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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-second Meeting
Montreal, 12-16 May 2014

PROJECT PROPOSAL: SAUDI ARABIA

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

Phase-out

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

UNEP/UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Saudi Arabia

(I) PROJECT TITLE	AGENCY
HCFC phase out plan (Stage I)	UNEP, UNIDO (lead)

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2012	1,921.69 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2012	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123					0.3				0.3
HCFC-124									
HCFC-141b		406.1		24.2					430.3
HCFC-142b		153.7							153.7
HCFC-22		82.9		589.4	665.0				1,337.3

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	1,468.7	Starting point for sustained aggregate reductions:	1,468.7
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	688.41	Remaining:	780.29

(V) BUSINESS PLAN		2014	2015	2016	2017	2018	2019	2020	Total
UNEP	ODS phase-out (ODP tonnes)		11.40		5.6			2.59	19.59
	Funding (US \$)		281,418		138,378			63,920	483,716
UNIDO	ODS phase-out (ODP tonnes)	189.9	80.4	38.7	47.7	18.2	8.5	7.8	391.1
	Funding (US \$)	4,463,491	1,890,262	909,500	1,120,691	428,000	198,574	182,569	9,193,087

(VI) PROJECT DATA		2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	
Montreal Protocol consumption limits		n/a	1,468.69	1,468.69	1,321.82	1,321.82	1,321.82	1,321.82	1,321.82	954.65	n/a	
Maximum allowable consumption (ODP tonnes)		n/a	1,468.69	1,378.39	1,321.82	1,321.82	1,321.82	980.82	980.82	954.65	n/a	
Maximum allowable consumption of HCFC-141b		n/a	n/a	n/a	n/a	n/a	n/a	0.00	0.00	0.00	n/a	
Maximum allowable consumption of HCFC-142b		n/a	n/a	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n/a	
Project costs requested in principle (US \$)	UNEP	Project costs	290,400	0	0	250,400	0	123,125	0	0	56,875	720,800
		Support costs	35,973	0	0	31,018	0	15,253	0	0	7,045	89,288
	UNIDO	Project costs	2,169,600	2,971,487	1,200,000	1,766,600	850,000	1,047,375	400,000	185,583	170,625	10,761,270
		Support costs	151,872	208,004	84,000	123,662	59,500	73,316	28,000	12,991	11,944	753,289
Funds approved by ExCom (US\$)	Project Costs	2,460,000									2,460,000	
	Support Costs	187,845									187,845	
Total funds requested for approval at this meeting (US\$)	Project Costs	0	2,971,487	0	0	0	0	0	0	0	2,971,487	
	Support Costs	0	208,004	0	0	0	0	0	0	0	208,004	

Secretariat's recommendation:	For individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Saudi Arabia, UNIDO, as the lead implementing agency, has submitted to the 72nd meeting of the Executive Committee a request for funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP)¹ at a total cost of US \$3,179,491, consisting of US \$2,971,487, plus agency support costs of US \$208,004 for UNIDO only. The submission includes a progress report on the implementation of the first tranche of the HPMP together with the tranche implementation plan for 2014, as well as a national ODS phase-out plan (NPP)² implementation report, NPP verification reports for 2009 and 2010, and a refrigeration/air-conditioning manufacturing survey report³.

National ODS phase-out plan implementation report

2. The approval of the HPMP for Saudi Arabia in decision 68/37(a) included a request to UNIDO to submit, to the 69th meeting, a verification report on CFCs, CTC, TCA and halons for the years 2009 and 2010, together with a full implementation report on the NPP. UNIDO submitted the two reports requested by the decision jointly with a request for the second tranche of the HPMP to the 71st meeting; however, the verification report did not cover all of the substances as requested in the decision, and led to UNIDO's withdrawal of the whole submission. At the 72nd meeting, UNIDO submitted a verification report with the necessary amendments, as well as an implementation report.

3. *Policy update and enforcement:* The report stated that a national legal committee was being created to update legislative package and/or legal instruments. Until 2012, ministerial decrees and orders based on the general provisions of the environmental law were used to ensure compliance with the Montreal Protocol. The Gulf Corporation Council (GCC) issued ODS regulations in 2005 and revised them in 2012, suggesting governments to upgrade the national regulations in line with the GCC regulations. Currently, UNEP is working with the Government of Saudi Arabia to develop and issue a comprehensive package of by-laws in line with the requirements under the HPMP as well as revised GCC unified regulations. A database for ODS has been established, which intends to cover, *inter alia*, import volumes of ODS by importers, and volumes used by workshops participating in the recovery and recycling (R&R) programme. Seventeen refrigerant identifiers had been distributed to customs authorities, and 240 customs officers and 45 customs trainers in the major entry ports have been trained.

4. *Refrigeration training, standardization and certification:* A national refrigeration and air-conditioning (RAC) task force was established, with the objective to update an existing code of practice in refrigeration; provide refrigeration curricular to trainings; supply equipment to five training institutes; and train 1,000 technicians. Several meetings of the task force were held; however, progress had been slow. A workshop will be conducted in 2014 to discuss a draft code of practice and finalize it for subsequent adoption by the respective authorities. Eleven educational institutions were supplied with equipment and 27 trainers were educated in three-day workshops covering good practices using ODS refrigerants including HFC and non-HFC refrigerants as alternatives to HCFC. No trainings of technicians have been conducted under the NPP.

¹ The HPMP for Saudi Arabia was approved by the Executive Committee at its 68th meeting to reduce HCFC consumption by 40 per cent of the baseline by 1 January 2020.

² The NPP for Saudi Arabia was approved by the Executive Committee at its 53rd meeting to cover CFCs, halons, CTC and TCA.

³ Executive Committee decision 68/37(j) requested UNIDO to submit, as part of the request for the second tranche, detailed data regarding the refrigeration and air-conditioning (RAC) manufacturing sector, including the names of all eligible enterprises, the level of HCFC consumption, whether additional capacity had been established prior to the cut-off date, ownership, products manufactured, and information to enable assessment of whether the enterprise would be seen as installing, assembling or manufacturing RAC equipment.

5. *R & R programme:* Five hundred servicing toolboxes and 500 vacuum pumps have been distributed to different workshops. In addition, 50 portable recovery machines and 40 heavy-duty R&R units have been provided to refrigeration service workshops, and suppliers of the equipment have conducted training sessions on its operation. In the mobile air-conditioning (MAC) sub-sector, 50 medium-sized MAC servicing workshops have received portable recovery equipment. An awareness campaign was launched to inform owners of vehicles with MACs and to provide an incentive for up to 2,500 vehicles to be retrofitted. The awareness campaign included the printing of 2,000 brochures and 1,000 posters. Despite the initiative, no system at the national level has been established to collect data on the results of the R&R scheme. The intended system of incentives to retrofit vehicles did not materialize.

6. *Technical assistance to the manufacturing sector:* A number of site visits and workshops were conducted between 2008 and 2010. A national halon facility has been established functioning as a halon bank.

7. The financial report showed funding of US \$307,000 as un-committed by UNIDO; this figure is consistent with the figure stated by UNIDO as un-committed funds in the submission of the HPMP to the 68th meeting, and this amount was re-allocated to the HPMP by decision 68/37.

National ODS phase-out plan verification reports for 2009 and 2010

8. The submission also included an “Amended verification report on the implementation of the National CFC phase-out plan in Saudi Arabia”. The report listed all importers and imports of the substances covered by the verification, i.e., CFC, CTC, TCA and halon. The verified consumption is given in Table 1.

Table 1. Verified consumption of Saudi Arabia for several ODS as compared to Montreal Protocol (MP) obligation and maximum allowable consumption under the Agreement

Year	2009				2010			
	Verified consumption		MP control target (ODP t)	Maximum allowable consumption (ODP t)	Verified consumption		MP control target (ODP t)	Maximum allowable consumption (ODP t)
	mt	ODP t			mt	ODP t		
CFC	190.00	190.00	269.70	250.00	0	0	0	0
CTC	1.70	1.87	38.90	0	0	0	0	0
TCA	0.45	0.045	20.90	0	0	0	8.90	0
Halon- 1301	5.00	50.00	532.00	532.00	0	0	0	0

9. Saudi Arabia has imported 1.70 metric tonnes (mt) (1.87 ODP tonnes) of CTC in 2009, bringing it in non-compliance with the Agreement stipulating zero ODP tonnes of CTC consumption for 2009. In 2009, an import quota of 5 mt (5.5 ODP tonnes) of CTC was set by the Government; while the quota was in compliance with the Montreal Protocol, however, it was not in compliance with the Agreement.

10. The Agreement contained a penalty clause informing that the amount of funding of the NPP may be reduced by US \$4,178 per ODP tonne of reduction in consumption not achieved in any year. In this particular case of non-compliance, this would lead to a penalty of up to US \$7,813. The Secretariat notes that all funding for the NPP has been approved and either disbursed, returned (US \$4,506 to the 72nd meeting), or obligated according to the latest financial reports submitted to the 72nd meeting. However, the Secretariat would like to point out that it could be considered whether in light of decision 68/37(1) on the reallocation of funds from the NPP into the HPMP, a link could be established

between the two projects, and thus, allowing to reduce funds from the HPMP for non-compliance with the NPP targets.

11. Saudi Arabia has also imported 0.45 mt of TCA (0.045 ODP tonnes) and the maximum allowable consumption for TCA in the Agreement was zero ODP tonnes. However, at that time, the rounding policy of the Ozone Secretariat to one digit would have led to a final consumption figure of 0.0 ODP tonnes of TCA, thus the TCA consumption of the country, registered as zero ODP tonnes, appears to be in compliance with the Agreement.

12. The report also verified that the activities detailed in the implementation report have been carried out, and that the country has a functioning license and quota system, albeit depending on decrees and not using specific regulation or legislation. The Secretariat considered that the verification report is sufficient to verify consumption of the substances concerned.

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

13. Stage I of the HPMP for Saudi Arabia includes new legislative provisions, investment and technical assistance projects in the polyurethane (PU) and extruded polystyrene (XPS) foam manufacturing sectors and activities in the refrigeration servicing sector. The results achieved so far are described below.

ODS policy and regulations

14. The Government of Saudi Arabia has ratified the Montreal and Beijing Amendments to the Montreal Protocol on 14 March 2014. The National Ozone Unit (NOU) has developed a new quota system to control imports of HCFCs which is in place since 1 January 2013. The requirements for developing and adopting an e-licensing system as well as possibilities for contracting delivery of the required hardware and training were examined, but considered incompatible with existing systems. Saudi Arabia decided to develop a national system which at the same time could be used as a basis for other countries in the West Asia region. UNEP and the NOU are currently working to establish the parameters and requirements of such a system.

Activities in the XPS foam manufacturing sector

15. *Eligible enterprises (55 ODP tonnes):* Arabian Chemical Company (ACC) completed the equipment procurement process in January 2014. Equipment installation and conversion of the three lines (only one funded by the Multilateral Fund) to isobutene and CO₂ will be completed by July 2014. Al-Watania Plastics approved technical specifications for the equipment after a delay due to disruption in the communication with the enterprise between October 2013 and February 2014. The conversion to a blend of isobutene, CO₂ and HFO-1234ze is expected by the end of 2014.

16. *Non-eligible enterprises (125.6 ODP tonnes):* Bitutherm has nearly completed its conversion and Saptex is still considering various conversion technologies, e.g., butane mixtures with other low-GWP blowing agents. As the import quota for HCFC-142b was established at zero from 1 January 2014, these enterprises are currently not able to import HCFC-142b.

Activities in the PU foam manufacturing sector

17. *Individual projects for 18 enterprises:* The first tranche is assisting three enterprises manufacturing continuous and discontinuous panels (HESCO, Saptex, SPF) with a total consumption of 30.8 ODP tonnes to convert to pentane. Equipment purchase orders were issued in 2013, equipment will be delivered by May 2014 and the three projects will be completed by July 2014. Future tranches will be used to assist additional enterprises.

18. *Support for system houses:* Five of the seven systems houses in the country are eligible to receive conversion assistance. Preliminary activities started with a survey and a consultation workshop for systems houses and their downstream customers in February 2014. A mapping of systems houses and downstream users and an additional workshop to discuss details of the assistance are planned for April 2014. Systems houses conversions will be completed in 2014 and validation and transfer of technologies to users in 2015.

Activities in the refrigeration and air-conditioning servicing sector

19. As per decision 68/37, the balance of US \$307,000 from the NPP was re-allocated under the HPMP for UNIDO activities. In addition, under the first tranche, funding of US \$130,000 was provided to UNEP for service sector activities. The activities implemented in the refrigeration servicing sector include the completion of a national survey of maintenance and servicing workshops. The code of good practice, a curriculum update for vocational schools and a strategy for the adoption of a certification scheme for technicians are under development.

Refrigeration and air-conditioning manufacturing sector survey report

20. UNIDO provided a “Survey of the RAC manufacturing sector in Saudi Arabia”. This survey was based on a questionnaire sent to registered manufacturing enterprises in the RAC sector and additional enterprises obtained from the project management unit (PMU), through consulting websites and documents of the Ministry of Trade and Industry. Telephone calls, meeting with enterprises, representatives and field visits were also undertaken. As a result, the survey provided a list of 34 enterprises, of which 21 could be reached. The survey forms were not always completely filled out, thus some information remains lacking.

21. It turned out that four enterprises were established after 2007. Three enterprises might be only partially eligible due to their ownership structure. The survey contained data on 2011 and 2012 consumption for a number of the enterprises, indicating one very large enterprise with a consumption of above 2,500 tonnes of HCFC-22, four enterprises with consumption between 500 and 1,000 mt, one enterprise with a consumption of 240 mt and a number of enterprises with consumption below 100 tonnes. In total, the survey identified consumption in enterprises of 5,200 mt in 2011 and 5,800 mt in 2012 (not all enterprises have provided data in both years). The survey also indicated that enterprises with a total consumption of around 5,300 mt were assumed to exist but could not be identified. In further discussions with UNIDO, the Secretariat recalled the language in decision 68/37(j) requesting the names of all eligible enterprises to be included in the report. UNIDO agreed that there will be no additions of new eligible enterprises in the RAC manufacturing sector in the future.

Status of fund disbursement

22. As of February 2014, of the US \$2,767,000 approved for the first tranche (including US \$307,000 reallocated from the NPP), US \$656,323 had been disbursed (Table 2), which corresponds to 23.7 per cent of the first tranche. The balance of US \$2,110,677 will be disbursed in 2014.

Table 2. Financial report of the first tranche of the HPMP of Saudi Arabia

Description		HPMP tranche I approval (US \$)	Disbursement tranche I (US \$)	Rate of disbursement (%)
PU foam manufacturing sector	UNIDO	1,827,867	644,297	35.2
Refrigeration servicing sector and monitoring	UNIDO	648,733	0	0.0
	UNEP	290,400	12,026	4.1
Total		2,767,000	656,323	23.7
Previously approved phase-out of HCFC-22 and HCFC-142b from XPS panel in Arabian Chemical Company and Al-Watania plastics		1,938,901	282,252	14.6

Annual plan for the second tranche of the HPMP

23. The main activities to be implemented for the remaining 2014 and 2015 are described below:

- (a) *ODS policy and regulations*: Analysis of the current capacities of customs; purchase of additional 20 ODS identifiers; training of 500 customs officers; and stakeholders' workshop on ODS regulations to start preparing instruments for enforcement;
- (b) *PU foam manufacturing sector*: Conversion of four additional PU foam manufacturing enterprises (Saudi Ceramic Company, IBSF, Al-Essa and Aalambar Vapotherm); workshop and provision of pilot-scale facilities to systems houses for customizing trials using HCs and HFOs; and survey and workshop for downstream users, awareness raising, trials, technology transfer and training starting by December 2014;
- (c) *XPS foam manufacturing sector*: Complete conversion of ACC by July 2014 and Al-Watania by December 2014;
- (d) *Refrigeration servicing sector*: The strategy for the adoption of a certification scheme for technicians will be finalized in June 2014 to start implementation in December 2014; introduction of the certification of technicians planned by 1 January 2015; a revision of the curriculum on technical and vocational training on refrigeration and air-conditioning will be finalized by May 2014; the code of good practices in refrigeration finalized for adoption by the third quarter of 2014; training of 250 technicians upon adoption of the code; and training equipment provided to five educational institutions; and
- (e) *Monitoring*: A Project Management Unit (PMU) has been established, under the supervision of the NOU, to assist in the coordination and implementation of the project activities. The NOU will continue to monitor progress of the implementation and assist in the various activities.

24. The funds available for the implementation of the remainder of the first tranche and the second tranche will be utilized as shown in Table 3.

Table 3: Estimated utilization of funds available during implementation of the second tranche

Description of activities	Available funds/Estimated costs (US\$)
	UNIDO
Uncommitted balance from the first tranche	485,646
Second tranche	2,971,487
Total funds available for second tranche	3,457,133
Policy and enforcement	57,000
Conversion of foam enterprises to pentane technology	2,000,000
Technical assistance to systems houses	850,000
Technical assistance to PU foam downstream users	150,000
Assistance to the RAC service sector	250,000
Provision of training equipment to five educational institutions	150,000
Project monitoring unit	40,000
Total funds required	*3,457,133

*Estimated funding is around 40,000 above the tranche and balance values.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Operational licensing system

25. In line with decision 63/17, confirmation had been received from the Government that an enforceable national system of licensing and quotas for HCFC imports is in place and that the system is capable of ensuring the country's compliance with the Montreal Protocol's HCFC phase-out schedule.

26. The HCFC import quotas established for 2013 are 990 ODP tonnes of HCFC-22, 330 ODP tonnes of HCFC-141b, and 110.5 ODP tonnes of HCFC-142b. Zero imports quotas for HCFC-142b have been introduced as of 1 January 2014, ending the imports of this substance for the XPS foam sector.

HCFC consumption and verification

27. The HCFC consumption reported under Article 7 of the Montreal Protocol for 2008 to 2012 is shown in Table 4.

Table 4. HCFC consumption in Saudi Arabia (2008-2012 Article 7, 2013 estimate)

HCFC	2008	2009	2010	2011	2012	2013*	Baseline
Metric tonnes							
HCFC-22	17,532.8	16,677.0	20,110.0	22,172.00	24,315.00	14,000.00	18,393.5
HCFC-123	5.0	2.5	16.5	14.00	16.00	0.00	9.5
HCFC-141b	1,535.0	3,000.0	3,200.0	3,557.00	3,912.00	2,400.00	3,100.0
HCFC-142b	647.0	1,765.0	1,800.0	2,150.00	2,365.00	1,400.00	1,782.5
Total (mt)	19,719.8	21,444.5	25,126.5	27,893.00	30,608.00	17,800.00	23,285.5
ODP tonnes							
HCFC-22	964.3	917.2	1,106.1	1,219.46	1,337.32	770.00	1,011.6
HCFC-123	0.1	0.1	0.3	0.28	0.32	0.00	0.2
HCFC-141b	168.8	330.0	352.0	391.27	430.32	264.00	341.0
HCFC-142b	42.1	114.7	117.0	139.75	153.73	91.00	115.9
Total (ODP)	1,175.3	1,362.0	1,575.4	1,750.76	1,921.69	1,125.00	1,468.7

*Preliminary figures submitted by the verifier.

28. HCFC consumption in 2012 was 1,921.69 ODP tonnes, which was substantially higher than the allowable level of consumption in 2013. However, UNIDO reported that imports in 2013 were affected by the non-ratification of the Beijing Amendment reducing imports substantially from their expected level. An independent verification of the consumption in 2013 was not received, but UNIDO indicated that it is being prepared and might be available before the 72nd meeting of the Executive Committee.

Servicing sector

29. The phase-out of ODS in the servicing sector has been an issue of discussion before the HPMP was approved. The Secretariat was pointing to the unusually large consumption in the sector, and the fact that the NPP activities, in particular those to improve service practices, were not successfully implemented. As a consequence, the HPMP for Saudi Arabia has a number of additional conditions attached. These conditions have to be fulfilled with the 2015 tranche, requiring a number of legislative or regulatory acts by the Government and substantial implementation of activities. While customs officer training appears to have progressed, the work on the code of practice, certification schemes and other activities with impact on service sector practices have not yet delivered any tangible results. Furthermore, UNIDO reported no activities or disbursements related to the service sector, while UNEP informed that disbursements had been US \$1,792 up to the end of 2013 and US \$10,234 as of February 2014.

Foam sector

30. The Secretariat noted that there is good progress in the implementation of the first three PU foam individual projects. Starting additional conversions depends on the approval of further tranches, in particular, the second tranche as it will convert four additional enterprises with a consumption of 796 mt (87.56 ODP tonnes). The remaining 11 PU foam enterprises (for a total of 18 PU foam enterprises) will be converted in future tranches of stage I. UNIDO confirmed that further progress depends on the cash flow; the last enterprises will be converted upon receipt of the 2016 tranche, before the 2018 ban on imports of HCFC-141b enters into force.

31. Given the large number of enterprises included in stage I (i.e. 114 enterprises), Saudi Arabia committed to verify their eligibility during implementation and report to the Executive Committee on the understanding that any enterprise found to be ineligible would not receive assistance from the Multilateral Fund (paragraph 7(d) of the Agreement). UNIDO reported that so far all the 18 large enterprises and five systems houses listed in the HPMP were verified and found eligible. A survey for close to 100 downstream PU foam users of the systems houses is planned for June 2014 and their eligibility will be reported in the next tranche request.

32. UNIDO was requested to report on prospects of low-GWP alternatives being explored for the spray foam sector to avoid the introduction of HFC-245fa⁴. UNIDO indicated that liquid CO₂ could be relatively good solution but it has high capital investment and it is difficult to carry CO₂ cylinders next to the foam spraying position. An HFO-based liquid blowing agent (Solstice LBA) appears to be the most promising option and will be subject to further assessment and testing. UNIDO will organize with Honeywell and some enterprises further testing of this alternative in spraying operation to be completed by November 2014. UNIDO indicated that some non-eligible enterprises in the spray foam sector have already started to use HFC-245fa without support of the Multilateral Fund. However, as agreed, UNIDO will continue exploring climate friendly alternatives and not implement any conversions in this sector prior to January 2016.

33. The Secretariat noted that while a zero quota for imports of HCFC-142b was established as of 1 January 2014 in accordance to the HPMP, the implementation of projects in the XPS foam sector (ACC and Al-Watania) will only be completed in December 2014. UNIDO informed that both enterprises have stopped production of XPS foam due to the lack of HCFC-142b generated by the zero quota established from 1 January 2014. In addition, one of the non-eligible enterprises (Bitutherm) has nearly completed its conversion and the remaining one (Saptex) has also stopped production. UNIDO also confirmed that ACC is already conducting the conversion of their three XPS foam lines (only one of them with assistance from the Multilateral Fund) and Al-Watania, which had a delay in implementing the project, has resumed activities for completion by the end of 2014.

Conclusion

34. The progress in the service sector is very limited, in particular taking into account that a number of the activities had begun several years prior to the approval of the HPMP. Currently, while activities are on-going, a significant milestone has not been reached. In the manufacturing sectors the progress appears to be sufficient, leading to an overall acceptable level of progress in the implementation of previously approved activities. The level of disbursement is also above 20 per cent.

35. A final verification will be submitted prior to the 72nd meeting. Taking into account that a verification of 2013 consumption is a precondition to funding for tranches in 2014, but also that the present tranche request was originally submitted in 2013 to the 71st meeting, that the change to two Executive Committee meetings placed the first meeting of the year just after 1 May giving little time for a complete verification of 2013 data, and that no additional foam projects could start without the approval of the tranche, the Secretariat suggests to approve the second tranche on the understanding that the funds will not be transferred to the implementing agencies until the Secretariat has accepted as sufficient a verification report confirming that Saudi Arabia was in compliance with the Montreal Protocol control targets and the Agreement with the Executive Committee.

36. During the review it was noticed that Appendix 2-A of the Agreement approved at the 68th meeting had two typo mistakes in rows 1.3 and 1.4 and a new paragraph 16 has been added to indicate that the updated Agreement supersedes that reached at the 68th meeting, as shown in Annex I to this document. The full revised Agreement will be appended to the final report of the 72nd meeting.

⁴ Executive Committee decision 68/37(h) requested UNIDO and UNEP not to implement any conversion to HFC-245fa in the spray foam sector prior to 1 January 2016, and actively to pursue the establishment of low-GWP alternatives for that sub-sector prior to that date.

RECOMMENDATION

37. The Executive Committee may wish to consider:

- (a) Noting
 - (i) The National ODS phase-out plan implementation report and the verification reports for 2009 and 2010 for Saudi Arabia;
 - (ii) The progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan (HPMP) in Saudi Arabia;
 - (iii) The refrigeration/air-conditioning manufacturing sector survey report, and the final list of eligible enterprises in the refrigeration and air-conditioning sector contained in it; and
 - (iv) That the Fund Secretariat in agreement with UNIDO, had corrected rows 1.3 and 1.4 of Appendix 2-A of the Agreement between the Government of Saudi Arabia and the Executive Committee and that a new paragraph 16 had been added to indicate that the updated Agreement attached as Annex I to the present report superseded the Agreement reached at the 68th meeting;
- (b) In relation to the National ODS phase-out plan:
 - (i) To note with concern the over-consumption of 1.87 ODP tonnes of CTC in 2009 as compared to the maximum allowable consumption limit established in the Agreement between Saudi Arabia and the Executive Committee for the phase-out of ozone depleting substances, in line with decision 53/28;
 - (ii) To note, however, that Saudi Arabia had returned to compliance with the Agreement in the year 2010;
 - (iii) To note that, in accordance with Article 10 and Appendix 7-A of this Agreement, there would be a reduction of US \$4,178 for each ODP tonne of consumption over the maximum allowable consumption limit; and
 - (iv) To consider whether and how to apply a reduction in funding as per paragraph 10 and Appendix 7-A of the Agreement; and
- (c) Approving the second tranche of stage I of the HPMP for Saudi Arabia, and the corresponding 2014-2015 tranche implementation plan at the amount of US \$2,971,487 plus agency support costs of US \$208,004 for UNIDO, on the understanding that the approved funds will not be transferred to UNIDO until the Secretariat has received a verification report confirming that the Government of Saudi Arabia was in compliance with the Montreal Protocol and the Agreement between the Government and the Executive Committee.

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF SAUDI ARABIA 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)

16. This updated Agreement supersedes the Agreement reached between the Government of Saudi Arabia and the Executive Committee at the 68th meeting of the Executive Committee.

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	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	1,468.69	1,468.69	1,321.82	1,321.82	1,321.82	1,321.82	1,321.82	954.65	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	1,468.69	1,378.39	1,321.82	1,321.82	1,321.82	980.82	980.82	881.21	n/a
1.3	Maximum allowable total consumption of HCFC-141b	n/a	n/a	n/a	n/a	n/a	n/a	0.00	0.00	0.00	n/a
1.4	Maximum allowable total consumption of HCFC-142b	n/a	n/a	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n/a
2.1	Lead IA (UNIDO) agreed funding (US \$)	2,169,600	2,971,487	1,200,000	1,766,600	850,000	1,047,375	400,000	185,583	170,625	10,761,270
2.2	Support costs for Lead IA (US \$)	151,872	208,004	84,000	123,662	59,500	73,316	28,000	12,991	11,944	753,289
2.3	Cooperating IA (UNEP) agreed funding (US \$)	290,400	0	0	250,400	0	123,125	0	0	56,875	720,800
2.4	Support costs for Cooperating IA (US \$)	35,973	0	0	31,018	0	15,253	0	0	7,045	89,288
3.1	Total agreed funding (US \$)	2,460,000	2,971,487	1,200,000	2,017,000	850,000	1,170,500	400,000	185,583	227,500	11,482,070
3.2	Total support costs (US \$)	187,845	208,004	84,000	154,680	59,500	88,569	28,000	12,991	18,989	842,578
3.3	Total agreed costs (US \$)	2,647,845	3,179,491	1,284,000	2,171,680	909,500	1,259,069	428,000	198,574	246,489	12,324,648
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)										181.69
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes) *										64.74
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)										765.21
4.2.1	Total phase-out of HCFC-123 agreed to be achieved under this Agreement (ODP tonnes)										0.00
4.2.2	Phase-out of HCFC-123 to be achieved in previously approved projects (ODP tonnes)										0.00
4.2.3	Remaining eligible consumption for HCFC-123 (ODP tonnes)										0.19
4.3.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)										341.00
4.3.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)										0.00
4.3.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)										0.00
4.4.1	Total phase-out of HCFC-142b agreed to be achieved under this Agreement (ODP tonnes)										0.00
4.4.2	Phase-out of HCFC-142b to be achieved in previously approved projects (ODP tonnes) *										115.86
4.4.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)										0.00

*The Agreement also covers two projects approved at the 62nd meeting of the Executive Committee for implementation by UNIDO and Japan with an associated phase-out of 180.6 ODP tonnes of HCFC-22 and HCFC 142b from the manufacture of extruded polystyrene (XPS) foam at a funding level of US \$1,938,901 plus agency support costs (decision 62/35), and subjects these projects to the same monitoring and reporting obligations as valid for all other activities under stage I of the HPMP.