

A D D E N D U M

**MONTREAL PROTOCOL
ON SUBSTANCES THAT DEplete
THE OZONE LAYER**



UNEP

**Technology and Economic Assessment Panel
Replenishment Task Force**

A D D E N D U M

TO THE OCTOBER 2005 SUPPLEMENT REPORT

December 2005

Addendum

Montreal Protocol On Substances that Deplete the Ozone Layer

Report of the
UNEP Technology and Economic Assessment Panel and its Replenishment
Task Force

December 2005

ADDENDUM

**TO THE OCTOBER 2005 TEAP SUPPLEMENT REPORT
TO THE MAY 2005 REPORT**

"ASSESSMENT OF THE FUNDING REQUIREMENT FOR THE
REPLENISHMENT OF THE MULTILATERAL FUND FOR
THE PERIOD 2006-2008"

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**ADDENDUM TO THE
OCTOBER 2005
SUPPLEMENT REPORT**

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1 Introduction

In the RTF Supplement Report to the May 2005 Replenishment report issues were studied related to non-investment activities, to carbon tetrachloride, to HCFCs, chillers and destruction technologies. In relation to decisions on funding taken at the 45th and 46th Executive Committee meeting and also in relation to a somewhat more detailed study of a number of elements, an adjusted funding requirement of US \$430.33 million was given for the 2006-2008 triennium. Since a number of revised and modified project proposals had been submitted to the 47th meeting of the Executive Committee, it was, in fact, impossible to give a one point value for the funding requirement. This because the Task Force could not prejudge the outcome of the discussions at the 47th Executive Committee Meeting. The Replenishment Task Force therefore gave a range of US \$417.4 - 485.9 million for the funding requirement. The final value would depend on the approvals at the 47th Executive Committee meeting.

This addendum investigates the impact of the funding decisions taken at the 47th Executive Committee meeting and presents a one point value for the funding requirement for the triennium 2006-08, as well as a table that compares the funding requirement value from the October 2005 Supplement Report with the “final” values. In this addendum one therefore finds a summary of the impact of all the separate, relevant decisions taken at the 47th Executive Committee meeting on the funding requirement for the triennium 2006-2008.

This addendum contains the elements (1) chiller demonstration projects, (2) the China (CTC) Process Agents Phase II plan, (3) production phase-out plans for China (MB) and Romania, (4) the closure of the Mexican CFC production plant, (5) funding for the CAP program and Institutional Strengthening (IS) funding, as well as (5) considerations and updates on multi-year agreements and other projects.

2 Chiller demonstration projects

The 46th Executive Committee meeting decided on a funding window of US \$15.2 million for (additional) demonstration projects in the chiller sub-sector (which excludes support costs), with an understanding that no further funding for chiller replacement would be approved by the Executive Committee.

The 47th Meeting of the Executive Committee decided (Decision 47/26) to approve chiller demonstration projects for **(1)** Brazil, the Caribbean region, Colombia (all UNDP), for Cuba (UNDP and Canada), for **(2)** Croatia, the Former Yugoslav Republic of Macedonia, Romania, Serbia and Montenegro and the Syrian Arab Republic (all UNIDO), and for **(3)** China, India, Indonesia, Jordan, Malaysia, Philippines and Tunisia (all World Bank). These demonstration projects are at a total value of US \$12.524 million, with US \$ 950,128 support costs.

The Executive Committee decided to approve a total of US \$2 million plus support costs for chiller demonstration projects in Africa. The Committee also requested UNEP to prepare an amended project proposal to disseminate experience gained in the chiller demonstration projects on a global level, in particular for the benefit of those countries not participating in the demonstration projects, in collaboration with the implementing and bilateral agencies involved. The proposal was not to exceed the total of US \$200,000 plus support costs. The projects for Africa and the funding for UNEP are to be submitted to the Secretariat for approval at the 48th Meeting of the Executive Committee. In the relevant Decision it says that “....any funds that would remain in the funding window would be transferred to the World Bank’s Global Chiller Replacement Project, on the understanding that these additional resources could be used with priority for Africa”.

The reason why the chiller demonstration projects are mentioned in this addendum is that the funding, which will be requested in 2006, will be coming from this triennium (2003-2005) and will not be part of the funding requirement for the next triennium.

The total funding for chiller demonstration projects, as they will all have been funded in the course of 2006, then amounts to US \$15.2 million plus support costs (in which amount the project preparation costs are included).

The relevant Decision 47/26 mentions again “that no further funding for chiller replacement would be approved by the Executive Committee”.

3 Production sector phase-out and process agent project funding

1. The 47th Executive Committee meeting decided to approve the PA II plan for China on the basis of a project proposal submitted by the World Bank for the phase-out of CTC production and for the reduction of CTC consumption in process agent applications. The total amount approved including support costs is US \$49.9875 million. Of this amount US \$16.125 million was approved for the World Bank for the first tranche of the project in 2005 (including support costs).

The remaining funding approved amounts to US \$33.8625 million (the net amount without support costs is US \$31.5 million; US \$2.3625 million are the support costs). On the basis of the Montreal Protocol CTC control schedule, it can reasonably be assumed that virtually all this funding will be requested (and approved) in the triennium 2006-2008.

This amount is US \$9.225 million higher than that considered for the PA II plan in the October 2005 Supplement Report, without agency support costs. Agency support costs in the Supplement report were determined at US \$1.671 million; compared to the approved support costs now approved, there is an increase of US \$0.692 million. The total increase in funding compared to the amount mentioned in the October 2005 Supplement report equals US \$9.917 million.

2. The 47th Executive Committee meeting decided to approve a production closure project for Romania, on the basis of a modified project proposal submitted by UNIDO. This should lead to a phased reduction and closure of the entire CTC, MB and CFC production capacity in Romania. The total amount approved including support costs is US \$6.773 million.

The funding approved for the triennium 2006-08 amounts to US \$3.1 million plus support costs at US \$232,500. This is US \$2.2 million higher than the amount without support costs considered in the Supplement report. The support costs are US \$164,500 higher; the total increase compared to the amount in the Supplement report for the next triennium is US \$2.3645 million.

3. The 47th Executive Committee Meeting decided to approve a production closure project for China for methyl bromide, on the basis of a modified project proposal submitted by UNIDO. This should lead to the phased reduction and closure of the entire methyl bromide production capacity for controlled applications in China. The total funding approved for the project, including support costs, amounts to US \$10.524 million (and covers the period 2005-2012).

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Of the total amount, the funding approved for the triennium 2006-08 amounts to US \$ 3.225 million including support costs (the latter being US \$0.225 million), which is the same amount as has been considered in the Supplement Report, October 2005, for the funding requirement for the 2006-2008 triennium.

4. The 47th Executive Committee Meeting took note of the fact that the Mexican CFC production plant at Quimibasicos had closed production in 2005, nearly five years in advance of the phase-out requirements under the Montreal Protocol. According to Decision 45/62, it was possible to release the final tranche for the phase-out project at the 47th Meeting of the Executive Committee, subject to the availability of funds, at a total of US \$12,738,750.

Since funds were available, the Committee approved the final tranche for release (US \$11.850 million, excluding support costs at US \$888,750).

4 Update on projects

4.1 Existing and new CFC multi-year agreements

At the 47th Executive Committee Meeting, multi-year agreements were approved for Afghanistan and the Dem. People's Republic of Korea. These approvals will increase the amount for the triennium 2006-2008, as listed under existing agreements in the Supplement Report, with funding at a value of US \$1.001 million (US \$885,768 net, US \$115,150 support costs).

In the Supplement report, the project for the Dem. People's Republic of Korea had been considered under new projects, where it concerns the funding for the triennium 2006-2008 (US \$1.094 million net, US \$0.089 million support costs, total value US \$1.183 million). This amount has to be subtracted from the funding for new projects as given in the Supplement report.

4.2 TPMPs

At the 47th Executive Committee Meeting, TPMPs for Mongolia and St. Vincent were approved. This will reduce the funding given for new TPMPs (a total value of US \$33.675 million was given in the Supplement report). The funding has to be reduced by the total value approved, which amounts to US \$492,420 (US \$442.400 net, US \$50,420 support costs).

The above implies that an amount of US \$122,815 (US \$110,000 net, US \$12,815 support costs) has to be added to the existing TPMP funding for the triennium 2006-2008, being the tranches approved for those years.

4.3 Existing and new Methyl Bromide multi-year agreements

At the 47th Executive Committee Meeting, multi-year agreements were approved for the countries Libya and Zimbabwe. This will reduce the funding as mentioned for all new MB projects (a total value of US \$12.797 million was given in the Supplement Report, October 2005).

The funding value as mentioned above has to be reduced by US \$1.831 million (US \$1.694 million net, US \$0.137 million support costs). This is the amount considered in the Supplement Report for these two countries for the triennium 2006-2008.

The approvals imply that an amount of US \$2.567 million (US \$2.362 million net, US \$0.205 million support costs) has then to be added to the existing MB project funding for the triennium 2006-2008.

4.4 MDI projects

At the 47th Executive Committee Meeting, it was decided to approve US \$70,000 plus support costs for the preparation of an investment project to phase out CFCs in the manufacture of MDIs in the Islamic Republic of Iran. It would concern 98 ODP tonnes of CFCs. On the basis of the approval of the project preparation, it can be expected that an investment project will be submitted during the next triennium at US \$3.430 million, with support costs at US \$0.257 million (based upon a cost effectiveness of US \$35 per ODP-kg, as used for all other, new MDI projects in the 2005 Replenishment reports, i.e., including the Supplement report).

4.5 Halon investment and non-investment projects

At the 47th Executive Committee Meeting, it was decided to approve an investment project in 2005 for halons for Libya, at a funding level of US \$343,500, excluding support costs at US \$25,753. However, an amount of US \$450,232 plus support costs at US \$33,768 had been taken into account for this project for the next triennium in the Supplement report (under halon consumption projects). The latter amount therefore needs to be subtracted from the amount for halon consumption projects.

In the Supplement report, an amount for halon banking of US \$1.5 million was assumed under non-investment activities (without agency support costs). As a result of decision 47/10 this amount has to be increased with an amount of about US \$1 million. A total amount of US \$2.5 million is therefore assumed for halon banking, excluding US \$0.225 million (9%) support costs.

4.6 Not submitted projects required for compliance

In the October 2005 Supplement report, it has been mentioned that a certain amount of funding could have been requested for approvals “in principle” and that this amount had not been requested. The Multilateral Fund Secretariat determined the precise amount before the 47th Executive Committee meeting on the basis of funding requests not submitted.

However, a certain part of this funding amount had already been considered by the Task Force in the Supplement report; the Task Force had taken into account (after re-calculation of the status at the time of the 47th Executive Committee meeting) an amount equal to US \$2.624 million. If this is then subtracted from the amount determined by the MLF Secretariat, it implies that an amount of US \$4.596 million has to be added to the funding requirement for the triennium 2006-2008 (US \$4.275 million net, US \$0.321 million support costs).

One tranche for a project, not submitted in 2005, which does not belong to the “approvals in principle”, needs to be considered here as well.

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This is the amount for the 2005 part of a MB multi-year project for Vietnam; it also needs to be considered in the funding requirement for the next triennium (US \$300,465 net, US \$22,535 agency support costs).

The total amount to be added to the funding requirement for the next triennium therefore equals US \$4.919 million (US \$4.575 million net, US \$0.344 million support costs).

5 CAP and Institutional Strengthening funding

CAP funding was approved at the 47th Meeting of the Executive Committee at US \$7.77 million for the year 2006, excluding support costs, with an allowed 3% increase per year.

The total amount of CAP funding to be approved during the triennium 2006-2008 (for the years 2007, 2008 and 2009) will therefore be US \$26.716 million (US \$24.736 million net, plus US \$1.98 million support costs). This amount contains all funding for awareness (which was a separate line in the funding requirement table in the Supplement Report, October 2005).

On the basis of the requests for Institutional Strengthening (IS) funding, received for approval at the 47th Executive Committee Meeting, the amount of IS funding was recalculated for the triennium 2006-2008. It concerns amounts of US \$5.964 million for the years 2006 and 2008, and an amount of US \$9.706 million for the year 2007 (the net value would be US \$20.815 million; the support costs amount to US \$0.820 million).

6 Total Funding Requirement for the triennium 2006-2008

Type of projects	Investment (\$ million)	Support costs (\$ million)	Subtotal (\$ million)	Estimate Oct 2005 (\$ million)
a. Investment projects consumption sector				
• Multi-year CFC, existing ¹	54.075	4.477	58.552	57.551
• Non-LVCs with no plans (yet)	9.198	0.683	9.881	11.064
• LVC - TPMPs, existing ²	1.328	0.128	1.456	1.333
• LVCs funding after 2007 (TPMP conversion) (Dec. 45/54)	30.453	2.730	33.160	33.675
• MDI and pharmaceutical aerosols in non-LVCs ³	29.046	2.269	31.315	27.628
• MB (existing) ⁴	13.088	1.014	14.102	11.085
• MB (new)	10.064	0.902	10.966	12.797
• Halon ⁵	0.504	0.035	0.539	1.023
• CTC phase-out, existing	26.002	2.111	28.113	28.113
• CTC, PA II and new ⁶	35.444	2.695	38.139	28.222
• CTC (and TCA) contingency	6.000	0.450	6.450	6.450
• TCA phase-out	0.413	0.038	0.451	0.451
• BCM phase-out	0.700	0.054	0.754	0.754
Subtotal	216.315	17.586	233.901	220.146
b. Investment projects Production sector				
• Closure CFC production plants ⁷	70.903	5.314	76.217	88.911
• Closure Halon production (China)	0.800	0.060	0.860	0.860
• Closure CTC production plants	17.674	1.326	19.000	19.000
• Closure TCA production plants	0.700	0.0525	0.7525	0.7525
• Closure CTC/MB plant ⁸	3.100	0.233	3.333	0.968
• Closure MB production plant	3.000	0.225	3.225	3.225
Subtotal	96.177	7.211	103.388	113.717

¹ 47th ExCom induced changes in the funding requirement for existing and new CFC multi-year projects

² 47th ExCom induced changes in the funding requirement for existing and new TPMP projects

³ Based upon re-calculation after October 2005 of funding requirement for MDI conversion in one country

⁴ 47th ExCom induced changes in the funding requirement for existing and new MB multi-year projects

⁵ Change in the funding requirement based upon approved halon investment plan at the 47th ExCom

⁶ Change in the funding requirement based upon approved CTC PA II plan at the 47th ExCom

⁷ Change in the funding requirement based upon approved CFC plant closure funding at the 47th ExCom

⁸ Change in the funding requirement based upon approved plant closure funding at the 47th ExCom

Addendum

Type of projects	Investment (\$ million)	Support costs (\$ million)	Subtotal (\$ million)	Estimate Oct 2005 (\$ million)
c. Non-investment projects, support				
• CAP ⁹ (Personnel, Clearinghouse and Information Exchange), incl. awareness raising	<i>24.736</i>	<i>1.980</i>	26.716	25.628
• Awareness raising	<i>0.00</i>	<i>0.00</i>	0.00	0.678
• Institutional Strengthening (IS) ¹⁰	<i>20.815</i>	<i>0.820</i>	21.635	23.772
• Halon banking ¹¹	<i>2.500</i>	<i>0.225</i>	2.725	1.620
• MB non-investment act.	1.000	0.090	1.090	1.090
• MDI transition strategies	1.080	0.097	1.177	1.177
• Technical Assistance Demonstration	4.840	0.421	5.261	5.261
Subtotal	<i>54.971</i>	<i>3.633</i>	58.604	59.226
d. Other funding requirements				
Multilateral Fund Executive Committee and services of the MLF Secretariat	<i>14.191</i>		14.191	12.825
Treasurer's Fees	1.500		1.500	1.500
Agencies' Core Unit Funding		15.600	15.600	15.600
e. Project Preparation costs¹²	<i>2.587</i>	<i>0.233</i>	2.820	3.020
f. New requirements				
Demonstration of "destruction" via four (national or regional) projects ¹³	4.000	0.300	4.300	4.300
g. Additional project funding				
Requests not submitted in 2005, for funding during 2006-2008 ¹⁴	<i>4.575</i>	<i>0.344</i>	4.919	—
Subtotal (d-g)	<i>26.853</i>	<i>16.477</i>	43.330	37.245
Total	<i>394.316</i>	<i>44.907</i>	439.223	430.334
Estimate of the Total Funding Requirement for the 2006-2008 Replenishment of the Multilateral Fund			439.22	430.33

Note: numbers in the first three columns in italics denote changes from values given in the October 2005 Supplement Report

Note: in the October 2005 Supplement Report the range of US \$417.4-485.4 million was given as the best estimate for the 2006-2008 funding requirement

⁹ The amount for CAP was recalculated based upon a decision by the 47th ExCom Meeting; it also includes an amount mentioned for awareness raising, which was mentioned separately in the October 2005 report

¹⁰ The amount for IS was recalculated based upon latest submissions at the 47th ExCom Meeting

¹¹ The amount for halon banking was adjusted on the basis of a Decision taken by the 47th ExCom Meeting

¹² Project preparation costs had to be modified as a result of a change in the number to be prepared

¹³ Demonstration projects were added in the October Supplement Report

¹⁴ Funding requirement for funding requests not submitted to the 47th ExCom Meeting, for 2006-2008