



Global Environment Facility

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**FINANCING OF ACTIVITIES TO ADDRESS
OZONE LAYER DEPLETION**

1. This paper responds to a decision by the Parties to the Montreal Protocol at their 12th Meeting in Burkina Faso, December 11-14, 2000, concerning the willingness of the GEF to support further efforts with respect to use of ozone depleting substances consistent with amendments to the Protocol, as well as a similar inquiry from the political focal point for the Government of Poland.
2. The scope of GEF support for projects to address ozone layer depletion is set forth in the Operational Strategy as approved by the Council. GEF financing in this focal area is limited to otherwise eligible countries that are not covered by Article 5, paragraph 1 of the Montreal Protocol, essentially countries with economies in transition (CEITs). The scope of GEF support as described in the Operational Strategy is defined as “an operational response to the Montreal Protocol, its amendments, and adjustments.” Funding was to be provided through “comprehensive country programs and approved under criteria for short-term responses consistent with the short deadlines for the phaseout. Financial assistance was further limited to the amount of ozone depleting substances consumed at the time of project appraisal or at the time of ratification, whichever was less.
3. Subsequent to the adoption of the Operational Strategy, the Parties to the Montreal Protocol have twice negotiated additional obligations for control of ozone depleting substances, the Montreal Amendment (1997) and the Beijing Amendment (1999).
4. Nineteen CEITs have received assistance from the GEF for preparation and implementation of ozone phase-out programs. Three, Georgia, Moldova, and Slovenia, were reclassified as Article 5 countries under the Montreal Protocol and are no longer eligible for GEF support. Total GEF commitments to these projects are about \$160 million.
5. Given the scope and terms of the Operational Strategy as adopted in 1995, there has been some uncertainty as to the appropriateness of extending GEF support for ozone depletion to reflect additional requirements agreed to by the Parties. As noted in the Corporate Business Plan for FY 01-03 (GEF/C.14/9, November 5, 1999), GEF financing for ozone depletion projects was designed to phase out ozone depleting substances consistent with Protocol requirements in 1995. “Most projects are now close to completion and all operations would be complete by the end of the year 2000.” (par. 44)
6. An independent study of the GEF ozone project experience provided to the Council in December 1999 recognized an issue concerning GEF support for measures to limit and reduce production and consumption of two groups of chemicals, HCFCs (used in air conditioning and refrigeration) and methyl bromide (used in agriculture). The authors note that many of the CEITs have “already achieved significant progress” with respect to these chemicals but observes that “continued effort will be needed to achieve eventual phase-out of these substances in CEITs.” GEF Evaluation Report, “Study of the Impacts of GEF Activities on Phase-Out of Ozone Depleting Substances” (GEF/C.14/Inf.4, at p. 14). The Parties to the Montreal Protocol also asked the Executive Committee of the Multilateral Fund and the GEF to consider support for transition strategies to address the use of ozone depleting substances in metered-dose inhalers.

7. The Protocol provides an extended timetable for first freezing and subsequently gradually phasing out use of HCFCs and methyl bromide. For developing countries, use of HCFCs is to be capped in 2016 and phased out in 2040; for industrialized countries use is to be capped at 1996 levels and phased out in 2030. For developing countries, use of methyl bromide is to be capped in 2002 and phased out in 2015; for industrialized countries use is capped at 1995 levels and phased out in 2005. According to the GEF Evaluation Report, CEITs have for the most part agreed to limit these chemicals consistent with the industrialized country schedules.

8. The appropriateness of using HCFCs as substitutes for ozone depleting substances has been raised as an issue by some Council Members in the context of ozone phase-out projects. The issue has also been discussed within the meetings and forums of the Montreal Protocol since at least the Fifth Meeting of the Parties in Copenhagen. The Fifteenth Meeting of the Executive Committee stated that “whenever possible, HCFCs should not be used.” The Twentieth Meeting of the Executive Committee decided that any enterprises given support for transitional substances would have to agree to bear the cost of subsequent conversion to non-HCFC substances. The Executive Committee has yet to agree on the full extent of financing appropriate for these activities. Based on the Operational Strategy and Memorandum of Understanding with the Ozone Secretariat, it is assumed that GEF support would be available only for activities and technologies approved by the Executive Committee.

9. The Implementing Agencies, particularly UNEP, have established programs to summarize and disseminate experience relevant to reducing use of these chemicals. See, e.g., UNEP, “Case Studies on Alternatives to Methyl Bromide, Technologies with Low Environmental Impact” (2000). FAO and UNIDO also have expertise related to methyl bromide. However, this information has been compiled for specific technologies and projects rather than as the basis for national phase-out programs.

10. Based on preliminary information, the strategy for GEF financing addressed to HCFCs and methyl bromide may need to differ from that applied to national programs for phasing out earlier ozone depleting substances as a complete phase-out may not yet be technically feasible. In some markets there is an opportunity for preventive measures to avoid introducing the chemicals into new applications.

11. In many CEITs, previous projects provide an institutional basis for additional support. The capacity to address new needs is therefore to some extent already in place.

12. Information on the potential costs of GEF financing for efforts to address these chemicals in the CEITs is not currently available; it is already known that at least some alternatives to methyl bromide are cost saving but may require technical assistance and awareness programs, while substitutes for HCFCs may have at least modestly higher costs or inferior performance. Further needs assessments may be initially required in some or all relevant countries.

13. Should Council request, the Secretariat could prepare a paper on the potential costs and operational implications of a commitment to provide funding to the CEITs for the replacement of HCFCs, and methyl bromide, and metered-dose inhalers as the basis for a possible decision at the December meeting.