

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



UNEP

Technology and Economic Assessment Panel

**ADDENDUM TO THE
SUPPLEMENT TO THE
MAY 2014
TEAP XXV/8 TASK FORCE (REPLENISHMENT) REPORT**

October 2014

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**“ASSESSMENT OF THE FUNDING REQUIREMENT
FOR THE REPLENISHMENT OF THE MULTILATERAL FUND
FOR THE PERIOD 2015-2017”**

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On Substances that Deplete the Ozone Layer**

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THE PERIOD 2015-2017"**

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Additional analysis concerning equal distribution of consumption sector funding related to the 2020 target

Section 4.1 of the Supplementary Report includes analysis of three options for equalizing consumption sector funding associated with the 2020 target. The difference between these options is the treatment of the funding assessment for the first year of stage III HPMPs to address the 2025 target, which on the basis of business as usual could be required in 2020 (i.e. in the last year of the second triennium) This analysis is presented in Tables 4-2 to tables 4-4 respectively, with Table 4-1 representing the “base case”. The difference between these options is as follows:

- Table 4-1 presents the base case (no equalization of the funding distribution for stage (I and) II HPMPs) with no funding included in the second triennium for stage III HPMPs;
- Table 4-2 excludes from trienniums 1 and 2 any funding associated with stage III HPMPs (the 2025 target) and splits the consumption sector funding for the 2020 target equally across the first two triennia;
- Table 4-3 includes the first year for funding for stage III HPMPs in year 2020 (i.e. in the second triennium) then splits the consumption sector funding for the 2020 target equally across the first two triennia, and
- Table 4-4 adds the 2020 funding for stage III HPMPs to the consumption sector funding for the 2020 target and splits the total funding across the first two triennia (as first presented in the May report).

In all three options, the consumption sector funding for the 2020 target is taken to be the total funding in that sector. The total funding is made up of new commitments for stage II HPMPs *plus* existing commitments for approved stage I HPMPs currently under implementation. Disbursement schedules have already been agreed for these HPMPs and disbursements will take place far more in the first 2015-2017 triennium than in the second. Therefore to achieve an equal distribution of HCFC consumption funding it would be necessary to shift part of the new HCFC funding for stage II HPMPs to the second triennium 2018-2020. This may present significant practical problems, for instance, disbursements for procurement of material, that comprise a significant proportion of total project funding, would normally be needed upfront rather than in later years.

The Task Force has therefore examined additional options based on Tables 4-2, 4-3 and 4-4 as described above. However for this analysis the Task Force has assumed that all existing obligations, for both LVC and non-LVC countries, will be funded according to their current disbursement schedules (i.e., not equally distributed across the triennia) and an equal distribution has been applied to new commitments for stage II HPMPs. Otherwise, the parameters of each option remain as described above.

The three additional scenarios, with existing obligations remaining as programmed are presented in Tables A4-2, A4-3 and A4-4 below (with the base case given as Table A4-1, identical to Table 4-1 in the supplement report)

Funding requirement	2015-2017	2018-2020	2021-2023
1. Production sector	72.562	65.622	65.622
2. IS, PRP, DP* and supporting activities	108.403	113.852	105.220
3a. Existing obligations LVCs and non-LVCs (see Table 6-1)	90.06	15.01	0.30
3b. Pre-blended polyols	4.32	4.32	
3c. New commitments LVCs			54.63
3. Subtotal	94.4	19.33	54.93
<i>New commitments non-LVCs</i>			
4. Case 1** (commitment based phase-out)	334.1	180.3	582.3
5. Case 2 (unfunded phase-out)	214.4	115.5	582.3
6. Total funding requirement Case 1	609.5	379.1	808.1
7. Total funding requirement Case 2	489.7	314.2	808.1

* (DP) Demonstration Projects

**Some small adjustments had to be made to the total numbers for Case 1, compared with Table 10-2 in the May report

Table A4-1 Components of the funding requirements in the next three triennia), showing the total funding requirements for Case 1 and Case 2 and with stage III HPMP funding deferred until 2021 (identical to Table 4-1 in the Supplementary Report)

Table A4-1 indicates the total funding requirements for three triennia with no equal distribution of funding for stage (I and) II HPMPs to meet the 2020 target between triennia, and with all requirements for funding stage III HPMPs deferred to 2021 or later. Table A4-1 is identical to Table 4-1 in the Supplementary Report).

Funding requirement	2015-2017	2018-2020	2021-2023
1. Production sector	72.562	65.622	65.622
2. IS, PRP, DP and supporting activities	108.403	113.852	105.220
3a. Existing obligations LVCs and non-LVCs (see Table 6-1)	90.6	15.01	0.30
3b. Pre-blended polyols	4.32	4.32	
3c. New commitments LVCs			54.63
3. Subtotal	94.38	19.33	54.93
<i>New commitments non-LVCs</i>			
4. Case 1** (commitment based phase-out)	257.2	257.2	582.3
5. Case 2 (unfunded phase-out)	165.0	165.0	582.3
6. Total funding requirement Case 1	532.5	456.0	808.1
7. Total funding requirement Case 2	440.3	363.8	808.1

**Some small adjustments had to be made to the total numbers for Case 1, compared with Table 10-2 in the May report

Table A4-2 Components of the funding requirements as in Table A4-1 with an equal distribution of HPMP stage II funding over the next two triennia (related to the 2020 target), and with stage III HPMP funding deferred until 2021

The funding profile is less even than the option appearing in Table 4-2 of the supplementary report, due to the significant disbursement of funds for stage I HPMPs in the first triennium. There is a difference of about US\$ 80 million between the first triennium for both Case 1 and Case 2, whereas in Table 4-2 the two triennia are virtually identical.

Funding requirement	2015-2017	2018-2020	2021-2023
1. Production sector	72.562	65.622	65.622
2. IS, PRP, DP and supporting activities	108.403	113.852	105.220
3a. Existing obligations LVCs and non-LVCs (see Table 6-1)	90.6	15.01	0.30
3b. Pre-blended polyols	4.32	4.32	
3c. New commitments LVCs		30.35	24.28
3. Subtotal	94.38	49.68	24.58
<i>New commitments non-LVCs</i>			
4. Case 1** (commitment based phase-out)	257.2	257.2	
5. Case 2 (unfunded phase-out)	165.0	165.0	
<i>New commitments non-LVCs for 2020 and for non-LVCs and LVCs for a certain part for the 2025 target (funded in 2020)</i>		141.2	441.1
6. Total funding requirement Case 1	532.5	627.6	636.5
7. Total funding requirement Case 2	440.3	535.3	636.5

**Some small adjustments had to be made to the total numbers for Case 1, compared with Table 10-2 in the May report

Table A4-3 Components of the funding requirements as in Table A4-2, showing the total funding requirements for Case 1 and Case 2, with an equal distribution of HPMP stage II funding for the next two triennia (related to the 2020 target), and with initial funding for stage III HPMPs provided in the second triennium (2020)

In this scenario the increase in the second triennium over the first arising from the inclusion of 2020 funding for Stage III HPMPs has been reduced by about US \$40 million for both Cases 1 and 2.

Table A4-4 shows the total funding requirements for Case 1 and Case 2, with an equal distribution across the first and second triennia of both HPMP stage II funding and the initial funding for stage III HPMPs (as originally presented in the May report)

The total funding requirement for the first triennium is about US\$ 45 million larger than the requirement for the second triennium. This can be compared to Table A-4 in the Supplement report, where there is virtually no difference in funding requirement for the first and second triennium (about US\$ 580 million for the first triennium, about US\$ 488 million for the second triennium).

The first triennium funding requirement would therefore increase by about US\$ 22 million for both Case 1 and Case 2.

Funding requirement	2015-2017	2018-2020	2021-2023
1. Production sector	72.562	65.622	65.622
2. IS, PRP, DP and supporting activities	108.403	113.852	105.220
3a. Existing obligations LVCs and non-LVCs (see Table 6-1 in May report)	90.6	15.01	0.30
3b. Pre-blended polyols	below (4.32)	below (4.32)	
3c. New commitments LVCs		30.35	24.28
3. Subtotal	90.6	45.36	24.58
<i>New commitments non-LVCs for 2020 and for non-LVCs and LVCs for a certain part for the 2025 target (funded in 2020)</i>			
4. Case 1 (commitment based phase-out)	332.1	332.1	441.1
5. Case 2 (unfunded phase-out)	239.9	239.9	441.1
6. Total funding requirement Case 1	603.1	557.0	636.5
7. Total funding requirement Case 2	510.9	464.7	636.5

Table A4-4 Components of the funding requirements as in Table A4-1, showing the total funding requirements for Case 1 and Case 2, with an equal distribution across the first and second triennia of both HPMP stage II funding and initial funding for stage III HPMPs