per dec. XIX/6.

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<sup>2</sup> For example in the various evaluation studies investigators have repeatedly found that small enterprises in the refrigeration sector were closed down shortly after conversion.

**Comments from the Government of Lebanon**  
**E-mail received on 30 April 2008**

I refer to the ExCom document 54/54 appreciating an earliest revised version of this document to be posted on the MLF website the soonest in order for a wider range of parties can be involved and have enough time to read and discuss it before the OEWG meeting. Please find below my general comments on this document:

1. The paper contains substantial technical information, however, the crucial part of this document limits itself to only investment costs for actual phase-out, we think that this document should be more extensive in identifying all the relevant sources and categories of costs such as, Initiation costs, Management costs and other Non-investment costs (i.e: Demo projects, cost for preparation of HPMPs, costs for formulation of regulation and policy actions.....etc).
2. Although HCFCs use is relatively low in the Aerosol, Firefighting and solvents, while the document covers only the Foam and Refrigeration sectors, , a need for a revised detailed sectors should be included.
3. The document addresses Foam and Refrigeration sectors, with detailed technical information on the alternatives, incremental operating costs, cost benefits...etc , however there should be a demonstration of the technical and commercial viability of the technology options in A5 situations.
4. The stipulated freeze by 1-1-2013 is close, there is a need of combined efforts to assist A5 countries to achieve this milestone, by considering guidelines for Demonstration projects (Pilot projects) in order to better address the use of good cost-effective new technologies or adaptation from existing technologies that will help in overcoming any potential delays for reducing HCFC demand.
5. More concrete guidance related to financing HCFC phase-out activities are needed in this document.
6. The document should propose initial fast-track investment projects, which could help in providing early motivation to enterprises for participating in HCFC phase-out activities.
7. The funding provided for CFC phase-out under the MLF has created infrastructures that may to some degree facilitate HCFC phase-out. However the preliminary cost estimate for phasing-out HCFCs is considered low compared to the CFCs phase-out cost (In general).
8. Approval at the earliest of funding for phase-out activities, in particular in the servicing sector, could maximize potential benefits from currently funded, or soon to be funded phase-out activities.
9. The document should provide a roadmap on how the information related to costs as provided therein, can be translated into usable criteria for funding of projects in various sector/sub-sectors.



**Comments from the Government of Dominican Republic  
E-mail received on 30 April 2008**

On behalf of Dominican Republic Delegation and in attention to the issue of Funds for HCFC Demo and Pilot projects implementation that is supposed to be discussed at the 55th ExCom meeting, we are sending to you our shared comments on it.

Considering the importance to A5 countries of testing new technologies which are not mature nor available in developing countries so far, we consider as critical that the Secretariat develops and includes draft funding criteria for pilot/demo projects, so ExCom members can consider such criteria in the context of 54/54 doc discussions supposed to discuss at the 55th ExCom. Without draft criteria being discussed at the 55th meeting, the ExCom will not be in the position to consider Business Plan of such projects at the 56th meeting.

**Comments Submitted by Australia on behalf of Australia and Canada  
E-mail received on 28 April 2008**

**Factual comments on the final draft study on the collection and treatment of unwanted  
ODS in A5 and non-A5 countries prepared by ICF International**

Page 2, Exhibit ES-1	<p>The table should include “ticks” for Australia in the following columns:</p> <ul style="list-style-type: none"> <li>• Explicit requirement to recover refrigerant prior to building demolition – Regulation 111(2)(c) of the Ozone Protection and Synthetic Greenhouse Gas Management Regulations 1995 provides this explicit requirement</li> <li>• Standard for Refrigerant recovery at appliance servicing and disposal – regulation 135 (Table 135 – Standards) provides that licence holders must conform to Australian Standards 4211.1 and 4211.3 which require gas removal from motor vehicle and commercial/domestic refrigeration systems.</li> </ul>
Page 11, line 34	<p>The study mentions significant amounts of unwanted ODS in Article 5 countries and even provides an estimated amount per country. This estimation needs to be sourced or referenced. Assuming there is a source, it is doubtful if 5 tonnes per country is "significant", especially considering that this amount has accumulated over the 20+ years. As well, averaging an estimated total number of unwanted ODS by the number of Article 5 countries can be very misleading.</p>
Page 17, line 27	<p>Australia should be included as a country that has compliance and verification regimes in place at the government level. In the case of Australia, the Australian Refrigeration Council conducts audits under contract and on behalf of the Government.</p>
Page 18, Exhibit 4-2	<p>In relation to domestic appliances and MAC, Australia has a PSS \$\$ scheme in place as per bulk.</p>
Page 37, section 8.1	<p>This section assumes a central government will be doing things. Private sector considerations should be included here, for example, an international, free-market mechanism for collecting, reclaiming and disposing of unwanted ODS could also be an option.</p>
Appendix A - Australia	<p>Page 61, line 23 – delete reference to July 2005 and August 2005 amendments, as these were very minor amendments.</p> <p>Page 66 – A-Gas system box – this box appears incomplete, perhaps just a formatting problem</p> <p>Page 67 – PLASCON box – same problem</p> <p>Page 67, footnote 19 – delete the estimation in brackets entirely, as this estimation is unfounded.</p> <p>Page 70 line 2 – delete “HFC”, so the phrase reads “as an increasing number of systems...”</p> <p>Page 73, line 26 – the proper name of the Act is the “Ozone Protection and Synthetic Greenhouse Gas Management Act 1989”.</p>

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## 环 境 保 护 部

MINISTRY OF ENVIRONMENTAL PROTECTION, P.R.C.

115 Nanxiaojie, Xizhimennei, Beijing 100035, The People's Republic of China

FACSIMILE COVER SHEET AND MESSAGE

Date: April 30, 2008	No. of Pages:
To:	From:
Ms. Maria Ulana Nolan	Mr. Wen Wurui
Chief Officer	Deputy Director General
Secretariat of the Multilateral Fund for the Implementation of the Montreal Protocol	Foreign Economic Cooperation Office Ministry of Environmental Protection
Tel.: +514 282 1122	Tel: 86-10-88575088
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Subject: Comments on UNEP/OzL.Pro/ExCom/54/54

Dear Ms. Maria Nolan,

In responding to decisions made at the 54<sup>th</sup> ExCom meeting regarding the "Preliminary discussion paper providing analysis on all relevant cost considerations surrounding the financing of HCFC phase-out", the Ministry of Environmental Protection has consulted relevant associations and industrial experts in the review of the above-mentioned paper and also asked the opinions from the opted members of China. Here I have the honor to present you China's comments on the document UNEP/OzL.Pro/ExCom/54/54, and we hope these comments will be considered and helpful while the Secretariat makes revisions to the paper to be submitted to the next ExCom meeting. Please don't hesitate to contact us in case you have any questions.

Sincerely yours,



Wen Wurui  
Deputy Director General  
FECO/MEP

**Comments on UNEP/OzL.Pro/ExCom/54/54**  
**“Preliminary discussion paper providing analysis on all relevant cost considerations surrounding the financing of HCFC phase-out (Decision 53/37(I))”**

**I. General**

1. The paper mainly covers the cost analysis of two major sector, namely the foam and refrigeration sectors, without touching smaller sectors including the solvent sector, the aerosol sector, etc.; and in the analysis to the refrigeration sector, it talks mainly about the phase-out of HCFC-22, and no detailed analysis has been made on other HCFCs such as HCFC-123 and HCFC-133. We understand that these sectors and substances account for a small part in the phase-out of HCFCs, however, since we will also have to deal with them in our HCFC phase-out efforts, their relevant information should be included in this discussion paper.

2. While analyzing relevant substitute technologies, very little attention is given to new potential technologies, such as CO<sub>2</sub> in the refrigeration sector. We have learned that progress has been made in the development of the CO<sub>2</sub> technology as it is used in certain products and applications in the developed countries. Therefore, we hope that more attention would be given to this technology in this discussion paper.

3. There is a great difference in some of the cost calculations and the prices of some chemicals between what is written in the paper and the situation we understand, which leads to substantial gaps between some of the conclusions in the paper and the actual situation as we have known.

4. The recommendation section in the discussion paper should be in a more detailed way so that it could help the ExCom to make more concrete decisions to promote the HCFC phase out.

**II. Executive summary**

**Para 1**

After the second sentence “These HCFCs are...in the refrigeration servicing

sub-sector”, add one more line “, and a small portion of them are used in sectors including the solvent and aerosol sectors”.

#### Para 2

In this paragraph and some later parts of this paper, methyl formate is considered as “a technology appears to have high prospects of meeting the foam production needs of A5 countries enterprises and at lower costs”. However, we are not so convinced with this point. According to our experience, in China, the biggest foam market, there is no previous example using methyl formate as blowing agent. In addition, according to the presentations in the Technical Meeting on HCFC Phase-out held on April 5-6 in Montreal, there are some limitations with regard to the use of methyl formate, because this technology will lead to poor insulation performance of foams, and will not have promising future in the substitution of HCFCs. Besides, as we know that methyl formate is a flammable chemical, and we should consider the safety issues when using methyl formate, therefore, we think it is inappropriate to list it as one of the main substitute technologies in the foam sector when there are no adequate supporting data. We would suggest that the Secretariat conduct a survey into this technology, and if it is not appropriate for the substitution of HCFCs, we should delete relevant part from the paper.

It is also mentioned in this paragraph that “For HCFC-22 in the refrigeration sector, the situation is similar, and HFC and hydrocarbon replacements are available.” As far as we know, in most refrigeration sub-sectors, some HFC technologies have actually been introduced commercially, however, for hydrocarbon, the application of this technology is still quite limited and far from being introduced commercially.

#### Para 4

We can not agree with the first two sentences of the paragraph. These two sentences give us the impression that most foam projects will not need any investment on equipment in future. However, the actual situation is that the HFCs are likely to be controlled in future for their high GWP, methyl formate and water based technologies are limited in the use of areas because of their performance and nature, and the most sustainable potential substitute technologies maybe the hydrocarbons, however, these technologies will need substantial investment in terms of equipment replacement and

safety related equipment. In addition, in the conversion from CFCs to HCFCs, some small enterprises haven't changed their equipment to high pressure machines. Therefore, we can only have a better understanding of the situation of the whole sector after conducting the survey in the preparation of the HPMP. We would like to suggest the Secretariat to change the wording of the first two sentences of this paragraph, and words like "overall", "no additional funding" and "most of the alternatives" should be avoided.

Para 5 (a)

Before the ExCom has made any new decisions to the IOC, the cost calculations should be based on the previous experiences for CFCs phase-out. In some sectors, due to patent issues, the substitutes to HCFCs are really expensive, so that the IOC is the main incremental costs for the industries and enterprises in these sectors. And without IOC, it will be difficulty to implement the projects.

Para 5 (b)

If we put equipment reaching the end of its useful life as a recondition for project approval for the HCFC projects, it will bring great risks and difficulty for the governments to manage their compliance efforts. We have learnt that most enterprises are not so active in the substitution of HCFCs, and in addition, the determination of the useful life of equipment is a complicated issue, if we have a guideline like this, the enterprises will use this policy as an excuse to postpone their substitution. For example, for some enterprises, the equipment need retrofit or replacement is only a part in their production line while the life for the whole production line is very long; and for some other enterprises, they have different sets of equipment purchased at different times, but we will have problems if we carry out projects in different phases in some of these enterprises.

Para 5 (c)

We agree with the idea that different CE thresholds should be applied to different applications to provide incentives for the adoption of hydrocarbon technologies. In addition, we would like to point out that in the non-appliance foam sub-sector, we should also encourage then enterprises that wish to go for the hydrocarbon technologies by providing them with incentives in the cost.

Para 6

Regarding the indicators for environmental impacts, we think that it is appropriate that the A5 countries should take a comprehensive look at this issue while preparing their HPMPs. Since the indicators are not only for the A5 countries, before the MOP has made any decisions on this issue, we think the ExCom should not apply any compulsory environmental indicators to the projects for A5 countries.

Para 7

Regarding the co-financing issue, we suggest that these paragraphs to be revised according to the relevant decisions made by the 54<sup>th</sup> ExCom meeting. And we fully agree that the use of co-financing modalities should not be applied for projects related to the 2013 and 2015 targets since it will need a lot of time and lead to some difficulties in project implementation.

III. Foam sector

Para 19

The Article 5 countries in line 5 should be non-Article 5 countries.

Para 22

As methyl formate is flammable, we think it should not be in the same category with HFC and water-based systems.

Para 22 (a)

It should also be pointed out that according to Decision XIX/6, the ExCom should make necessary changes to the eligibility criteria to the second conversions.

Para 25, Table II.1

As far as we know, the water-based systems are not suitable for substitution in spray foam, as well as in the panels and domestic and commercial refrigeration applications, therefore, we suggest deleting the cost calculations for the water-based systems in the abovementioned sectors. And in China, water-based systems have limited applications in the pipes and integral skin foam sub-sectors.

Para 27, Table II.2

The price for MDI is too low, and the USD 1.5/kg price has not been seen in the market in the recent years. We've learnt that the price for MDI is similar in the global market. China has the capacity to produce MDI and the price for MDI in China is relatively low compared to the other parts of the world. The current price is around USD 3.44/kg.

The price for pentane in the table is also low than the current market price. With the growth in the oil price and the depreciation of the US dollar, the price for pentane in China has doubled from the one on which we did the CFC phase-out projects. The current market price for pentane is around USD 1.9/kg, and since the foam prices have to pay for a high transportation fee as pentane has to be transported as dangerous chemicals, the price when pentane arrives at the manufacturing enterprises is much higher than the one when it leaves the producer.

Para 29-30 Table II.3

We are not clear how these calculations are made. Generally speaking, we think the conclusion from the Table II.3 (in the Corrigendum) that we will have IOC saving converting to pentane and cyclopentane is not correct. When converting to pentane or cyclopentane, there are needs to increase the associated amount of MDI and polyol, the density of the foams and the consumption of power, to change process agents and to add more and better retardants, and these needs lead to an increase in the IOC which has been noticed in the production of the enterprises. The following data is provided by a domestic appliance enterprise indicating its increase in the IOC after converting to cyclopentane in its production:

For every kilogram of blowing agent, 7.4-7.7 kg of pre-mixed polyol and 10.1-10.4 kg of MDI are needed. Due to its performance and nature, the amounts needed for pre-mixed polyol and MDI for cyclopentane are 2.5% and 2.6% more than for HCFC-141b. We could make a calculation based on the current market prices of these main materials, namely UDS 2/kg for pre-mixed polyol and USD3.44/kg for MDI, to substitute HCFC-141b with cyclopentane will lead to an increase of IOC of USD 1.3/kg.



And for other rigid foam products, since the need for retardant will be greater, the IOC will be further increased.

#### IV. Refrigeration sector

##### Para 41

Though the equipment with HCFC-123, HCFC-124 and HCFC-142b are mainly produced by non-A5 countries and the quantities are small compared with HCFC-22, there are still a large number of users of these kinds of equipment in the developing countries. So the paper should also address how the accelerated phase-out of HCFCs will impact these users.

##### Para 42

The last sentence is not complete, because though there are some large enterprises in the air conditioning sector, still, in the A5 countries, there are a large number of SMEs in this sector.

##### Para 46 (a)

The last sentence of this paragraph is not so correct. It is sure that hydrocarbons have been successfully used in refrigerators, however, in the mobile air conditioners and small commercial refrigeration equipments, hydrocarbons are not widely used except for in some individual products.

##### Para 49-52

In these paragraphs and relevant paragraphs in Annex IV, the cost calculations have not considered the cost for equipment recycle, there is no clear description of the technical assistance activities, and the calculations are relatively low. Since the amount of HCFCs for servicing is big and the number of users of these kinds of equipment is huge, and compared with CFCs, the phase-out of HCFCs in the servicing sector will face more and bigger challenges, which will lead to higher costs. We mentioned in paragraphs above that we have to protect the rights of the users for HCFC-123 and HCFC-124 equipment, and we think this should be done in the servicing sector.

##### Para 56, Table III.1

We are wondering if it is still necessary to recommend R407 in the table as it is stepping out of the air conditioning market due to its disadvantage in performance and nature. The cost calculations for commercial refrigeration is obviously too low, and we would suggest more detailed survey to be undertaken for this sector. In addition, the conversion of compressors is an important part in the HCFC phase-out in the refrigeration sector, but it is not mentioned adequately and there are no cost calculations for the conversion of compressors in this paper. We believe that without conversion projects done in the compressor sector, it will pose great challenge for the smooth phase-out of HCFCs in the refrigeration sector.

We got the following information on the cost calculations from the China Refrigeration Association and the China Household Appliances Association, mainly on the Annex IV to this paper (the paragraphs mentioned in below refer to those in Annex IV):

#### Para 56

Concerning the IOC for the small air-conditioners, we suggest that when calculating the IOC for air-conditioners with R290 as the refrigerants, the following aspects should also be considered:

1. The incremental costs for the air-conditioner to meet the safety requirements. The inner electric control system in the air-conditioners need to be improved, for example, the electric box cover must has airproof and fireproof quality, and important electric parts must be explosion proof.
2. The incremental costs for the installation of the air-conditioners to meet the safety requirements. For example, the connecting valves should be used, however, due to patent issue, the connecting valves are expensive.
3. The incremental costs for after sales services. If the amount of refrigerants in the air-conditioners with HCFC-22 or HFC-410a is not enough, they could be recharged directly by drop-in new refrigerants. However, for air-conditioners with R290, the recharging is much more difficult and expensive.

In addition, when making the cost calculations for conversions to R290, the paper assumes the charge of refrigerant to be 0.15kg, however, we think that when convert the equipment with 1kg charge of HCFC-22 to R290, the charge should be 0.45kg.

Para 58

The conversion in the industrial and commercial refrigeration sector mainly includes the conversion to the ducted commercial and packaged air conditioners, chillers, compressors, and condensing units.

Regarding the ducted commercial and packaged air conditioners, two technologies are considered, namely HFC-410A and HFC-407C. However, from the utilization of these two technologies, except for servicing, HFC-407C is seldom used in the new products in the industrial and commercial refrigeration sector now, and the main substitute in this sector is HFC-410A in the global market.

Para 59

Actually, in the production of ducted commercial and packaged air conditioners in China, the refrigerant charging operations are done on the production site.

Para 60

The IOC is calculated for the conversion of a manufacturing facility producing 1000 units of an average of 15 kW cooling capacity or even lower capacity. However, the actual situation is that the product specifications and quantities of production of the industries' are larger than the 1000/15kW capacity.

For ducted commercial and packaged air conditioners, if we make the calculation assuming that one factory has 1000 sets capacity (15kW and 10 production specifications) and the average IOC is \$ 2000 of each machine, then we get the IOC (including compressors, refrigerant, heat exchangers, refrigeration parts, valves, piping, etc.) totaling about \$ 200,000 per year, and the IOC here of a single machine is 10-15% higher than HCFC-22 machines. And the ICC (including design fees, prototype, testing, pilot production, tooling equipment, training) is about \$300,000.

For chillers, the refrigerants include R134a and R410A, and the refrigerants are

charged by manufacturers in China. The ICC here is approximately \$ 610,000, including design fees, prototype, testing, pilot production, tooling equipment, training etc. and the IOC is about \$ 812,000 a year, with that of a single machine 10-15% higher than HCFC-22 machines.

Para 72

For commercial refrigeration and condensing units, the ICC (including design fees, prototype, testing, pilot production, tooling equipment, training etc.) is approximately USD 300,000. And the IOC is about USD 75,000.

For the conversion of the compressors, if we calculate the ICC for a production line with the capacity of 2000 sets of 500kW capacity equipment per year in 5 production specifications, the ICC will amount to \$460,000.

V. Other considerations and co-financing

Para 68

We would suggest that this paragraph be deleted.

Para 69-75

We would suggest that these paragraphs be revised according to relevant decisions made in the 54<sup>th</sup> ExCom.

VI. Recommendations

We suggest that this section should be reconsidered and restructured, and take into account the following recommendations:

Para 76 (a)

We suggest that before the ExCom makes new decisions for IOC, the pilot projects and the HPMP should follow the previous experience in the phase-out of CFCs including the duration for payment of IOC, etc.

Para 76 (b)

We would suggest that this paragraph be deleted.

Para 76 (c)

At present, it is not applicable to oppose rigid environmental indicators for MLF funded projects. And the prioritization of these indicators should also allow flexibility, and could let the countries to take into consideration of their different country status, different nature of respective industries, the availability of the substitute technologies, etc.

Para 76 (d)

We agree with (i) and think that the cut-off date should be decided soon, otherwise it will bring great difficulty to the A5 countries in their preparation for the HPMPs and future work, and policy principles should also be made clear as soon as possible for second conversions. And we would suggest deleting (ii).

In addition, we suggest that the following issues to be considered in the paper:

1. What's the function and objective of this paper?
2. As it is pointed out in this paper that due to lack of experience in HCFC phase-out, it is difficult to provide appropriate guidance in terms of technology recommendation and cost calculations. We quite agree with this point and suggest that the ExCom approve some pilot projects to testify the technologies and to gain relevant cost information.
3. Detailed recommendations should be provided regarding how the 56<sup>th</sup> ExCom could review pilot projects.