



**United Nations  
Environment  
Programme**

Distr.: General  
1 October 2009

English only



**Twenty-First Meeting of the Parties to the  
Montreal Protocol on Substances that  
Deplete the Ozone Layer**  
Port Ghalib, Egypt, 4–8 November 2009

**Further information from the Ozone Secretariat on issues  
related to funding opportunities for the destruction of  
ozone-depleting substances**

1. In accordance with decision XX/7, the Ozone Secretariat prepared and presented to the Open-ended Working Group at its twenty-ninth meeting a report on funding options for the destruction of banks of ozone-depleting substances (UNEP.OzL.Pro.Workshop.3/2). During the discussion of the report at that meeting in plenary session and by the members of a contact group some Parties requested the Secretariat to consider further work in certain specific areas touched on in the report.

2. Specifically, the Ozone Secretariat was asked to organize the more than twenty funding opportunities identified in the report according to the following categories: funding opportunities falling under the purview of the Montreal Protocol itself; funding opportunities involving cooperation between the Montreal Protocol and other institutions, including co-financing; funding opportunities that could be acted upon by individual Parties; and funding opportunities that could be acted upon independently by other institutions. In addition, the Ozone Secretariat was asked to continue to consult the World Bank, the Global Environment Facility (GEF) and the various multilateral environmental agreement secretariats and to report on any further progress. The Secretariat was also asked to provide further information on “producer or manufacturer responsibility/take-back programmes”. Finally, the Secretariat was asked to compile information related to discussions that have taken place on legal issues associated with financing by the Multilateral Fund for the Implementation of the Montreal Protocol for the destruction of ozone-depleting substances. Progress on each of these issues is discussed below.

**I. Categorizing the funding options listed in the Secretariat’s report**

3. As noted above the Secretariat’s report on funding the destruction of ozone-depleting substances included more than 20 specific opportunities that the Parties might wish to consider. In accordance with the request of the Parties at the meeting of the Open-ended Working Group the Secretariat has endeavoured to include each of those opportunities in one or more of the categories outlined by the Parties. The names of the opportunities referred to below have in some cases been expanded from the names given them in the report; this was done to provide needed context. For easy reference, the page number on which each opportunity is discussed in the report is included below in parentheses after the title of the opportunity.

K0952948 081009

4. With that background, the categories and the opportunities within each are as follows:
- (a) Funding opportunities falling under the purview of the Montreal Protocol itself:
    - (i) Multilateral Fund – Operationalizing pilot projects called for in decision XX/7 (page 10);
    - (ii) Multilateral Fund – Traditional project funding and operationalization (page 11);
    - (iii) Multilateral Fund – Special facility and its operationalization (page 12);
    - (iv) United Nations Development Programme – Ozone-depleting substance carbon facility (this opportunity is placed in this category based on an assumption that it would be managed by Montreal Protocol Parties) (page 18);
  - (b) Funding opportunities that involve cooperation between the Montreal Protocol and other institutions, including co-financing:
    - (i) GEF – Climate change and energy efficiency project enhancements (page 25);
    - (ii) GEF – Persistent organic pollutants/Enhanced synergies with the secretariat of the Stockholm Convention on Persistent Organic Pollutants (page 15) (page 30);
    - (iii) Projects co-funded by Parties to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal and the Multilateral Fund (page 29);
  - (c) Funding opportunities that can be acted upon by individual Parties:
    - (i) Producer responsibility programmes (page 19) (pages 24–25);
    - (ii) Strategic Approach to International Chemicals Management Quick Start Programme funding for activities relating to destruction of ozone-depleting substances (page 26);
  - (d) Funding opportunities that can be taken independently by other institutions:
    - (i) GEF – Action under the ozone window (page 13);
    - (ii) GEF – Action under a reactivated short-term-response-measures window (page 14);
    - (iii) GEF – Climate change and energy efficiency project enhancements (page 15);
    - (iv) GEF – Persistent organic pollutants/Enhanced synergies with the secretariat of the Stockholm Convention (page 15) (page 30);
    - (v) World Bank – Use of donor trust funds (page 16);
    - (vi) World Bank – Mobilization of funds specifically for ozone-depleting substance destruction initiatives (page 16);
    - (vii) World Bank – Addressing ozone-depleting substance management and destruction within the chemicals management focal area or country assistance strategies (page 16);
    - (viii) World Bank – Climate investment funds: the Clean Technology Fund and the Strategic Climate Fund (page 16);
    - (ix) Funding for ozone-depleting substances from the Clean Development Mechanism under the United Nations Framework Convention on Climate Change;
    - (x) Funding from the Chicago Climate Exchange, the Voluntary Carbon Standard Association or other voluntary carbon markets for ozone-depleting substance destruction by individual business entities (pages 22–23);
    - (xi) Bilateral projects for ozone-depleting substance destruction (page 23) (note: these might also be funded by the Multilateral Fund and thus could be included in category A above);
    - (xii) European Union countries and other Parties – use of carbon allowance auction revenues to fund ozone-depleting substance destruction (page 24).

## **II. Continued Secretariat consultations on related matters**

5. Since the twenty-ninth meeting of the Open-ended Working Group the Ozone Secretariat has continued to consult GEF and other institutions on destruction-related activities. Work in this area has included participation in a GEF evaluation workshop for implementing agencies and secretariats of multilateral environmental agreements and discussions with the secretariat of the Basel Convention on possible joint work on an ozone-depleting substance destruction project in Central America. Discussions on these matters are at an early stage; the Secretariat will report to the Parties on them as they progress.

## **III. Producer responsibility programs**

6. As noted in the report many Parties, working with industry and non-governmental organizations, have initiated producer responsibility programmes. In the Secretariat's report reference was made to work in this area by the United Nations Industrial Development Organization (UNIDO) and at the twenty-ninth meeting of the Open-ended Working Group one Party specifically requested further information from UNIDO. At the request of the Secretariat, UNIDO has produced a short paper on the issue, which is set out in annex I to the present document. In addition, in 2008 the Executive Committee of the Multilateral Fund commissioned a consultant, ICF, to prepare a study on the collection and treatment of unwanted ozone-depleting substances in Parties to the Protocol. The study included a review of producer responsibility programmes. The general language from the study is excerpted in annex II to the present document. In addition, several of the individual case studies included in the study described the operation of these programmes in the context of the individual countries covered. To aid the Parties' review of this matter, the Secretariat has included the full study in the background document section of the Ozone Secretariat's website for the current meeting. Both annexes to the present document are presented as submitted and have not been edited by the Secretariat.

## **IV. Past discussions on legal issues related to Multilateral Fund financing for the destruction of ozone-depleting substances**

7. In its report the Ozone Secretariat noted that one option for dealing with ozone-depleting substance banks would be for the Parties to consider deeming the agreed incremental costs of such projects to be eligible for funding from the Multilateral Fund. In that context the Secretariat noted that the indicative list of categories of incremental costs agreed by the Parties in decision IV/18 already included in paragraph 2 (c) (ii) the "[c]ost of collection, management, recycling, and, if cost effective, destruction of ozone-depleting substances". Furthermore, decision IV/11 called upon the Parties "to facilitate access and transfer of approved destruction technologies in accordance with Article 10 of the Protocol, together with provision for financial support under Article 10 of the Protocol for Parties operating under paragraph 1 of Article 5". As only the Parties to the Protocol can interpret it definitively, the Secretariat suggested that the Parties might wish to consider whether the current structure provides sufficient justification for including funding for the destruction of ozone-depleting substances within the traditional funding framework of the Multilateral Fund. It also noted that given the language of the indicative list such a consideration would presumably include a finding by the Executive Committee or the Parties regarding what component of the banks it is now cost-effective to destroy and then a determination by the Executive Committee as to the agreed incremental costs for related bank management and destruction.

8. In the context of discussions on this issue during the twenty-ninth meeting of the Open-ended Working Group, representatives noted that the Multilateral Fund had been established to "enable compliance" and questioned whether that mandate could serve to stifle the use of the Fund. Another representative noted that in the past destruction might have facilitated compliance through the subtraction of destroyed amounts from the calculated level of consumption; the representative noted, however, that that factor might not be relevant after the required phase-out of chemicals. In response to a request for its view on the matter, the Secretariat stated that only the Parties could decide the legal implications of the applicable provisions of the Protocol. The Secretariat was then requested to review the records of previous meetings of the Parties and the subsidiary bodies of the Protocol and to compile any previous discussions on this issue for presentation to the Parties.

9. In response to that request the Secretariat has reviewed the reports of the Meetings of the Parties and the meetings of the Open-ended Working Group. In addition, the Multilateral Fund secretariat has helped to review the reports and records of the Executive Committee and its subcommittees. Members of the Secretariat recall some discussion of this issue taking place in the past but no reference to it has been found in the formal records of any of those meetings.

## Annex I

### Submission by the United Nations Industrial Development Organization on producer responsibility programmes

#### Producer Responsibility Programme (PPR)

(The most important component of the ODS destruction project)

UNIDO as well as other UN Agencies defines Producer Responsibility Programs (PPR)/Extended Producer responsibility (EPR)/ Product Stewardship Programs (PSP) as an environmental policy approach, in which a producer's responsibility, physical and/or financial, for a product is extended to the post-consumer stage of a product's life cycle. Bearing in mind the ODS destruction PPRs deal with post-life of refrigeration and halon equipment.

They impose accountability over the entire life cycle of products introduced on the market. In the context of ODS, this means that firms that produce, import and/or sell bulk ODS or ODS-containing equipment are required to be financially or physically responsible for such products after their useful life. Producers in some countries have developed a "unified" national organization/company for collecting appliances or bulk ODS (e.g., Australia, Canada, Germany), while others have developed multiple organizations/companies to ensure competition and increase efficiency. Some elements of successful programs have included enacting a legal mandate to level the playing field; ensuring industry participation in setting up and administering the program, with third party auditing; and creating recordkeeping and reporting procedures. Regulations can help support industry-led producer responsibility schemes. For example, in Australia, a regulatory ban was placed on the import of disposable refrigerant recharge canisters through customs regulations, which effectively requires the use of re-usable and returnable cylinders for refrigerant transport and storage. Without this ban, there would be no built-in mechanism for industry to rely on for the return of unwanted bulk refrigerant.

The aim of stewardship is to find better methods of diverting or reducing the amount of ODS from the refrigeration and halon equipment and even from the foams in landfills and encouraging product producers to consider design-for-the-environment changes to manufacturing processes. This is achieved by bringing greater levels of responsibility to the producers and users of the materials and products. Extended Producer Responsibility (EPR) is implemented through administrative, economic and informative policy instruments.

Under these programmes a levy, or licensing fee, is imposed on the bulk import of ODSs and ODS-containing equipment. And it is set aside to fund the decommissioning of equipment at the end of its useful life and environmentally sound destruction of related ozone-depleting substances. Such systems can be run as voluntary programmes or to be supported by national legislation or regulations requiring participation, which imposes a levy or licensing fee on bulk imports and imports of pre-charged refrigeration equipment.

The end-of-life disposal fees should be included in the price new refrigeration and air conditioner equipment and it may either be imposed by the local governments or by industry through PRPs with the purpose of:

- Leveraging the interest of alternatives producers to fund ODS destruction;
- Leveraging the work done under energy efficiency-related refrigerator or air conditioner exchange programmes to recover and destroy ODSs.

The delivery of the old refrigeration equipment to centralized decommissioning sites in Article 5 countries during the implementation of UNIDO future ODS destruction projects to replace older, less-efficient refrigeration equipment will be a prerequisite of the destruction programme.

On February 13, 2003, the EU Directive 2002/96 on waste electrical and electronic equipment (WEEE) was published. With this directive, the producers and importers of electrical and electronic equipment were made responsible for their products in the waste stage. Member states have to implement this directive into their national legislation within 18 months after the publishing date.

This directive can serve as a good example for UNIDO to implement the above described Producer Responsibility Program as a National Act or an Amendment of a Waste Act in Article 5 countries.

The financing for these appliance recycling programs run by producers can vary from country to country. The European Community countries have placed financial responsibility on the producers, and no fee can be charged at the time of disposal; as a result, a recycling fee is added to the purchase price of new appliances.

In Canada there are more than 50 EPR/Product Stewardship Programs operating at regional, provincial, and national levels. These programs address more than a dozen separate products and materials.

The necessity of the producer responsibility program is justified by several reasons. They are:

- Waste treatment will get increasingly expensive
- Disposal costs is seldom included in the product price
- It is difficult to solve problems related to product price
- Reduced total impact of a product
- Responsibility for “new” parts of the (entire) life-cycle
- Special attention to take-back, recycling, final disposal.

The core of UNIDO programme on ODS destruction will be aimed at developing necessary legislation for each country as refrigerator take back program or a producer responsibility program. Such programmes do not exist in the Article 5 countries so far and UNIDO will start its destruction projects implementation namely with the development of similar local legislation bearing in mind the two European and three Japanese Directives already in place.

Without local legislation for the destruction of end-of-life refrigerators and air conditioners including MACs it would not be possible to achieve the ODS destruction in Article 5 countries. Therefore, UNIDO has to strengthen this project component in its destruction projects bearing in mind non-successful RMPs in the Article 5 countries.

We strongly believe, however that national governments of Article 5 countries need to be responsible for these programmes.

End users of commercial refrigerators and air-conditioners should be also obliged to ensure the recovery of the refrigerant (i.e. CFC, HCFC, HFC) installed in the equipment at the servicing stage and the end-of-life stage by recovery operators. A local ODS Recovery and Destruction Act should oblige recovery operators to ensure the destruction of recovered refrigerant by destruction operators, unless they reuse it. It should also oblige manufacturers of automobiles to ensure the recycle of end-of-life vehicles. Also obliges manufacturers to ensure the recovery of the refrigerant (i.e. CFC, HCFC, HFC) installed in the mobile air-conditioners of the end-of-life vehicles by recovery operators and the destruction of the recovered refrigerant by destruction operators. Recording of the destructed ODSs needs to be introduced.

At the time of ODS destruction project implementation UNIDO will discuss with the local governments in Article 5 countries the following ideas/concepts of the PRPs:

- Licensing fee is to be imposed on the bulk import of ozone--depleting substances and ODS-containing equipment and it should provide funding for the decommissioning of end-life equipment;
- Incentives for operators of halon and refrigeration equipment repair and maintenance including end-of-life disposal fees in the price of new refrigeration equipment;
- Levering the interest of producers to fund ODS-containing equipment destruction (Halons could be easily addressed by this approach as well);
- Incentives for users of ODS-containing equipment to bring it to the centralized destruction facilities after end-of-life use.

## Annex II

### Excerpt from ICF study on producer responsibility programmes

#### 8.2.3 Product Stewardship/Producer Responsibility Schemes

Producer responsibility schemes, also known as extended producer responsibility or product stewardship schemes, impose accountability over the entire life cycle of products introduced on the market. In the context of ODS, this means that firms that produce, import and/or sell bulk ODS or ODS-containing equipment are required to be financially or physically responsible for such products after their useful life. Whether for MACs, bulk ODS from the commercial sector, or domestic refrigerated appliances, producer responsibility schemes have generally been successful in the countries that have implemented them.

These producer responsibility schemes have worked well in Australia, Canada, Japan, and European countries, where there are strong national producers or a concentration of large importers. Producers in some countries have developed a “unified” national organization/company for collecting appliances or bulk ODS (e.g., Australia, Canada, Germany), while others have developed multiple organizations/companies to ensure competition and increase efficiency. Some elements of successful programs have included enacting a legal mandate to level the playing field; ensuring industry participation in setting up and administering the program, with third party auditing; and creating recordkeeping and reporting procedures. Regulations can help support industry-led producer responsibility schemes. For example, in Australia, a regulatory ban was placed on the import of disposable refrigerant recharge canisters through customs regulations, which effectively requires the use of re-usable and returnable cylinders for refrigerant transport and storage. Without this ban, there would be no built-in mechanism for industry to rely on for the return of unwanted bulk refrigerant.

In general, these producer responsibility approaches have yielded large quantities of ODS recovered annually, required little government involvement in maintaining the collection and recovery process, and, owing to the scale of operations, not overburdened consumers with the cost of the process. As a result, this strategy of implementing producer responsibility laws can be very successful for those countries that are able to establish, administer, enforce, and pay for it. Programs have generally worked well when there are few players involved (i.e., producers/importers) to allow for effective organization/management of the scheme. A country with no large producers and hundreds of small importers, however, is unlikely to be able to establish an effective producer responsibility scheme. The schemes also may not work as well in countries where the recycling fee (e.g., \$50 for a refrigerator) would be a hardship. Moreover, if a high recycling fee were added to the price of a new refrigerator in Article 5 countries, black markets may be created. In addition, for voluntary product stewardship schemes to be successful, there must be significant public pressure and/or a credible threat of regulatory action.

---