

A Sectoral Agreement for HFCs?

How – and Where – to Control HFCs and Other F-Gases

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Sectoral Opportunity

- HFCs are deliberately manufactured for product applications (as opposed to other GHGs that are byproducts of energy or other processes).
- Produced in a small number of countries.
- Industrial users (e.g., product manufacturers) also mostly located in small number of countries.

Control Options

- More efficient, lower-leakage use.
Recovery, recycling, and destruction.
- Substitution to lower-GWP HFCs.
 - New HFCs and blends with much lower GWP (e.g., 1300 → 4).
- Substitution to no-GWP alternatives
 - E.g., hydrocarbons

A Sectoral Approach for HFCs?

- Set a phase-down schedule for HFCs
 - Technical and economic potential exists to reduce much faster than CO₂.
- Technical and economic issues:
 - Converting/replacing HFC production facilities.
 - Converting/redesigning products and processes (e.g., refrigerators, A/Cs).
 - HFC and non-HFC alternatives.
 - How fast? What cost?

UNFCCC/Kyoto or Montreal?

- UNFCCC covers GHGs not controlled by the Montreal Protocol.
- CFCs and HCFCs are ozone-depleting GHGs controlled by Montreal.
- HFCs (and other F-gases):
 - are not currently controlled under Montreal,
 - are covered under UNFCCC,
 - are part of 6-gas Kyoto basket.

UNFCCC/Kyoto Path

- HFC agreement as commitment/action under Bali Action Plan
 - Developed country mitigation commitment:
 - Phase-down schedule substantially quicker than for CO₂.
 - Developing country mitigation action:
 - Same or different schedule.
 - Need for technology transfer/financial assistance.
 - Could come from developed country national budgets or AAU set-asides.

But Can It Be Pulled Off Here?

- Can UNFCCC/Kyoto negotiators focus on HFCs between now and Copenhagen?
- CO₂ “sucks all the oxygen from the room.”
- Do UNFCCC/Kyoto negotiators have HFC-relevant expertise?
- Is there an alternative?

The Montreal Alternative

- Well-functioning, 20-year-old agreement, 190+ parties.
- Regulates related chemicals (e.g., CFCs, HCFCs).
- Phase-out commitments for both developed and developing countries.
 - Delayed schedule and technology/financial assistance for developing countries

Potential Advantages

■ Focus, expertise.

- Strong national capacity in this specific area.
- Technological and Economic Assessment Panel.
- Multilateral Fund with balanced governance and strong track record.

■ Simplicity, integration.

- Regulates production/import, not emissions.
- Ability to integrate HFC regime with CFC and HCFC phase-out (energy and ozone issues).

Potential Advantages

- Net climate benefits.
 - CFC phase-out has delivered very large climate benefits.
 - CFC, HCFC benefits are not traded against the Kyoto basket, i.e., do not result in more emissions of other GHGs.
 - Potential to reduce HFCs much faster than CO₂.

Potential Advantages

- Precedent and experience with developing country commitments.
 - Many rounds of agreed binding commitments, with grace period and funding.
 - History of adding chemicals, accelerating schedules.
 - Funding often enables early compliance.
- Simplification of Copenhagen agreement.
 - Complex agenda.
 - Potential for confidence building.

Issues for Consideration

- Climate advantage depends on HFC schedule.
 - Phase-down must be faster, provide net climate benefits.
- Narrows the Kyoto basket.
 - Climate benefits would be lost unless HFCs are removed from the basket.
 - Since HFCs are small fraction of GHG inventory, small impact on national flexibility.

Issues for Consideration

- May require new domestic options for funding the Montreal Multilateral Fund by developed countries.
 - Countries could provide funds through government appropriations.
 - Alternatively, countries could create a (separate?) allowance-based domestic regime for HFCs and auction allowances to fund HFC-related portion of Multilateral Fund.

Issues for Consideration

- As example of domestic options:
 - USA: Climate Security Act (Boxer, Lieberman, Warner), considered in Senate this year, proposed a separate cap for HFCs, apart from the main “five-gas cap.”
 - No trading between the two caps.
 - Substantial fraction of HFC allowances to be auctioned.

Issues for Consideration

- Does the Montreal Protocol have the necessary scope to regulate HFCs?
 - Montreal already recognizes climate effects of phasing out ozone depleters.
 - Montreal can cover substitutes for CFCs.
 - In any event, including new chemicals requires an amendment, which could include any needed changes to Montreal's scope.

Issues for Consideration

- Is the Montreal Protocol prepared to take on HFCs?
 - Informal discussions started between stakeholders under Montreal.
 - Would need at least one Party to propose a Montreal Protocol amendment next year.
 - Parties to both treaties are nearly identical – it's for them to decide.

Issues for Consideration

- Whether to move some or all of the other F-gases to Montreal with HFCs.

Potential Sequencing

- One or more parties could propose an HFC amendment to Montreal next spring.
- Montreal Parties could adopt it in November MOP, before Copenhagen.
 - If adopted, the Copenhagen agreement could remove HFCs from post-2012 basket, contingent on the Montreal amendment's entry into force.

Thank you!

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