



## UNEP TEAP XXV/8 (Replenishment) Task Force

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**From:** TEAP XXV/8 Task Force  
**Re:** FURTHER EXPLANATORY NOTES  
**Date:** 1 July 2014

For many non-LVC countries, stage I HPMPs are planned for completion in 2015. However, for a number of non-LVC countries reductions (from baseline) were approved to achieve a consumption reduction greater than 10% (which is the reduction percentage for compliance with the Montreal Protocol in 2015).

This XXV/8 Task Force study addresses the funding needs of the Parties to complete stage I HPMPs and the funding for continuing to realize reductions in consumption under stage II and III HPMPs, plus numerous other elements. HPMPs stage I, cover, as a minimum, a 10% reduction in consumption (by the year 2015). The stage II HPMP should enable non-LVC countries to at least meet their 35% HCFC phase-down control measure by the year 2020. The TOR requirement (Decision XXV/8) to examine replenishment periods up to and including 2023 also requires the Task Force to consider, at a broad level, what might become a stage II (or III) HPMP focused on the 2025, 67.5% reduction step.

Funding is required to address the difference between the 35% reduction and the phase-out agreed to be achieved via stage I HPMPs (which are currently under implementation). Below, the two cases for the phase-out addressed in stage I HPMPs are elaborated upon, as these are used in the XXV/8 Task Force report in order to determine the stage II HPMP funding requirement (in the next two triennia).

### *Case 1*

The Task Force has defined a Case 1 in its report as the so called “commitment phase-out”. This relates to the fact that non-LVC countries have signed agreements with the Executive Committee, in which they commit themselves to a certain reduction percentage for the stage I HPMP agreements (in principle, this would be 10% reduction compared to baseline). These countries can receive funding to reduce the consumption level from the commitment (percentage) mentioned in the agreement to a 35% reduction control measure. The Case 1 total funding requirement in this report includes the funding required for HPMPs stage II following the above considerations, any existing funding obligations, plus all other “traditional” funding components (i.e., production, supporting activities, etc.).

### *Case 2*

The Task Force has defined a Case 2 in its report as the so-called “unfunded phase-out”. Namely, in Decision 35/57 the Executive Committee established the principle that funding for projects and activities should produce sustainable, permanent aggregate reductions in the consumption of a country. On this basis, it is valid to assume that the objective of a stage II HPMP is to provide funding for reductions in HCFC consumption additional to those reductions (compared to baseline) for which funding has already been provided in the stage I HPMP, to achieve the 35% reduction from baseline, irrespective of the level of phase-out to which the country concerned has committed to achieve. In summary, many non-LVC countries have received funding to achieve reductions (much) greater than 10% of the baseline consumption, to be realized at some stage after the year 2015. In these cases, the stage II HPMP would address the difference, if any, between the reduction in consumption as a result of the stage I HPMP and the 35% reduction compared to baseline consumption. The Case 2 total funding requirement in this report includes the funding required for HPMPs stage II following the above considerations, any existing funding obligations, plus all other “traditional” funding components (i.e., production, supporting activities, etc.).

### *Additional considerations*

It will be clear that the reductions from baseline for which funding was provided under stage I HPMPs for non-LVC countries are generally larger than the reductions to which these countries committed. This means that the “HPMP consumption” funding calculated for Case 1 will be larger than the “HPMP consumption” funding for Case 2.

While it is not directly part of the Task Force’s analytical work, it needs to be borne in mind that providing funding for stage II HPMPs according to the Case 2 scenario would have certain consequences for the non-LVC Article 5 parties concerned. As an example, a country may have received stage I HPMP funding calculated on the basis of an 18.3% reduction of the baseline consumption, while only committing in the HPMP agreement to meet a 10% reduction level. The Case 2 scenario would mean that since the country has already been funded for an 18.3% reduction, it would only be able to access funds for an additional 16.7% reduction in the stage II HPMP while being required to reach its 2020 target of an overall reduction of 35%. If it is assumed that the country does not achieve any reductions in consumption below the 10% level on completion of its stage I HPMP, then it has to implement an additional reduction of 25% with funding for only an additional 16.7%.

As mentioned, there are a large number of elements that contribute to the total funding requirement. **The different funding criteria arising in the Case 1 and Case 2 scenarios are only applicable to stage II HPMPs for non-LVC countries**, and occur in the next two funding triennia (2015-2017 and 2018-2020). All other funding elements in these triennia (funding for LVC countries for instance) remain the same for each scenario. In the calculations for HPMP stage II funding for the next two triennia, consumption funding has been calculated at US\$ 514.3 million for Case 1 and at US\$ 329.8 million for Case 2. A simple calculation yields that the Case 1 consumption funding would then be 56% larger than the Case 2 consumption funding for the next two triennia.

The Table below lists all the elements that have been considered to come to a total funding requirement. The total funding requirement is indicated in the Table below as “totals” for Case 1 and Case 2. The specific HPMP stage II - Case 1 and Case 2 funding amounts can be found in lines C1 and C2 (in italic).

<b>Funding requirement</b>	<b>2015-2017</b>	<b>2018-2020</b>	<b>2021-2023</b>
A. Existing obligations LVCs and non-LVCs	90.06	15.01	0.30
P. Pre-blended polyols phase-out	4.32	4.32	
<b>B. New commitments for LVCs for stage III HPMPs (not related to Case 1 or 2)</b>		30.35	24.28
<b>S1. Subtotal</b>	<b>94.4</b>	<b>49.7</b>	<b>24.6</b>
<b>C. New commitments for non-LVCs (for stage II HPMPs)</b>			
<i>C1. Case 1 (commitment based phase-out)</i>	<i>334.0</i>	<i>180.2</i>	
<i>C2. Case 2 (unfunded phase-out)</i>	<i>214.4</i>	<i>115.4</i>	
<b>D. New commitments for non-LVCs (for stage III HPMPs) (the same for both Case 1 and 2)</b>		141.2	441.1
<b>S2. Subtotals (A+P+B+(C1 or C2)+D)</b>			
Case 1 (commitment-based phase-out)	428.5	371.1	465.7
Case 2 (unfunded phase-out)	308.8	306.3	465.7
<b>Further elements</b>			
E. Production funding	72.562	65.622	65.622
F. Institutional Strengthening (IS)	23.098	25.463	23.098
G. HPMP Stage II and Stage III PRP Costs	2.800	11.500	TBD
H. Demonstration activities	10.428	Nil	nil
<i>Supporting Activities</i>			
I. UNEP CAP	33.406	36.503	39.888
J. Agency Core Unit Costs	17.578	17.950	18.329
K. Secretariat and ExCom	19.593	20.936	22.405
L. Treasurer	1.500	1.500	1.500
<b>S3. Subtotal F+G+H+I+J+K+L</b>	<b>108.403</b>	<b>113.852</b>	<b>105.220</b>
<b>Total funding requirements (S2(C1 or C2) +E+S3)</b>			
<b>Case 1 (commitment-based phase-out)</b>	<b>609.5</b>	<b>550.6</b>	<b>636.5</b>
<b>Case 2 (unfunded phase-out)</b>	<b>489.7</b>	<b>485.8</b>	<b>636.5</b>