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**Open-ended Working Group of the Parties to  
the Montreal Protocol on Substances that  
Deplete the Ozone Layer  
Thirtieth meeting**

Geneva, 15–18 June 2010

Item 9 (a) of the provisional agenda\*<sup>1</sup>

**Environmentally sound management of banks of ozone-depleting substances:  
Outcomes of the seminar on identifying and mobilizing funds for the destruction of  
ozone-depleting substances (decision XXI/2)**

**Co-chairs' summary of the seminar on environmentally sound  
management of banks of ozone-depleting substances**

**Introduction**

By decision XXI/2 the Twenty-First Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer requested the Ozone Secretariat to host a one-day seminar in the margins of the thirtieth meeting of the Open-ended Working Group of the Parties to the Montreal Protocol on the topic of how to identify and mobilize funds, including funds additional to those being provided under the Multilateral Fund, for ozone-depleting substance destruction.

In response, the Ozone Secretariat organized a seminar on 14 June 2010 that focused on both existing and possible future sources of funding for the destruction of ozone-depleting substances.

During the seminar the Technology and Economic Assessment Panel provided an update on the status of banks of ozone-depleting substances, their climate benefits and the likely costs of destroying ozone-depleting substances whose recovery from the banks where they were found would require a level of effort categorized as “low” or “medium”.

Representatives of the Multilateral Fund, the Global Environment Facility (GEF), the World Bank and the United Nations Development Programme were invited to present information on their existing programmes and ideas on how to mobilize funding in the future.

Representatives from the Climate Action Reserve and the Chicago Climate Exchange provided information about how those voluntary carbon mechanisms operated and their eligibility requirements.

Representatives of commercial firms operating in Brazil, India, Mexico and Russia gave presentations on their experiences to date. In addition, information on a new portable destruction facility was provided, as well as on the experience of the Former Yugoslav Republic of Macedonia in integrating the management and destruction of ozone-depleting substances into their work under the Strategic Approach to International Chemicals Management.

<sup>1</sup> \* UNEP/OzL.Pro.WG.1/30/1/Rev.1.

## Key conclusions from the seminar

As set out in the following paragraphs, the seminar participants reached broad agreement on a number of areas.

There is consensus, for example, that the recovery of ozone-depleting substances will likely only be profitable, given their accessibility and climate benefit, until 2020. Short-term action is therefore needed if the benefits of recovering them are to be realized. The feasibility and profitability of different ozone-depleting substances will vary, depending on their expected movement to the waste stream. Chlorofluorocarbons from Parties operating under paragraph 1 of Article 5 of the Montreal Protocol are of most interest in respect of climate benefits. In contrast, HCFCs, which are now beginning to move to the waste stream, will be available for recovery and destruction for many years to come. Their destruction, however, presents unique obstacles, including the possibility of perverse incentives for overproduction and their very low ozone-depletion potential.

The results of pilot projects being carried out with funding from the Multilateral Fund for the Implementation of the Montreal Protocol will not be known for perhaps two years. Lessons and information are already flowing, however, on matters such as the need to align project funding and expenditures to ensure the liquidity of projects.

Use of the voluntary market for financing the destruction of ozone-depleting substances is in its early stages and is not easy for those unfamiliar with the market, given its varied eligibility requirements and criteria. The recent emergence of such markets has created opportunities but also uncertainty. Some express concern about how to establish safeguards and otherwise ensure the integrity of the mechanisms in the voluntary market, avoid such practices as double counting and prevent the rise of possible perverse incentives for production and illegal trade. This is a relatively new area of activity and countries and enterprises need to learn by doing. Projects can be gotten under way quickly now that the methodologies and standards are available. The compatibility of voluntary carbon markets with the increasing regulation of waste streams is a potential issue.

Carbon markets could create a potential source of financial resources for the disposal of ozone-depleting substances in parties operating under paragraph 1 of Article 5. There are, however, many uncertainties in respect of the financial and technical issues, such as compliance verification procedures and the relationship of the voluntary carbon market with the formal carbon market.

Some of the key messages from the presentations from commercial facilities were: start small and go step by step as experience in scaling up is gradually gained; consider whether incentives on the ground for recovery and recycling may be important; and creating economies of scale will help in the long term. Further, it is important to consider options that will make it attractive to the private sector to participate in the financing of ozone-depleting substance destruction, and Governments have a role in establishing national frameworks to help the private sector take advantage of the opportunities available.

From the presentations by the Strategic Approach and GEF secretariats, some key themes emerged about the opportunities available for projects that integrate several themes (e.g., the Strategic Approach and ozone-depleting substance destruction) and respond to multiple needs. Thus, energy-efficiency activities (such as refrigerator replacement programmes) can provide benefits in respect of both ozone-depleting substance and waste metal collection, and activities in respect of persistent organic pollutant destruction may be structured to include the review of destruction opportunities for ozone-depleting substances. Indeed, under some projects financed through the Strategic Approach Quick Start Programme and GEF these specific elements are already being explored. The GEF secretariat indicates that the time is opportune to consider integrated approaches for projects under GEF as countries begin to consider what projects they want to see funded during the fifth GEF replenishment period.

There is some concern about the length of time required for project development under GEF and the World Bank given that there is a need to carry out the destruction of banks of ozone-depleting substances immediately. These organizations, however, explain that their approval processes are becoming shorter as they gain experience.

In addition, medium- and low-volume consuming countries have less ability than others to dispose of ozone-depleting substances successfully because they do not have the financial and institutional resources, expertise or the volume of banked ozone-depleting substances necessary to create national-level programmes or participate in international activities to destroy ozone-depleting substances. Aggregation of ozone-depleting substances or some special assistance may be needed for

these countries to create sufficient economies of scale. The concept of regional approaches was raised in this context.

The World Bank and the United Nations Development Programme offer some potential opportunities. Scaling up or monetizing existing donor funds to capture climate benefits early, monetizing the promise of long-term funding streams to facilitate additional early funding, and moving towards a more systemic approach to demonstrate the viability of an ozone-depleting substance facility as a prelude to the possible acceptance of ozone-depletion substance credits by using the compliance market, are a few examples. Such activities, however, need the support of Governments to be viable. The role of a special facility under the Montreal Protocol's Multilateral Fund is one that Governments will consider in more detail during the thirtieth meeting of the Open-Ended Working Group later in the week.

Ozone-depleting substance destruction activities could be integrated into national waste disposal policies' that would encourage political will from the private sector and help to link such activities with existing national efforts to maximize national resources and to improve their ability to attract funding and cooperation with other bodies and Governments at the international level.

In terms of specific actions, the following points were raised during the course of the seminar:

- A facility was discussed as a means of helping to scale up projects for the voluntary carbon market;
- It was suggested that a roadmap or clear criteria could be developed to help low- and medium-volume consuming countries participate in the voluntary carbon market and other international frameworks, taking into account their particular circumstances. Donor funding for the Multilateral Fund could be monetized to front-load projects to maximize the climate benefits that they produce;
- Montreal Protocol institutions could facilitate information exchange on ozone-depleting substance disposal options and encourage countries to develop national or regional strategies for dealing with waste ozone-depleting substances, taking into account the need to act quickly.

The co-chairs would like to thank the Ozone Secretariat for its excellent preparations for the seminar and all the presenters for their generosity in sharing their experience and knowledge with the rest of us.

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