**Vienna solutions for challenges on funding issues and flexibility of implementation**

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| **Issue** |  |
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| **Overarching principles and timelines** | To maintain the MLF as the financial mechanism and that sufficient additional financial resources will be provided by non-A5 parties to offset costs arising out of agreed HFC obligations for A5 parties.  A5 parties will have flexibility to prioritize HFCs, define sectors, select technologies/ alternatives, elaborate and implement their strategies to meet agreed HFC obligations, based on their specific needs and national circumstances, following a country driven approach. The ExCom shall incorporate the principle in the above mentioned paragraph in relevant guidelines and its decision making process.  To request the ExCom to develop, within one year after the adoption of the HFC amendment, guidelines for financing the phase-down of HFC consumption and production, including cost-effectiveness thresholds. |
| **Guidance to the ExCom on incremental costs** | |
| ***Consumption manufacturing sector*** | In developing new guidelines on methodologies and cost calculations, the following categories of costs will be eligible and included in the cost calculation:   * Incremental capital costs, * Incremental operating costs * Technical assistance activities * Research and development when required to adapt and optimize low-GWP or zero-GWP alternatives to HFCs * costs of patents and designs, and incremental cost of royalties, when necessary and cost-effective * Cost of safe introduction of flammable and toxic alternatives   The IOCs referenced above, including their possible duration noting the proposal for a duration of at least 5 years, would be negotiated in the context of an amendment. |
| ***Production sector*** | In developing new guidelines on methodologies and cost calculations, the following categories of costs will be eligible and included in the cost calculation:   * Loss profit due to shutdown/closure of the production facilities as well as production reduction * Compensation to displaced workers * Dismantling of production facilities * Technical assistance activities * Research and development related to the production of low-GWP or zero-GWP alternatives to HFCs with a view to lower the cost of alternatives * Costs of patents and designs or incremental cost of royalties * Costs of converting facilities to produce low-GWP or zero-GWP alternatives to HFCs when technically feasible and cost effective   Reduction of emissions of HFC-23, a by-product from the production process of HCFC-22, by reducing its emission rate in the process, destroying it from the off-gas, or by collecting and converting to other environmentally safe chemicals, should be funded by the MLF, to meet the obligations of A5 countries specified under the HFC amendment |
| ***Servicing sector*** | In developing new guidelines on methodologies and cost calculations, the following categories of costs will be eligible and included in the cost calculation:   * Public awareness activities * Policy development and implementation * Certification programs and training of technicians on the safe handling, good practice and safety of alternatives, including training equipment * Training of customs officers * Preventing illegal trade of HFCs * Servicing tools * Refrigerant testing equipment for the RAC sector * Recycling and recovery of HFCs * [Additional import costs]\* * [Incremental cost of refrigerants for MVAC servicing/recharging]\*   \*These items in brackets above shall be taken up while negotiating the amendment and resolved prior to adoption of an amendment to the Montreal Protocol  We recommend to the Contact Group that the finance group has generated solutions to the challenges and shall take up resolution of its remaining bracketed finance issues and IOCs while negotiating the amendment. On this basis, parties will move to negotiate an amendment.  To increase the funding available under Executive Committee decision 74/50 up to a maximum of x % above the amounts listed in that decision for Parties with total HCFC baseline consumption up to 360 metric tonnes when needed for the introduction of alternatives to HCFC with low-GWP and zero-GWP alternatives to HFCs, and maintaining energy efficiency also in the servicing/end-user sector |
| ***Cut-off date for eligible capacity*** | The MOP that decides the amendment will decide on the cut-off date. |
| ***Energy Efficiency*** | To request the ExCom to develop cost guidance associated with maintaining and/or enhancing energy efficiency of low-GWP or zero-GWP replacement technologies and equipment, when phasing down HFCs, while taking note of the role of other institutions addressing energy efficiency, when appropriate. |
| ***Institutional strengthening*** | To direct the ExCom to increase institutional strengthening support in light of new commitments related to HFCs. |
| ***Disposal*** | To consider funding the cost-effective management of stockpiles of used or unwanted controlled substances, including destruction. |
| ***Capacity-building to address safety*** | To request the ExCom to prioritize technical assistance and capacity building to address safety issues associated with low GWP or zero GWP alternatives |
| ***Cost of importing alternatives*** | [Additional cost of importing alternative substance (of payment support) – should be supported]\*  \*This item in brackets above shall be taken up while negotiating the amendment and resolved prior to adoption of an amendment to the Montreal Protocol. |
| ***Other activities*** | The parties may identify other cost items to be added to the indicative list emanating as a result of the conversion to low-GWP alternatives. |