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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-third Meeting
Paris, 9-13 November 2014

PROJECT PROPOSAL: LESOTHO

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

Phase-out

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

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Lesotho

(I) PROJECT TITLE	AGENCY
HCFC phase out plan (Stage I)	Germany (lead)

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2013	1.96 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2013	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b									
HCFC-142b									
HCFC-22					1.96				1.96

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	3.5	Starting point for sustained aggregate reductions:	3.5
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	1.23	Remaining:	2.27

(V) BUSINESS PLAN		2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Germany	ODS phase-out (ODP tonnes)			0.3	0.0	0.0	0.4	0.0	0.0	0.1	0.9
	Funding (US \$)			76,840	0	0	94,920	0	0	31,640	203,400

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits			n/a	n/a	3.5	3.5	3.15	3.15	3.15	3.15	3.15	2.27	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	3.5	3.5	3.15	3.15	3.15	3.15	3.15	2.27	n/a
Agreed Funding (US\$)	Germany	Project costs	100,000	0	0	68,000	0	0	84,000	0	0	28,000	280,000
		Support costs	13,000	0	0	8,840	0	0	10,920	0	0	3,640	36,400
Funds approved by ExCom (US\$)	Germany	Project Costs	100,000	0	0	0	0	0	0	0	0	0	100,000
		Support Costs	13,000	0	0	0	0	0	0	0	0	0	13,000
Total funds requested for approval at this meeting (US\$)	Germany	Project Costs	0	0	0	68,000	0	0	0	0	0	0	68,000
		Support Costs	0	0	0	8,840	0	0	0	0	0	0	8,840

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Lesotho, the Government of Germany as the designated implementing agency, has submitted to the 73rd meeting a request for funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP)¹, at the amount of US \$68,000, plus agency support costs of US \$8,840. The submission includes a progress report on the implementation of the first tranche of the HPMP and the tranche implementation plan for 2015 and 2016.

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

2. The following activities had been implemented during the first tranche of the HPMP: 75 customs and enforcement officers have been trained through three training workshops on the identification and enforcement of ODS regulations; seven identifiers were provided to the customs department; 110 technicians from three technical institutions and Lesotho's refrigeration and air-conditioning association and two trainers have been trained on best practices and safe use of hydrocarbons and servicing R-290 based-equipment; three sets of refrigeration training equipment (e.g., vacuum pump, electronic scales, recovery cylinders) were provided to three vocational training centres; and training materials on leak testing protocols were provided to trainers and technicians.

3. The National Ozone Unit (NOU) has been overseeing the implementation of the HPMP with the cooperation of the Government of Germany.

Level of fund disbursement

4. As of August 2014, of the US \$100,000 approved for the first tranche, US \$81,695 had been disbursed, leaving a balance of US \$18,305. From this amount, US \$10,000 will be disbursed by December 2014 while the remaining US \$8,305 will be disbursed for implementing the activities during the second tranche.

Annual plans for the second tranche of the HPMP

5. The main activities to be implemented during the second tranche include:

- (a) Media refresher training and awareness activities (US \$3,000);
- (b) Customs refresher training for at least 30 officers (US \$12,000);
- (c) Training of 90 technicians on installation and repair techniques, better recycling practices, retrofit and use of drop-in technology (R407a and R407c), HC and HFC refrigerant technologies, and implementation of logbooks (US \$20,000);
- (d) Procurement of additional equipment (manifold sets, vacuum pump, recovery units, and other servicing tools) for technicians and vocational training centres (US \$15,000);
- (e) Enhancement of the certification programmes to minimize the potential risk in the servicing process especially in the use of hydrocarbons (R600a and R-290) (US \$7,000);

¹The HPMP for Lesotho was approved by the Executive Committee at its 64th meeting to reduce HCFC consumption by 35 per cent of the baseline by 1 January 2020. The second tranche was planned for 2014.

- (f) Review of the refrigeration curriculums to determine whether the courses are up to standard and cater to the evolving new refrigerant technologies (consultant) (US \$5,000); and
- (g) Monitoring of the HPMP and reporting activities (US \$6,000)

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

6. In line with decision 63/17, confirmation has 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 compliance with the Montreal Protocol phase-out schedule.

7. The NOU, under the authority of the Ministry of Environment is responsible for the clearance of all the ODS import licenses issued by the Ministry of Trade to ensure that the imports are within the limit of the maximum allowable consumption. The HCFC import quota for 2014 is set in accordance with the Montreal Protocol control measures (i.e. 3.5 ODP tonnes).

HCFC consumption

8. The HCFC baseline for compliance has been established at 3.5 ODP tonnes, based on the actual consumption reported under Article 7 of the Montreal Protocol for 2009 and 2010 as shown in Table 1. At the 64th meeting, the Government of Lesotho agreed to establish as its starting point for aggregate reduction in HCFC consumption the estimated baseline of 3.9 ODP tonnes, which is 0.4 ODP tonnes higher than the established baseline for compliance.

Table 1. HCFC consumption in Lesotho (2009-2013 Article 7 data)

HCFC	2009	2010	2011	2012	2013	Baseline
Metric tonnes						
HCFC-22	68.3	57.1	45.08	40.80	35.64	62.7
HCFC-142b	-	-	0.28	-	-	-
ODP tonnes						
HCFC-22	3.8	3.1	2.48	2.24	1.96	3.5
HCFC-142b	-	-	0.02	-	-	-

Technical issues

9. The review of the HCFC consumption data shows that Lesotho imported 1.96 ODP tonnes in 2013, which shows a reduction of 44 per cent from the baseline consumption for compliance, and below the maximum allowable consumption for 2015 of 3.15 ODP tonnes. According to the Government of Germany, the sharp reduction in HCFC consumption is sustainable because of the increasing trend in the import of non-HCFCs-based equipment in the country, the established procedures to control/monitor HCFC imports and the training on avoiding the use of HCFC-22 as a flushing agent which has led more companies to using nitrogen instead. Currently, most of the equipment, mainly HFC-based equipment, is imported from South Africa, from which Lesotho is highly dependent for technologies and knowhow. Consequently, Lesotho is unable to unilaterally impose duties or taxes on imported equipment and to promote the use of more climate-friendly alternatives to HCFC. However, the country is promoting the use of non-ODS low global warming potential technologies through awareness campaigns.

10. With respect to the retrofitting of equipment, the Government of Germany indicated that retrofit activities are not supported by the project for hydrocarbons (HCs) and that the only conversion to HCs has been done for the unit at the training centre. Nevertheless, the Government of Germany advised that

any certificates given to the technicians include a disclaimer stating that “the training has provided all information on how to safely handle and work with flammable refrigerants and that neither the NOU nor the implementing agencies are responsible for the quality of the work done by any trained technician”. The responsibility therefore, lies fully with the technician. The Government of Germany confirmed that the country is aware of decision 72/17 related to the liability issue in case the country engages in retrofitting HCFC-based refrigeration and air-conditioning equipment to flammable or toxic refrigerants and associated servicing.

Revision to the HPMP Agreement

11. The HPMP for Lesotho 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 Executive Committee of the resulting levels accordingly (decision 64/34(e)). Based on the data reported by the Government of Lesotho under Article 7, the relevant paragraph and Appendices of the Agreement have been updated, and a new paragraph has been added to indicate that the updated Agreement supersedes that reached at the 64th meeting, as shown in Annex I to the present document. The full revised Agreement will be appended to the final report of this meeting.

Conclusion

12. The Secretariat noted that the country’s import licensing and quota system is operational and will enable HCFC consumption reductions in line with the Montreal Protocol’s phase-out schedule. The HPMP is progressing well and the consumption in 2013 is already 44 per cent below the allowable consumption under the Montreal Protocol. The activities implemented under the first tranche and those planned under the second tranche, including training and certification of technicians, training of customs officers and the procurement and distribution of additional equipment, will further strengthen the servicing sector and ensure the long-term sustainability of the activities proposed in stage I of the HPMP.

RECOMMENDATION

13. The Fund Secretariat recommends that the Executive Committee:
- (a) Takes note of the progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan (HPMP) for Lesotho;
 - (b) Notes that the Fund Secretariat had updated paragraph 1, Appendices 1-A and 2-A of the Agreement between the Government of Lesotho 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 supersedes that reached at the 64th 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 3.5 ODP tonnes, calculated using actual consumption of 3.8 ODP tonnes and 3.1 ODP tonnes reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol.

14. The Fund Secretariat further recommends blanket approval of the second tranche of stage I of the HPMP for Lesotho, and the corresponding 2015-2016 tranche implementation plan, with associated support costs at the funding level shown in the table below, on the understanding that Lesotho assumes all responsibilities and risks associated with retrofitting HCFC-based refrigeration and air-conditioning equipment to flammable or toxic refrigerants and associated servicing:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, second tranche)	68,000	8,840	Germany

Annex I

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

1. This Agreement represents the understanding of the Government of Lesotho 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 ODP tonnes **2.27** ODP tonnes by 1 January 2020 in compliance with Montreal Protocol schedules.

16. This updated Agreement supersedes the Agreement reached between the Government of Lesotho and the Executive Committee at the 64th meeting of the Executive Committee.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	3.5

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	3.5	3.5	3.15	3.15	3.15	3.15	3.15	2.27	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	3.5	3.5	3.15	3.15	3.15	3.15	3.15	2.27	n/a
2.1	Lead IA (Germany) agreed funding (US \$)	100,000	0	0	68,000	0	0	84,000	0	0	28,000	280,000
2.2	Support costs for Lead IA (US \$)	13,000	0	0	8,840	0	0	10,920	0	0	3,640	36,400
3.1	Total agreed funding (US \$)	100,000	0	0	68,000	0	0	84,000	0	0	28,000	280,000
3.2	Total support cost (US \$)	13,000	0	0	8,840	0	0	10,920	0	0	3,640	36,400
3.3	Total agreed costs (US \$)	113,000	0	0	76,840	0	0	94,920	0	0	31,640	316,400
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)											1.23
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)											-
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)											2.27