



VCS Consultation Document:
**Proposal for Inclusion of Ozone Depleting
Substances under the VCS Program**

Proposal for Inclusion of Ozone Depleting Substances under the VCS Program, v1.0

1 July 2009

1. Introduction

1.1 Background

The scope of the VCS Program includes all six Kyoto Protocol greenhouse gases. The ozone depleting substances (ODS) controlled by the Montreal Protocol are not included in the scope of the VCS Program. Many of the ODS controlled by the Montreal Protocol have global warming potential in addition to their ozone depleting potential, and whilst the Montreal Protocol controls the consumption and production of ODS, it does not directly control the emissions of such substances. Thus, releases of ODS residing in banks (e.g., refrigeration equipment, foams and stockpiles) are not controlled by the Montreal Protocol. These emissions could make a significant future contribution to global warming.

The purpose of this document is to outline the proposal for including ODS under the VCS Program for the purpose of stakeholder consultation. All comments on, or questions about, the proposal should be sent to the VCS Association at secretariat@v-c-s.org by 6pm GMT 12 August 2009.

1.2 Current Scope of the VCS Program

The scope of the VCS Program includes only the six Kyoto Protocol greenhouse gases (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆), which means ODS is excluded. The VCS Board can approve extensions to the scope of the VCS Program.

1.3 The Montreal Protocol

The Montreal Protocol on Substances that Deplete the Ozone Layer¹ is an international treaty designed to protect the ozone layer by phasing out the production and consumption of ozone depleting substances. The treaty entered into force on 1 January 1989 and has undergone seven subsequent revisions.

The Montreal Protocol covers the following substances, as specified in Annexes A, B, C and E to the protocol:

- 1) Chlorofluorocarbons (CFCs)
- 2) Halons
- 3) Other fully halogenated CFCs
- 4) Carbon tetrachloride
- 5) Methyl chloroform
- 6) Hydrochlorofluorocarbons (HCFCs)
- 7) Methyl bromide
- 8) Bromochloromethane

¹ <http://unep.org/ozone/pdfs/Montreal-Protocol2000.pdf>

The protocol specifies dates for the phase out of consumption and production of these substances, with extra time granted to developing countries in accordance with Article 5 of the Protocol, as shown in Table 1 below.

Table 1: ODS Phase-out in Non-Article 5 and Article 5 Countries

ODS	Non-Article 5 Countries	Article 5 Countries
CFCs	1 January 1996	1 January 2010
Halons	1 January 1994	1 January 2010
Other fully halogenated CFCs	1 January 1996	1 January 1996
Carbon tetrachloride	1 January 1996	1 January 2010
Methyl chloroform	1 January 1996	1 January 2015
HCFCs	Incremental reduction and full phase-out by 1 January 2030	Incremental reduction and full phase-out by 1 January 2040
Methyl bromide	1 January 2005	1 January 2015
Bromochloromethane	1 January 2002	1 January 2002

While the Montreal Protocol controls consumption and production of ODS, as well as trade with parties and non-parties to the protocol, it does not control emissions of ODS. The Multilateral Fund has been established as a financial instrument of the protocol with the objective of providing funds to assist developing countries in implementation of the protocol. As of July 2008, funds of USD 2.4 billion had supported 6,000 projects in 148 countries. The Multilateral Fund, as an instrument of the protocol, focuses on projects controlling the consumption and production of ODS rather than projects that destroy ODS.

2. Proposal for Including ODS Under the VCS Program

2.1 General

There are no ODS methodologies available under VCS-approved GHG programs, therefore developers will need to develop new methodologies and submit them for approval under the VCS double approval process. In order to give guidance to developers and to ensure quality methodologies are approved, the proposed approach for including ODS under the VCS Program is to define a set of binding eligibility criteria similar to those defined in project methodologies.

2.2 Eligibility Criteria

The proposed approach for including ODS under the VCS Program is to specify the eligibility criteria outlined in Table 2 below. This would be binding and all new ODS methodologies would need to comply with these criteria in order to be approved under the VCS double approval process.

ODS projects would need to comply with all VCS 2007.1 requirements, with corresponding implications for methodologies put forward under the VCS double approval process, and attention is drawn to the following VCS 2007.1 requirements:

- 1) Projects shall apply the principles of relevance, completeness, consistency, accuracy, transparency and conservativeness (VCS 2007.1, Section 5.1).
- 2) Methodologies shall be informed by a comparative assessment of the project and its alternatives in order to identify the baseline scenario (VCS 2007.1, Section 6.1).
- 3) The project proponent shall select the most conservative baseline scenario for the methodology. This shall reflect what most likely would have occurred in the absence of the project (VCS 2007.1, Section 6.3).
- 4) In developing the baseline scenario, the project proponent shall select the assumptions, values and procedures that help ensure that GHG emission reductions or removal enhancements are not overestimated (VCS 2007.1, Section 6.3).
- 5) Based on selected or established criteria and procedures, the project proponent shall quantify GHG emissions and/or removals separately for:
 - each relevant GHG for each GHG source, sink and/or reservoir relevant for the project; and
 - each GHG source, sink and/or reservoir relevant for the baseline scenario.

When highly uncertain data and information are relied upon, the project proponent shall select assumptions and values that ensure that the quantification does not lead to an overestimation of GHG emission reductions or removal enhancements (VCS 2007.1, Section 6.5.2).

Note that this means that methodologies will not necessarily credit projects one-for-one for the ODS destroyed by the project. For example, if a project destroys ODS from an existing stockpile, credit would only be given for the ODS that would have been emitted to the atmosphere under the baseline scenario. If the baseline scenario is that some of the ODS is used to service refrigerators and a certain proportion of ODS would be recovered and destroyed at the end of the refrigerator's life, then credit cannot be given for all ODS destroyed.

Table 2: Proposed eligibility criteria for ODS methodologies under the VCS Program

Eligibility Criteria	Description	Rationale
Project destroys ODS controlled by the Montreal Protocol	Projects destroying any of the ODS controlled by the Montreal Protocol (Annexes A, B, C and E) for which the IPCC publishes a Global Warming Potential are eligible.	There are a large number of ODS for which GWPs are known and the role of the VCS is to incentivize as many (real) emission reductions as possible.
Project not mandated by law, or any such law not broadly enforced. (regulatory surplus)	Destruction of the ODS by the project is not mandated by state, country, regional or international law, or the compliance rate of any such regulation during (part of) the project crediting period is below 10%. If monitored compliance during the project crediting period exceeds 10%, the project shall receive no further credit since the assumption that the regulation is not enforced is no longer tenable.	There is legislation regulating ODS in a number of countries (though for end-of-life products, in many cases this extends to recovery of the ODS only and not to destruction of the ODS) and projects must be beyond regulation. The use of 'compliance rate' is adopted from CDM methodology AM0025 ('Avoided emissions from organic waste through alternative waste treatment processes'). The approach allows for projects in countries with weak rule of law. The compliance rate threshold given in AM0025 is 50%, but this is taken as not sufficiently conservative and the VCS Program proposal for ODS

		projects is 10%.
Project does not start before production phase-out, except for critical uses, of the relevant ODS in the host country and in any country from which ODS destroyed by the project is imported	<p>The project start date cannot be before the Montreal Protocol production phase-out deadline for the relevant ODS as it applies to the host country and any country from which ODS destroyed by the project is imported.</p> <p>If the project imports ODS, it must provide documentary evidence, such as shipping manifests and bills of lading to demonstrate that the ODS has been imported from a country(ies) where the Montreal Protocol production phase-out deadline is before the project start date.</p>	This criterion removes a possible perverse incentive whereby ODS would be produced in the host country for the sole purpose of its subsequent destruction. It also ensures that ODS is not produced in a second country and imported for the purpose of destruction by the project.
Project uses a destruction technology that meets the screening criteria of the UNEP Technology and Economic Assessment Panel (TEAP) Task Force on Destruction Technologies	<p>The project uses a destruction technology that meets the screening criteria for destruction technologies set out in the report, as may be updated from time to time, by the UNEP Technology and Economic Assessment Panel (TEAP) Task Force on Destruction Technologies².</p> <p>The report lists destruction technologies that meet its screening criteria. It also sets out, <i>inter alia</i>, requirements for Destruction and Removal Efficiency (DRE) and projects must use destruction technology with a minimum verified DRE of 99.99% for concentrated sources and 95% for foams.</p>	This criterion ensures that best practice in ODS destruction is used.
Where the project destroys ODS recovered from products, it destroys ODS recovered from products listed under categories (bullet points) 1, 2, 4 and 5 of Annex D of the Montreal Protocol (see Schedule 1)	This includes refrigeration equipment, mobile and stationary air conditioners, portable fire extinguishers and insulation foams. Aerosol products and pre-polymers are excluded.	<p>Refrigeration equipment, mobile and stationary air conditioners, portable fire extinguishers and insulation foams are included because there is currently little regulation or incentive to recover and destroy ODS from such equipment.</p> <p>Aerosol products and pre-polymers are excluded because in the case of the former, it is considered that the Montreal Protocol has been successful in tackling emissions from this product category and in the case of the latter, the ODS is not long-lived in the product (they are open-cell foams and the ODS escapes within days of their manufacture) and there is little opportunity for recovering ODS from them.</p>

² UNEP Technology and Economic Assessment Panel (TEAP) Report of the Task Force on Destruction Technologies, April 2002:
http://ozone.unep.org/teap/Reports/Other_Task_Force/TEAP02V3b.pdf

<p>Where the project destroys ODS recovered from products, it does not destroy ODS recovered from products specifically imported for their de-manufacture from a jurisdiction in which legislation requires the recovery and destruction of the relevant ODS from such products</p>	<p>The project must demonstrate that it does not destroy ODS recovered from products (refrigeration equipment, mobile and stationary air conditioners, portable fire extinguishers and insulation foams) that have been specifically imported for their de-manufacture from a jurisdiction in which legislation requires the recovery and destruction of the relevant ODS from such products. If the project is de-manufacturing products that have been imported specifically for their de-manufacture (i.e., the products have not been collected in the host country), the project must provide documentary evidence, such as shipping manifests, bills of lading and evidence of collection of the products in the originating country, to demonstrate compliance with this criterion.</p>	<p>This criterion ensures there is no perverse incentive to import products from countries where there is legislation governing recovery and destruction of ODS from end-of-life products.</p>
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2.3 Sectoral Scope

ODS methodologies would be categorized under sectoral scope 13, waste handling and disposal.

2.4 Timing of Crediting

Methodologies would use an emission reductions calculation model that credits projects at the point in time at which the ODS is destroyed. For example, if a project de-manufactures refrigerators that otherwise would have gone to landfill, credit would be granted (with the volume of emission reductions based upon the baseline) when the ODS is destroyed rather than when the ODS would have been emitted from the landfill under the baseline scenario³.

³ This approach is proposed because of the complications in many cases of establishing precisely when the ODS would have been emitted under the baseline scenario and the concern therefore that many projects would face an insurmountable hurdle. It is acknowledged that this approach is not consistent with Section 3.3 (Forward crediting) of the VCS 2007.1 and stakeholders are particularly encouraged to submit their thoughts on the proposed approach.

Schedule 1: Annex D of the Montreal Protocol

Annex D:* A list of products containing controlled substances specified in Annex A**

Products	Customs code number
1. Automobile and truck air conditioning units (whether incorporated in vehicles or not)
2. Domestic and commercial refrigeration and air conditioning/heat pump equipment*** e.g. Refrigerators Freezers Dehumidifiers Water coolers Ice machines Air conditioning and heat pump units
3. Aerosol products, except medical aerosols
4. Portable fire extinguisher
5. Insulation boards, panels and pipe covers
6. Pre-polymers

* This Annex was adopted by the Third Meeting of the Parties in Nairobi, 21 June 1991 as required by paragraph 3 of Article 4 of the Protocol.

** Though not when transported in consignments of personal or household effects or in similar non-commercial situations normally exempted from customs attention.

*** When containing controlled substances in Annex A as a refrigerant and/or in insulating material of the product.