



**United Nations
Environment
Programme**

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/41/85
23 November 2003



ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-first Meeting
Montreal, 17 - 19 December 2003

**CONSIDERATION OF THE RATE OF US \$12.10 PER ODP KILOGRAMME USED IN
ALLOCATING PHASE-OUT TO NON-INVESTMENT PROJECTS (DECISION 36/7)**

Background

1. The Executive Committee, when adopting Decision 35/57 which defined a starting point for determining the remaining ODS consumption eligible for funding by the Multilateral Fund for Article 5 countries, indicated the following in Proviso D:

“Institutional strengthening and non-investment activities, including UNEP activities and any country dialogues that may be approved, undeniably contribute to Article 5 reductions in the use of ODS, otherwise, there would be no need to fund these activities. That said, their direct ODS reduction impact has been notoriously difficult to quantify. The Technology and Economic Assessment Panel historically suggested that for methyl bromide, non-investment activities may be five times more cost-effective than phase-out projects, yielding a cost-effectiveness of under US \$4.25/kg. For the purposes of this endeavour, it has been agreed to take a much more conservative stance, and agreed that all future non-investment activities be given a value that is not many times more cost-effective than investment projects, which is at US \$12.10/kg, which is one third as cost-effective as the average investment project approved under the Fund. This should be used as an interim figure until more research can be done on the issue.”

2. In the same decision the Executive Committee also decided that:

“This proposal would also include a clear commitment that this level of institutional strengthening or a level close to it should prevail for all Article 5 Parties until at least 2010, even if they should phase-out early”.

3. At its 36th Meeting, the Executive Committee decided *inter alia*:

“That Proviso D would not apply to low-volume consuming countries” (Decision 36/7 (a))

“To request the Secretariat to prepare a paper to enable the Executive committee to consider the possibility of amending the rate of US\$12.10 per ODP kilogramme, by the 39th Meeting”. (Decision 36/7 (c)).

4. The Executive Committee was subsequently informed at the 39th Meeting that this policy paper was to be submitted at the 41st Meeting (UNEP/OzL.Pro/ExCom/39/2).

Scope

5. This paper examines the possibility of amending the rate of US\$12.10/kg established in Proviso D of Decision 35/57. The examination does not include the option of changing the rate to zero since this would have the effect of cancelling Proviso D. Cancellation of Proviso D was not included in the request to the Secretariat in Decision 36/7(c).

Context

6. Strategic planning, adoption of the compliance-oriented model and approval of a three year phase-out plan 2003-2005 based on the compliance oriented model, provide a basis for the view that each dollar allocated from the Multilateral Fund should contribute to phase-out and that this contribution should be accounted for in a quantitative way and included in phase-out planning. Proviso D gives effect to this concept.

7. As agreed in Decision 36/7, the ODS reduction contribution of US \$12.10/kg does not apply to LVC countries.

8. The guidelines for performance-based sectoral and national ODS phase-out plans adopted in Decision 38/65 indicate that Proviso D does not apply to non-investment activities submitted as part of a performance-based phase-out plan (paragraph 24 of the guidelines) but should apply to separate, non-investment activities submitted outside such performance-based plans.

9. The effect of the application of Proviso D of Decision 35/57 is that, when a country is determining the remaining eligible consumption to bring forward in its final project (either a national phase-out plan, a sector plan or a terminal investment project), the country will need to take into account that the CFC consumption remaining eligible for funding in the final project will have been reduced by 1kg for every US \$12.10 of funding approved for all CFC-related non-investment activities, including institutional strengthening, that have been approved for the relevant country after the 35th Meeting.

Discussion

10. Of the total of 132 countries classified as operating under Article 5 of the Protocol and receiving assistance from the Multilateral Fund, Proviso D only applies to the 38 non-LVC countries. Of this number, a total of 6 countries have already concluded agreements with the Executive Committee for complete phase out of their CFC consumption. These 6 countries will not be affected by Proviso D in the future. Additionally, another 6 countries have submitted a national plan for CFC phase-out to the 41st meeting. Upon approval of these plans, the number of countries subject to the application of Proviso D of Decision 35/57 in the future would be reduced to 26.

11. Twenty-two non-LVC countries have had stand-alone non-investment projects approved since the 35th Meeting, including institutional strengthening renewals. Among these 22 countries, levels of remaining eligible consumption have been reduced by an average of 13.7 ODP tonnes as a result of Proviso D. The reductions range from 9.1 ODP tonnes (Indonesia) to 48.7 ODP tonnes (China). The average reduction in remaining eligible consumption in these 22 countries is 1.14 percent, with a range from 0.57 percent (Iran) to 21.4 percent (Lebanon).

12. The predominant contribution to these reductions is from institutional strengthening activities. Only 4 other stand-alone non-investment projects have been approved in total for all 22 countries. With the exception of two countries, Lebanon and Tunisia, the reductions do not

exceed 5.1 percent of the remaining eligible consumption in the country. The percentage reductions in Lebanon and Tunisia are higher because each country has a particularly low level of remaining eligible consumption (47 tonnes and 93 tonnes respectively).

13. Changes in the figure of US \$12.10 would appear to have only a minor effect on countries' CFC phase-out programmes in the future. For instance, if the figure were halved, to, say, US \$6/kg, the average reduction in remaining eligible consumption would change from 1.14 percent to 0.57 percent. Conversely, if the figure were doubled to US \$24.20 kg, the average reduction in remaining eligible consumption would rise, but only to 2.28 percent.

Conclusions

14. Noting that Proviso D applies to no more than 38 countries; that 6 countries have already had assistance approved in principle for complete CFC phase-out under the current determination in Proviso D; that another 6 countries submitted CFC phase-out plans for consideration at the 41st Meeting, and; that reasonable variations to the figure of US \$12.10/kg will not impact the phase-out plans of the 26 remaining countries in a significant way; the Executive Committee might consider the proposition that a change in value from the figure of US \$12.10/kg is not warranted.
