*4.11.2015*

**Flexibility in implementation**

**Key issues addressed by parties**

* Country-driven approach
* Exemptions
  + Basket of HCFCs/HFCs
  + Phase-down instead of phase-out
* Cost effectiveness
* Servicing sector
* Volumetric analysis of HFCs used by countries
* Capacity-building
* MOP / ExCom
* Need for the ExCom to quickly develop guidelines for the production sector
* Need for alternatives to be available in-country
* Niche sectors, such as marine need to be addressed.

**Possible solutions suggested by parties/Suggestions by parties**

* Flexibility under the Executive Committee – learn from past lessons from dealing with ODS; All important issues should be dealt with in any amendment and related decisions at the Meeting of the Parties and not left to the Executive Committee;
* Flexibility of implementation means country-driven implementation that enables countries to set their own strategies, including with regard to timing, prioritizing sectors and choosing substances and technologies in the light of their national circumstances;
* HFC surveys are needed to enable countries to design strategies suitable to their national circumstances;
* Exemptions should be provided to allow for flexibility in implementation; They:
* Should build on experience under the Montreal Protocol;
* May be subject to periodic review along the lines of quadrennial assessments;
* Should be linked to economic or technical need;
* Be sector-specific; TEAP to advise on sectors where exemptions might be needed;

* Decisions on exemptions should be made at the level of the MOP so as to win acceptance by all parties; exemptions should be time limited;
* There should be no general exemption;
* Phasedown itself provides flexibility to parties, recognizing that alternatives won't be available in all circumstances and allowing countries to use the "tail" as they see fit;
* Treat HCFCs and HFCs as a basket of gases togive A5 parties flexibility to deal with alternatives and to leave door open to possibility of using some high-GWP alternatives when no low-GWP ones are available, allowing them to coordinate HFC phase-down with HCFC phase out;
* Parties should have flexibility in choosing alternatives but funding should reflect cost effectiveness in the sense that greater reductions in CO2 equivalence would result in greater funding;
* Conduct volumetric analysis to grade countries according to their use of HFCs, as done with regard to emissions under UNFCCC, and allow greater flexibility for low emitting countries;
* *Volumetric approach would not address the challenges specific to LVCs and VLVCs;*
* Some A5s need capacity building to enable them to exercise flexibility effectively.

**Financial issues**

**Key issues addressed by parties**

* Clear guidance to Executive Committee
* Second and third conversions
* Cut-off date/Eligibility date
* Refrigeration servicing sector
* Financial incentives
* Disposal of HFCs
* Intellectual Property Rights (IPR)
* Reporting and destruction of HFC-23
* Capacity building

**Possible solutions suggested by parties/Suggestions by parties**

* MOP to provide clear and transparent guidance/guidelines on financing parameters to ensure clear guidance to the Executive Committee of the MLF on various elements associated with the funding for HFC management including with regard to new obligations on HFC-23; Guidance should also be provided on the methodology to calculate costs of conversion projects and cost effectiveness (CE) thresholds; Sufficient element should be included in the guidance/guidelines by the MOP but details should be dealt with at Executive Committee level;
* Address second and third conversions by defining them clearly and clarifying that they will be eligible for funding. The term "second conversions" is understood to refer to enterprises that converted from CFCs or HCFCs to HFCs, and the term "third conversions" is understood to refer to enterprises that converted initially from CFCs to HCFCs and subsequently to HFCs;
* Reporting on HFC-23 by product to be treated under Article 7 data reporting; As a new compliance obligation, it would therefore be eligible for financial assistance under Article 10 of the Montreal Protocol;
* MLF to subsidize the differential costs between current imports and future imports of the new alternatives to avoid adverse impacts on the balance of payments; costs of technological changes should also be covered;
* The MLF to cover full conversion costs including capital costs, costs of IPR, patents, technology transfer, research and development, lost profits due to shut-down of plants, change in structural design, layout of plant and machinery, civil, electrical and mechanical works;
* When switch of plants from HCFCs to low-GWP alternatives is not possible, full funding for closure of plants should be provided;
* Preference expressed for a financing mechanism covering second and third conversions, IPR, compensation for production plants etc to remain within the incremental cost approach of the MLF;
* Take early action by setting an early freeze and allowing alignment with the HCFC phase-out in order to minimize the phase-in of HFCs and to maximize opportunities for leapfrogging, thus avoiding second and third conversions to the extent possible, while at the same time providing countries with the flexibility to prioritize those sectors and substances they wish to address;
* Define cut-off/Eligibility date, taking into account the date of adoption of the amendment and overall funding arrangements;
* *Cut-off/Eligibility date should not be the date of adoption of the amendment, as Article 5 parties are in the early stages of HCFC phase-out and still use significant quantities of HFCs, most companies would not be eligible for funding;*
* Disincentives to the establishment of new HFC production capacity need to be put in place, ensuring a level playing field for all enterprises;
* Funding for the servicing sector needs to be ensured;
* Funding should be available for early stage activities, including capacity building activities with regard to licensing systems, policy development, training, including training on alternative technologies, equipment support to technicians and awareness raising;
* Funding should also be available for the definition and adoption of national safety standards, building codes and pilot projects to facilitate market penetration of alternatives;
* With regard to technical and financial assistance, the MOP could ask the Executive Committee to pay special attention to LVCs and VLVCs;
* Important to address funding for small and medium enterprises (SMEs)
* Consideration should be given to extending financial incentives beyond the manufacturing sector to embrace the refrigeration servicing sector;
* Funding should be available for the disposal of HFCs, especially in the case of LVCs and VLVCs;
* The climate protection premium in MLF funding should be increased and expanded to avoid uptake of high-GWP alternatives to HCFCs.