



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/74/17
22 April 2015

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fourth Meeting
Montreal, 18-22 May 2015

UNIDO'S WORK PROGRAMME FOR 2015

COMMENTS AND RECOMMENDATION OF THE FUND SECRETARIAT

1. UNIDO is requesting approval from the Executive Committee of US \$2,997,135 for its 2015 work programme, plus agency support costs of US \$238,900 listed in Table 1. The submission is attached to this document.

Table 1: UNIDO's work programme amendments for 2014

Country	Activity/Project	Amount Requested (US \$)	Amount Recommended (US \$)
SECTION A: ACTIVITIES RECOMMENDED FOR BLANKET APPROVAL			
A1: Renewal of institutional strengthening projects			
Oman	Renewal of institutional strengthening (phase VI)	68,467	68,467
Tunisia	Renewal of institutional strengthening (phase VIII)	247,270	247,270
Turkey	Renewal of institutional strengthening (phase VII)	260,000	260,000
Subtotal for A1		575,737	575,737
Agency support costs (7 per cent for institutional strengthening):		40,302	40,302
Total for A1		616,039	616,039
A2: Project preparation			
Islamic Republic of Iran	Preparation for HCFC phase-out investment activities (stage II) (polyurethane foam sector)	75,000	75,000
Turkey	Preparation of a HCFC phase-out management plan (stage II)	90,000	90,000
Subtotal for A2		165,000	165,000
Agency support costs (7 per cent for project preparation):		11,550	11,550
Total for A2		176,550	176,550
SECTION B: ACTIVITIES RECOMMENDED FOR INDIVIDUAL CONSIDERATION			
B1: Renewal of institutional strengthening projects			
Bosnia and Herzegovina	Renewal of institutional strengthening (phase V)	95,333	(95,333)*
Libya	Renewal of institutional strengthening (phase IV)	136,065	(68,033)*
Subtotal for B1		231,398	
Agency support costs (7 per cent for institutional strengthening):		16,198	*
Total for B1		247,596	
B2: Preparation of demonstration projects for low-global-warming potential alternative technologies			
China	Preparation of a demonstration project for low-global-warming potential (GWP) alternatives in various applications for transport refrigeration (cryogenic and natural refrigerants)	50,000	*
	Preparation of a demonstration project for conversion from HCFC-22 to carbon dioxide heat pump compressors	30,000	*
	Preparation of a demonstration project for leakage reduction of large/industrial refrigerating appliances	50,000	*
Global	Preparation of a demonstration project in the refrigeration assembly sector (Argentina and Tunisia)	60,000	*
Global	Preparation of a demonstration project for refrigerant containment and leakage prevention in high ambient temperatures (Egypt and Gulf Cooperation Council region)	50,000	*
Morocco	Preparation of a demonstration project for the use of compact high pressure foaming equipment for the safe introduction of pentane technology to small and medium-sized enterprises	40,000	*

Country	Activity/Project	Amount Requested (US \$)	Amount Recommended (US \$)
Region: AFR	Preparation of a demonstration project to ensure safety standards and market availability of high quality refrigerants (Kenya, Rwanda, Uganda, and the United Republic of Tanzania and Zambia)	100,000	*
Region: LAC	Preparation of a demonstration project for stage II of HPMP refrigeration and air-conditioning servicing activities, with focus on low-GWP flammable refrigerants (Bahamas, Grenada, St. Lucia, St. Vincent and the Grenadines, and Suriname)	60,000	*
Saudi Arabia	Preparation of a demonstration project for the phase-out of HCFCs by using HFO as foam blowing agent in spray foam applicants in high ambient temperatures refrigerating appliances	30,000	*
	Preparation of a demonstration project for promoting HFO-based low-GWP refrigerants for air-conditioning sector in high ambient temperatures	30,000	*
South Africa	Preparation of a demonstration project on technical and economic advantages of the vacuum assisted injection in discontinuous panel's plant retrofitted from HCFC-141b to pentane	40,000	*
Turkey	Preparation of a demonstration project for the phase-out of HCFCs by means of using HFOs as foam blowing agent in the manufacture of reefers and truck trailer bodies	30,000	*
Subtotal for B2		570,000	
Agency support costs (7 per cent for project preparation):		39,900	*
Total for B2		609,900	
B3: Technical assistance for a feasibility study			
Egypt	District cooling feasibility study	70,000	*
Kuwait	District cooling feasibility study	70,000	*
Subtotal for B3		140,000	
Agency support costs (9 per cent for technical assistance):		12,600	*
Total for B3		152,600	
B4: Technical assistance for preparation for ODS Surveys			
Albania	Survey of ODS alternatives at the national level	35,000	*
Argentina	Survey of ODS alternatives at the national level	120,000	*
Bolivia (Plurinational State of)	Survey of ODS alternatives at the national level	55,000	*
Bosnia and Herzegovina	Survey of ODS alternatives at the national level	35,000	*
Chile	Survey of ODS alternatives at the national level	80,000	*
Ecuador	Survey of ODS alternatives at the national level	55,000	*
Georgia	Survey of ODS alternatives at the national level	35,000	*
Guatemala	Survey of ODS alternatives at the national level	55,000	*
Honduras	Survey of ODS alternatives at the national level	35,000	*
Mexico	Survey of ODS alternatives at the national level	120,000	*
Montenegro	Survey of ODS alternatives at the national level	35,000	*
Nicaragua	Survey of ODS alternatives at the national level	35,000	*
Niger	Survey of ODS alternatives at the national level	55,000	*
Oman	Survey of ODS alternatives at the national level	80,000	*
Serbia	Survey of ODS alternatives at the national level	80,000	*
The former Yugoslav Republic of Macedonia	Survey of ODS alternatives at the national level	35,000	*
Tunisia	Survey of ODS alternatives at the national level	80,000	*
Turkey	Survey of ODS alternatives at the national level	120,000	*

Country	Activity/Project	Amount Requested (US \$)	Amount Recommended (US \$)
Uganda	Survey of ODS alternatives at the national level	55,000	*
Uruguay	Survey of ODS alternatives at the national level	35,000	*
Venezuela	Survey of ODS alternatives at the national level	80,000	*
Subtotal for B4		1,315,000	
Agency support costs (9 per cent for technical assistance):		118,350	*
Total for B4		1,433,350	
Grand Total (A1, A2, B1, B2, B3 and B4):		3,236,035	

*For individual consideration

SECTION A: ACTIVITIES RECOMMENDED FOR BLANKET APPROVAL

A1: Institutional strengthening

- (a) Oman (phase VI): US \$68,467
- (b) Tunisia (phase VIII): US \$247,270
- (c) Turkey (phase VII): US \$260,000

Project description

2. UNIDO submitted the requests for the renewal of the institutional strengthening (IS) projects for five countries listed in Table 1, three of which are recommended for blanket approval. The description for these projects is presented in Annex I to the present document.

Secretariat's comments

3. The Secretariat reviewed the requests for the renewal of the IS projects for Oman, Tunisia and Turkey submitted by UNIDO on behalf of the respective Governments against the guidelines and relevant decisions regarding eligibility and funding levels. The requests were cross-checked against the original IS work plan for the previous phase, country programme and Article 7 data, the latest report on implementation of the HCFC phase-out management plans (HPMP), the agency's progress report, and any relevant decisions of the Meeting of the Parties to the Montreal Protocol. It was noted that Oman, Tunisia and Turkey are in compliance with the ODS phase-out targets under the Montreal Protocol and that Turkey has submitted its country programme implementation reports for 2013 and Oman and Tunisia have submitted their reports for 2014.

Secretariat's recommendations

4. The Secretariat recommends blanket approval of the IS renewal requests for Oman, Tunisia and Turkey at the level of funding indicated in Table 1. The Executive Committee may wish to express to the aforementioned Governments the comments which appear in Annex II to the present document.

A2: Project preparation for HCFC phase-out management plans (HPMPs)/HCFC phase-out investment projects (stage II)

Islamic Republic of Iran: Additional project preparation for HCFC phase-out investment activities in the polyurethane (PU) foam sector (stage II): US \$75,000

Project description

5. UNIDO, on behalf of the Government of the Islamic Republic of Iran submitted a request for additional funding for the preparation of investment projects in the PU foam sector, in the amount of US \$75,000, plus agency support costs of US \$5,250. The request is in addition to the funding of US \$215,000 for preparation of stage II of the HPMP (including US \$125,000 for preparation of investment projects) already approved at the 72nd meeting.

Secretariat's comments

6. The Secretariat queried the need for the additional funding noting that US \$75,000 had been already approved for the Government of Germany to prepare projects in the foam sector. UNIDO explained that this additional funding was supposed to be requested at the 72nd meeting, but was inadvertently omitted. Therefore, the amount is being requested to complete the foam sector requirement.

7. Based on the remaining consumption of 279 metric tonnes (mt), the Islamic Republic of Iran may receive up to US \$200,000 for the investment component of the HPMP. The additional request of US \$75,000 for the PU foam sector, if approved, would result in a funding at the maximum amount eligible for the country. Thus, the request is within the limits set by decision 71/42(d), (f) and (g).

Secretariat's recommendation

8. The Fund Secretariat recommends blanket approval of UNIDO's request for additional funds for project preparation of HCFC phase-out investment activities for the polyurethane foam sector (stage II) for the Islamic Republic of Iran at the level of funding indicated in Table 1.

Turkey: Project preparation for stage II of the HPMP (overarching strategy): US \$90,000

Project description

9. UNIDO, on behalf of the Government of Turkey submitted a request for funding for project preparation of stage II of the HPMP for Turkey, in the amount of US \$90,000, plus agency support costs of US \$6,300. Stage I of the HPMP for Turkey, for the period 2012 to 2017, will reduce HCFC consumption by 86.4 per cent of the baseline and includes an investment component for complete conversion in the foam sector. The Government of Turkey is seeking assistance to fully phase-out HCFC consumption under stage II of HPMP.

Secretariat's comments

10. The request submitted by UNIDO is within the limits set by decision 71/42(d), (f) and (g) based on Turkey's remaining eligible HCFC consumption of 137.6 ODP tonnes, which entitles the Government of Turkey to receive a maximum of US \$90,000, plus agency support costs, for the preparation of the overarching strategy of stage II of the HPMP.

11. To support the request for project preparation, UNIDO provided the most recent consumption of HCFC for 2014 (estimated at 137.6 ODP tonnes of HCFC-22), an update on the implementation of stage I of the HPMP and activities that will be implemented for preparation of stage II of the HPMP. UNIDO also stressed that stage II will focus on the refrigeration servicing sector.

12. The Secretariat concluded that the request for project preparation funds for the overarching strategy for Turkey is in line with the guidelines contained in decision 71/42, and the additional requirements in decision 72/18.

Secretariat's recommendation

13. The Fund Secretariat recommends blanket approval of the request of UNIDO for project preparation for stage II of the HPMP (overarching strategy) at the level of funding indicated in Table 1.

SECTION B: ACTIVITIES RECOMMENDED FOR INDIVIDUAL CONSIDERATION

B1: Institutional strengthening

- (a) Bosnia and Herzegovina: (phase V) US \$95,333
- (b) Libya (phase IV): US \$136,065

14. UNIDO submitted the requests for the renewal of the institutional strengthening (IS) projects for five countries listed in Table 1. The Secretariat recommended the projects for Bosnia and Herzegovina and for Libya for individual consideration. The description of these projects is presented in Annex I to the present document.

Bosnia and Herzegovina: Renewal of institutional strengthening project (phase V): US \$95,333

Background

15. UNIDO submitted a request for the renewal of the institutional strengthening project of Bosnia and Herzegovina to the 74th meeting. Bosnia and Herzegovina reported 2013 Article 7 data indicating an annual consumption of 5.13 ODP tonnes for Annex C group I (HCFCs) that places the country in potential non-compliance with a deviation of 0.4 ODP tonnes against the country's obligation to freeze HCFC at the baseline level of 4.7 ODP tonnes. The situation of Bosnia and Herzegovina will be discussed at the 54th meeting of the Implementation Committee under the Non-Compliance Procedure (ImpCom) in July 2015.

16. At the 72nd meeting the Executive Committee approved the second tranche of stage I of the HPMP for Bosnia and Herzegovina; however it applied a penalty of 10 per cent reduction in funding of that tranche since the 2013 HCFC consumption level was not in compliance¹ with the allowable levels in the agreement with the Executive Committee (decision 72/30).

Secretariat's comments

17. The Secretariat noted that in November 2013 the Council of Ministers of Bosnia and Herzegovina adopted the HPMP bill and an enforceable system of licensing and quotas for HCFC imports and exports has been in place as of January 2014. The HCFC verification report for 2013 and the assessment of the HCFCs consumption trend carried out under the coordination of the NOU, and the 2014 country programme implementation data indicate that HCFC controls are being enforced and progress has been achieved in meeting the country's Montreal Protocol obligations. UNIDO informed the Secretariat that Bosnia and Herzegovina submitted 2014 Article 7 data of 3.37 ODP tonnes.

¹The non-compliance with the HPMP agreement was linked mainly to: the fact that in January 2013, the shipment of 2,720 mt of HCFC-22 was imported against a 2012 import license; the fact that it was apparently unknown that stockpiling for future exports is counted as consumption in the year of import; and that substantially higher quotas were issued than the maximum allowable level of consumption. An additional oversight had been not to account for the for the HCFC-142b content of the imports of R-406A.

Secretariat's recommendation

18. In light of the information provided in the Secretariat's comments above, including the fact that Bosnia and Herzegovina has already been penalized for the deviation in its 2013 HCFC consumption level, the positive trend indicated by the country programme implementation data for 2014, and the fact that the data submitted under Article 7 for 2014 is below the maximum allowable consumption, the Executive Committee may wish to consider approving the phase V of the IS project for Bosnia and Herzegovina, at the level of funding of US \$95,333 plus agency support costs of US \$6,673, without prejudice to the operation of the Montreal Protocol's mechanism on non-compliance.

Libya: Renewal of institutional strengthening project (phase IV): US \$136,065

Background

19. UNIDO submitted a request for the renewal of the institutional strengthening project of Libya to the 74th meeting.

20. Libya does not have an approved HPMP partly due to the security situation and because it had not been possible to confirm that the country's licensing system was fully operational. At the 73rd meeting, UNIDO reported that the specific legislation for the licensing and quota system in Libya is in the process of being signed; however, the process has been delayed due to the security situation and political changes, and that at the current time there is no institution belonging to central government empowered to issue/approve new legislation in Libya.

Secretariat's comments

21. The Secretariat noted that the HCFC baseline for compliance for Libya at 118.38 ODP tonnes is based on the average of 2009 and 2010 HCFC consumption, with the latter value having been revised in accordance with decision XXVI/14 of the Parties to the Montreal Protocol. The Secretariat further noted that Libya has reported Article 7 data indicating an annual consumption of 144 ODP tonnes for Annex C Group I (HCFCs) in 2013 which exceeds the HCFC baseline for the country. The country programme data for 2014 indicates use of 1585.5 mt of HCFC-22 (87.21 ODP tonnes) and 320 mt of HCFC-141b (35.2 ODP tonnes), resulting in a total consumption of 122.41 ODP tonnes.

22. During consultations with UNIDO, the Secretariat was informed that the NOU of Libya requires IS support to meet a number of challenges caused by the restructuring process in the country. Furthermore, the extension of the IS project is critical for addressing the HCFC phase-out challenge, and the legislative approval of Libya's regulations to control HCFCs. Specifically, the NOU will have to closely follow the legal acts that have started the signatory process, and the introduction of HCFC import quotas (other than the licensing system). Monitoring and data collection activities regarding the annual consumption of HCFC by different sub-sectors are of critical importance as the sector consumption will define Libya's HCFC phase-out strategy. In addition, any action plan to return to compliance will have to be assessed as a matter of priority by the country including consultation with the relevant stakeholders.

Secretariat's recommendation

23. In light of the information provided in the Secretariat's comments above, the Executive Committee may wish to consider approving the funding of phase IV of the IS project for Libya for one year only, at the level of funding of US \$68,033 plus agency support costs of US \$4,762, without prejudice to the operation of the Montreal Protocol's mechanism on non-compliance.

B2: Project preparation for projects to demonstrate climate-friendly and energy-efficient alternative technologies to HCFCs

Project description

24. UNIDO submitted 12 requests for funding for the preparation of projects that would demonstrate climate-friendly and energy-efficient alternative technologies to HCFCs, as listed in Table 1. Out of these, eight were requests for projects in the refrigeration and air-conditioning (RAC) sector, and four in the foam sector. The projects were submitted in line with decision 72/40. The total funds requested by UNIDO for project preparation activities are US \$570,000, plus agency support costs of US \$39,900.

25. Each of the project preparation requests included information on the concept of the project; the activities to be undertaken during project preparation and associated costs; and an estimate of the total cost of the resulting demonstration project. All project preparation requests were submitted with endorsement letters from the respective governments. The details of each request are contained in Annex I to the present document.

Secretariat's comments

26. At the 72nd meeting, after consideration of the overview of approved HCFC demonstration projects and options for additional projects to demonstrate climate-friendly and energy-efficient alternative technologies to HCFCs² under agenda item 10, the Executive Committee decided *inter alia* to consider at its 75th and 76th meetings proposals for demonstration projects for low-global-warming potential (GWP) alternatives to HCFCs within the framework established, and provided criteria for such projects (decision 72/40). Feasibility studies for district cooling would be considered at the 74th and 75th meetings.

27. At the 73rd meeting, the Executive Committee further discussed the low-GWP demonstration projects and feasibility studies on district cooling in the context of the consolidated business plan of the Multilateral Fund³. Further to these discussions, additional guidance was also provided in order to ensure that the best proposals for demonstration projects were submitted⁴.

28. In order to assist the Executive Committee in selecting the best demonstration project proposals submitted pursuant to this decision, the Secretariat had prepared an analysis of all these proposals only with regard to their concepts and how they comply with the guidelines provided by the Executive Committee. This analysis is contained in the document on the Overview of issues identified during project review⁵.

Secretariat's recommendation

29. The Executive Committee may wish to:

- (a) Consider the proposals for the preparation of projects in the refrigeration and air-conditioning and foam sectors that would demonstrate climate-friendly and energy-efficient alternative technologies to HCFCs, in the context of its discussion on proposals for demonstration projects for low global-warming potential (GWP) alternatives to HCFCs as described in the document on the Overview of issues identified during project review (UNEP/OzL.Pro/ExCom/74/13); and

² UNEP/OzL.Pro/ExCom/72/40.

³ UNEP/OzL.Pro/ExCom/73/18.

⁴ The suggestions made by Executive Committee members are contained in paragraph 97 of document UNEP/OzL.Pro/ExCom/73/62.

⁵ UNEP/OzL.Pro/ExCom/74/13.

- (b) Approve the project preparation requests mentioned in sub-paragraph (a) above, in case the Executive Committee selects these proposals.

B3: Technical assistance for feasibility study for district cooling

Egypt: Feasibility study for district cooling: US \$70,000

Kuwait: Feasibility study for district cooling: US \$70,000

Project description

30. UNIDO submitted requests for two feasibility studies to develop a business model for district cooling in Egypt and in Kuwait. UNIDO is the lead implementing agency and UNEP the cooperating agency for both studies⁶. The feasibility studies for district cooling are contained in the attachment to the present document.

31. The objective of the feasibility studies is to determine the technical and financial viability of developing a district cooling systems, and options for funding the full project after the feasibility studies are completed.

32. For Egypt, the following activities will be implemented:

- (a) A literature review to identify the current status of district cooling technologies with hybrid natural gas and solar assisted heat driven chiller;
- (b) Simulate the detail dynamic cooling loads profile of one district of the New Capital Cairo area;
- (c) Conceptualize, design, simulate and optimize multiple energy inputs integrated into the centralized district cooling system powered by natural gas, and solar thermal as an energy source and fresh water as a heat sink;
- (d) Analysis of renewable energy sources, legal barriers, energy saving mechanisms, and environmental benefits;
- (e) Development of a financial structure and financial scheme for both the Governmental co-financing mechanisms (including the possibility of reducing energy subsidies) and for private energy providing enterprises; and
- (f) Develop a draft project proposal for district cooling system in the “New Capital, Cairo,” highlighting the implementation strategy, and financial incentives.

33. For Kuwait, the following activities will be implemented:

- (a) A literature review to identify the current identify the current status of central air-conditioning technologies potentially available, such as deep sea water free cooling, waste heat absorption, and, solar assisted chilled water absorption systems;
- (b) Analysis of renewable energy sources, legal barriers, energy saving mechanisms, environmental benefits; and

⁶ UNEP’s component is presented in UNEP’s 2015 work programme (UNEP/OzL.Pro/ExCom/74/16).

- (c) Development of a financial structure and financial scheme for both the Governmental co-financing mechanisms (including the possibility of reducing energy subsidies) and for private energy providing enterprises.

34. The total cost of each study amounts to US \$100,000, plus agency support costs, consisting of US \$70,000, plus agency support costs of US \$6,300 for UNIDO, and US \$30,000, plus agency support costs of US \$3,900 for UNEP.

Secretariat's comments

35. As the two feasibility studies for district cooling are submitted in response to decision 72/40, the Secretariat's comments are similar to those presented in paragraphs 26 to 28 above.

Secretariat's recommendation

36. The Executive Committee may wish to:

- (a) Consider the feasibility studies to develop a business model for district cooling in Egypt and Kuwait in the context of its discussion on proposals for demonstration projects for low-global-warming potential (GWP) alternatives to HCFCs as described in the document on the Overview of issues identified during project review (UNEP/OzL.Pro/ExCom/74/13); and
- (b) Approve the feasibility studies mentioned in sub-paragraph (a) above, in case the Executive Committee selects such studies.

B4: Technical assistance for preparation for ODS surveys

Project description

37. UNIDO submitted 21 funding requests to conduct national surveys on alternatives to ODS in response to paragraph 4 of decision XXVI/9⁷, as listed in Table 1.

38. The objective of the surveys would be to assist an Article 5 country to better understand its consumption trends for non-ODS alternatives, and their distribution by sector and subsector. The inventories on ODS alternatives may also provide the countries with an overview of their national markets where ODS alternatives have been (and will be) phased in, while taking into consideration existing technologies. The surveys will estimate the amounts of each ODS alternative currently used in the country, identify alternatives that could be potentially used in the future to replace HCFCs and HFCs; and forecast the amounts of each of the ODS alternatives currently used and potentially to be used in the country for the 2015-2030 period.

Secretariat's comments

39. In response to the request by the Parties to the Executive Committee in paragraph 4 of decision XXVI/9, the Secretariat has prepared document UNEP/OzL.Pro/ExCom/74/53, presenting the text of decision and seeking guidance from the Executive Committee on how to address this request from the Meeting of the Parties. Attached to the above-mentioned document is a "Note from the Secretariat" which contains information on the matter of providing additional funding to conduct inventories or surveys on ODS alternatives in interested Article 5 countries.

⁷ The Parties to the Montreal Protocol decided *inter alia* "to request the Executive Committee of the Multilateral Fund to consider providing additional funding to conduct inventories or surveys on alternatives to ozone-depleting substances in interested parties operating under paragraph 1 of Article 5 upon their request".

40. As the Executive Committee has not decided on how to address the request by the Parties, the Secretariat has not reviewed the requests on surveys on ODS alternatives submitted by Article 5 countries. In its deliberations, the Executive Committee may wish to note that the requests for surveys were not included in the 2015-2017 business plan of UNIDO, and are not required to meet or accelerate the HCFC compliance needs of Article 5 countries.

Secretariat's recommendation

41. The Executive Committee may wish to consider the requests to conduct national surveys on alternatives to ODS, as listed in Table 1 of this document in the context of its discussion on agenda item 12 on follow-up to decision XXVI/9 (paragraph 4) of the Twenty-sixth Meeting of the Parties on additional funding to conduct inventories or surveys on ODS alternatives.
