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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Seventieth Meeting  
Bangkok, 1-5 July 2013

**PROJECT PROPOSAL: COSTA RICA**

This document consists of the comments and recommendations of the Fund Secretariat on the following project proposal:

Phase-out

- HCFC phase-out management plan (stage I, second tranche)

UNDP

## PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

### Costa Rica

<b>(I) PROJECT TITLE</b>	<b>AGENCY</b>
HCFC phase out plan (Stage I)	UNDP

<b>(II) LATEST ARTICLE 7 DATA (Annex C Group I)</b>	Year: 2012	22.99 (ODP tonnes)
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<b>(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)</b>								<b>Year: 2011</b>	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123					0.0				0.0
HCFC-124									
HCFC-141b					3.3				3.3
HCFC-141b in Imported Pre-blended Polyols		18.7							18.7
HCFC-142b									
HCFC-22					18.6				18.6

<b>(IV) CONSUMPTION DATA (ODP tonnes)</b>			
2009 - 2010 baseline:	14.1	Starting point for sustained aggregate reductions:	14.1
<b>CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)</b>			
Already approved:	4.93	Remaining:	9.17

<b>(V) BUSINESS PLAN</b>		2012	2013	2014	2015	2016	2017	2018	2019	Total
UNDP	ODS phase-out (ODP tonnes)		2.6	0.0	0.9	0.0	1.6	0.0	0.9	6.0
	Funding (US \$)		180,600	0	66,650	0	113,950	0	60,200	421,400

<b>(VI) PROJECT DATA</b>			2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Montreal Protocol consumption limits			n/a	n/a	14.10	14.10	12.69	12.69	12.69	12.69	9.17	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	14.10	14.10	12.69	12.69	12.69	12.69	9.17	n/a
Agreed Funding (US\$)	UNDP	Project costs	761,523	0	168,000	0	62,000	0	106,000	0	56,000	1,153,523
		Support costs	57,114	0	12,600	0	4,650	0	7,950	0	4,200	86,514
Funds approved by ExCom (US\$)		Project Costs	761,523	0	0	0	0	0	0	0	0	761,523
		Support Costs	57,114	0	0	0	0	0	0	0	0	57,114
Total funds requested for approval at this meeting (US\$)		Project Costs	0	0	168,000	0	0	0	0	0	0	168,000
		Support Costs	0	0	12,600	0	0	0	0	0	0	12,600

<b>Secretariat's recommendation:</b>	Blanket Approval
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## PROJECT DESCRIPTION

1. On behalf of the Government of Costa Rica, UNDP as the designated implementing agency, has submitted to the 70<sup>th</sup> meeting of the Executive Committee a request for funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP) at a total cost of US \$168,000 plus agency support costs of US \$12,600 for UNDP. The submission included a progress report on the implementation of the first tranche of the HPMP and an implementation plan (2013-2015) for the second tranche.

### Background

2. Stage I of the HPMP for Costa Rica was approved in principle by the Executive Committee at its 64<sup>th</sup> meeting, to reduce HCFC consumption by 35 per cent of the baseline by the end of 2020, at a total funding level of US \$1,153,523 (US \$560,000 for the refrigeration servicing sector and US \$593,523 for a project to phase out 14 ODP tonnes of HCFC-141b used in the manufacturing sector) plus agency support costs of US \$86,514. At the same meeting, the Executive Committee also approved the first tranche of stage I of the HPMP at the amount of US \$761,523 plus agency support costs of US \$57,114 for UNDP.

### Progress report on the implementation of the first tranche of the HPMP

3. During the period covered by the first tranche, the Government of Costa Rica formed an inter-agency commission which included agencies directly or indirectly related to the issue of HCFCs in order to implement the HPMP in a comprehensive manner. This commission's responsibility is to ensure that all activities to be implemented under the HPMP are consulted on all the stakeholders and are completed in a timely manner to fulfil the country's Montreal Protocol obligations.

4. The country's quota system for HCFC imports became operational in January 2013. A mechanism was also established to allow cross-checking of import records against permits issued to ensure that the annual quota set is not exceeded. Training was also held for all users of the customs data system in order to fully implement the quota system. The Government has set a quota of 14.1 ODP tonnes for imports in 2013.

5. Stage I of the HPMP included the conversion of Atlas Industrial, SA, a subsidiary of Mabe the leading manufacturer of domestic refrigeration equipment and the largest consumer of HCFC-141b in the country. The enterprise is converting its foam insulation, using hydrocarbons as the alternative blowing agent. The project started implementation in February 2012 and is expected to be completed in June 2013. UNDP reported that the Memorandum of Agreement with the enterprise had been signed, the technical specification for the equipment as well as the selection of the supplier had been completed, and purchase orders had been issued. Civil works in the plant are continuing and the new injection machines have been installed and the line is expected to commence operation soon.

6. Activities completed in the refrigeration servicing sector included completion of some training workshops in good practices for trainers and other service technicians. The NOU also worked very closely with training institutions and the technicians to evaluate their needs and update their curricula as well as their laboratory equipment.

7. In order to strengthen the capacity for HCFC recovery and reuse, a review of the national recovery and recycling (R&R) network has been completed, and meetings with beneficiary companies were held to evaluate the current use of their R&R equipment and to identify additional needs. The specifications for the equipment needed for the recovery and reclamation programme would then be based on the results of this assessment.

8. The project management unit (PMU) is now functional and provides support to the national ozone unit (NOU) on the implementation of the licensing and quota systems, interaction with stakeholders on project implementation, information outreach targeted at specific sectors and day-to-day management of HPMP project activities including administration and coordination with other agencies, if required.

*Level of funding disbursement*

9. By the end of March 2013, of the US \$761,523 approved for the first tranche, 44 per cent or US \$334,151, had been disbursed and the balance of US \$342,536 already committed. The remaining US\$84,836 is being carried over for implementation to the coming period 2013-2015.

Implementation plan for the second tranche of the HPMP

10. During the second tranche of the stage I of the HPMP the following will be achieved:
- (a) The Government of Costa Rica will continue to enforce the licensing and quota system to monitor HCFC imports and exports;
  - (b) The conversion of Atlas Industrial, SA will be completed, and the production of the first batch of HCFC-free equipment will be done. Communication and dissemination of the project results as well as the preparation of a technical report will be completed;
  - (c) Activities for the refrigeration servicing sector will include the completion of validation workshops for the new good practices curriculum, promoting the association of certified technicians and continuing the planned training for service technicians;
  - (d) Implementation of the activities to establish a mechanism for selecting efficient equipment and the incentive system will continue with the development of a manual, holding consultation workshops, and the publication of technical regulations that define the basic requirement for the use of an eco-efficiency label being promoted by the Government;
  - (e) Equipment for R&R will be procured and distributed within the existing network;
  - (f) Training workshops for enforcement officers and customs will continue;
  - (g) The PMU will continue implementing operational activities and ensure that planned activities under the second tranche are completed as planned.

**SECRETARIAT'S COMMENTS AND RECOMMENDATION**

**COMMENTS**

Operational licensing system

11. In line with decision 63/17 and as required under the Agreement between the Government of Costa Rica and the Executive Committee, the Government of Costa Rica confirmed that an enforceable system of licensing and quotas for HCFC imports and exports is in place and the system is capable of ensuring the country's compliance with the HCFC phase-out schedule.

HCFC consumption

12. The HCFC baseline for compliance has been established at 14.1 ODP tonnes, based on the actual consumption reported under Article 7 of the Montreal Protocol for 2009 and 2010 as shown in Table 1. The established baseline is 8.9 ODP tonnes lower than that of 23 ODP tonnes estimated when the HPMP for Costa Rica was approved. At that time, the calculation for the 2010 consumption of Costa Rica included consumption of HCFC-141b that had erroneously been reported as bulk import, but actually consisted of HCFC-141b in pre-blended polyols. This figure has since been revised and officially reflected in the country's Article 7 data for 2010. As the official consumption data for 2010 has subsequently been submitted, the starting point will be adjusted to the figure in Table 1, without any funding implications to the Multilateral Fund.

Table 1: HCFC consumption 2007 to 2012 as reported under Article 7

HCFCs	2007		2008		2009		2010		2011		2012		Baseline (average 2009 -2010 consumption)	
	ODP	MT	ODP	MT	ODP	MT	ODP	MT	ODP	MT	ODP	MT	ODP	MT
HCFC-22	13.62	247.68	7.55	137.28	10.60	192.81	9.40	170.95	18.62	338.62	16.98	308.67	10	181.88
HCFC-123	0	0	0	0	0.01	0.71	0	0	0	0.06	0.01	0.54	0.007	0.35
HCFC-124	0.12	5.52	0	0.14	0.13	5.94	0.04	1.95	0	-0.01	0.05	2.31	0.09	3.95
HCFC-141b	1.58	14.38	2.58	23.45	3.11	28.28	4.06	36.89	3.13	28.43	5.34	48.61	3.58	32.58
HCFC-142b	0.47	7.34	0.53	8.1	0.34	5.19	0.46	7.15	0	0	0.61	9.36	0.4	6.17
<b>Total</b>	<b>15.80</b>	<b>274.92</b>	<b>10.66</b>	<b>168.97</b>	<b>14.20</b>	<b>232.93</b>	<b>13.96</b>	<b>216.94</b>	<b>21.75</b>	<b>367.10</b>	<b>22.99</b>	<b>369.49</b>	<b>14.1</b>	<b>224.94</b>
HCFC-141 for Imported pre-blended polyols	20.82	189.31	17.16	155.98	16.34	148.55	-	-	-	-	-	-	18.11*	164.61*
<b>Starting Point</b>													<b>32.21</b>	<b>389.55</b>

\*Average consumption between 2007 to 2009 in line with decision 61/47

13. The Secretariat also noted a substantial increase in HCFC consumption between 2010 (13.96 ODP tonnes) and 2011 (21.75 ODP tonnes). UNDP explained that this was due to high economic growth that started in 2010, which resulted in higher demand for HCFCs in many uses. It further noted that there were as yet no restrictions in HCFC imports for both years so resulting in this increase.

Review of the 2011-2012 progress report

14. The Secretariat noted that there was good and substantive progress in the implementation of stage I of the HPMP in Costa Rica. Some issues related to the activities being implemented in stage I of the HPMP were discussed and satisfactorily addressed by UNDP, specifically:

- (a) Clarification on the trials and testing for use of hydrocarbons in Atlas Industrial, SA, and their results was provided. UNDP indicated that this was done in March 2013, when the foam suppliers conducted formulation tests with cyclopentane. The models and products produced during this testing phase are being analysed rigorously, and while quantitative results are not yet available, initial qualitative results show that they are within the acceptable ranges.
- (b) With regard to details on the progress made in the servicing sector, UNDP provided quantitative information to support the information given in the report.

15. With regard to the financial report and the manner by which funds had been transferred to the country to support the disbursement percentage reported in the progress report, UNDP indicated that these transfers were done through signed agreements with the country that is the final beneficiary.

Work plan 2013-2015

16. After reviewing the work plan submitted by UNDP, the Secretariat requested UNDP to provide quantitative targets for the activities proposed (i.e. numbers of trainings to be held, number of trainees, etc.) and requested UNDP to update the work plan to reflect these. The work plan was subsequently revised and provided to the Secretariat.

Revision to the Agreement of the HPMP

17. The HPMP for Costa Rica was approved prior to the establishment of the HCFC baseline for compliance. Accordingly, in approving the HPMP the Executive Committee requested the Secretariat to, *inter alia*, update Appendix 2-A (“The targets, and funding”) to the Agreement with the figures for the maximum allowable consumption, and to notify the Committee of the resulting levels accordingly (decision 64/31(e)). Based on the data reported by the Government of Costa Rica under Article 7 and its revised phase-out schedule, the relevant paragraphs of the Agreement have been updated, and a new paragraph has been added to indicate that the updated Agreement supersedes that reached at the 64<sup>th</sup> meeting, as shown in Annex I to this document. The full revised Agreement will be appended to the final report of the 70<sup>th</sup> meeting.

**RECOMMENDATION**

18. The Fund Secretariat recommends that the Executive Committee:

- (a) Takes note the progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan (HPMP) for Costa Rica;
- (b) Notes that the Fund Secretariat had updated paragraph 1, Appendices 1-A and 2-A of the Agreement between the Government of Costa Rica and the Executive Committee, based on the established HCFC baseline for compliance, and that a new paragraph 16 had been added to indicate that the updated Agreement superseded the Agreement that reached at the 64<sup>th</sup> meeting, as contained in Annex I to the present document; and
- (c) Further notes that the revised starting point for sustained aggregate reduction in HCFC consumption was 14.1 ODP tonnes calculated using consumption of 14.2 ODP tonnes and 14 ODP tonnes reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol, plus 18.11 ODP tonnes of HCFC-141b in imported pre-blended polyols, resulting in 32.21 ODP tonnes.

19. The Fund Secretariat further recommends blanket approval for the second tranche of stage I of the HPMP for Costa Rica, and the corresponding 2013 to 2015 tranche implementation plan, with associated support costs at the funding level as shown in the table below:

	<b>Project Title</b>	<b>Project Funding (US \$)</b>	<b>Support Cost (US \$)</b>	<b>Implementing Agency</b>
(a)	HCFC phase-out management plan (stage I, second tranche)	168,000	12,600	UNDP

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**Annex I**

**TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF COSTA RICA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS**

(Relevant changes are in bold font for ease of reference)

1. This Agreement represents the understanding of the Government of Costa Rica (the “Country”) and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODS) set out in Appendix 1-A (“The Substances”) to a sustained level of **9.17** ODP tonnes by 1 January 2020 in compliance with Montreal Protocol schedules.

**16. This updated Agreement supersedes the Agreement reached between the Government of Costa Rica and the Executive Committee at the 64<sup>th</sup> meeting of the Executive Committee.**

**APPENDICES APPENDICES**

**APPENDIX 1-A: THE SUBSTANCES**

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	10.0
HCFC-141b	C	I	3.58
HCFC-123	C	I	0.007
HCFC-124	C	I	0.09
HCFC-142b	C	I	0.4
<b>Subtotal</b>	<b>C</b>	<b>I</b>	<b>14.10</b>
HCFC-141b in imported pre-blended polyols			18.11
<b>Total</b>			<b>32.21</b>

**APPENDIX 2-A: THE TARGETS, AND FUNDING**

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	<b>14.10</b>	<b>14.10</b>	<b>12.69</b>	<b>12.69</b>	<b>12.69</b>	<b>12.69</b>	<b>12.69</b>	<b>9.17</b>	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	<b>14.10</b>	<b>14.10</b>	<b>12.69</b>	<b>12.69</b>	<b>12.69</b>	<b>12.69</b>	<b>12.69</b>	<b>9.17</b>	n/a
2.1	Lead IA UNDP agreed funding(US \$)	761,523	0	168,000	0	62,000	0	106,000	0	56,000	0	1,153,523
2.2	Support costs for Lead IA(US \$)	57,114	0	12,600	0	4,650	0	7,950	0	4,200	0	86,514
3.1	Total agreed funding (US \$)	761,523	0	168,000	0	62,000	0	106,000	0	56,000	0	1,153,523
3.2	Total support cost (US \$)	57,114	0	12,600	0	4,650	0	7,950	0	4,200	0	86,514

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
3.3	Total agreed costs (US \$)	818,637	0	180,600	0	66,650	0	113,950	0	60,200	0	1,240,037
4.1.1	Total phase-out of HCFC-22, HCFC-123, HCFC-124, <b>HCFC-141b</b> , HCFC-142b (ODP tonnes) agreed to be achieved under this Agreement											<b>4.93</b>
4.1.2	Phase-out of HCFCs mentioned in line 4.1.1 to be achieved in previously approved projects (ODP tonnes)											n/a
4.1.3	Remaining eligible consumption for HCFCs mentioned in line 4.1.1 (ODP tonnes)											<b>9.17</b>
4.2.1	Total phase-out of <b>HCFC-141b in imported pre-blended polyols</b> (ODP tonnes) agreed to be achieved under this Agreement											14.0
4.2.2	Phase-out of <b>HCFC-141b in imported pre-blended polyols</b> to be achieved in previously approved projects (ODP tonnes)											0
4.2.3	Remaining eligible consumption for <b>HCFC-141b in imported pre-blended polyols</b> (ODP tonnes)											<b>4.11</b>

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