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

PROJECT PROPOSAL: LEBANON

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

Phase-out

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

UNDP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**Lebanon**

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (Stage I)	UNDP (lead)	64th	17.5% by 2017

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2014	69.69 (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		8.0		2.2					10.2
HCFC-141b in Imported Pre-blended Polyol		27.2							27.2
HCFC-142b									
HCFC-22				5.3	27.7				33.0

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	73.5	Starting point for sustained aggregate reductions:	72.8
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	20.4	Remaining:	49.28

(V) BUSINESS PLAN		2015	2016	2017	Total
UNDP	ODS phase-out (ODP tonnes)	1.0	0	1.0	2.0
	Funding (US \$)	134,117	0	134,117	268,234

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	Total
Montreal Protocol consumption limits			n/a	n/a	73.5	73.5	66.2	66.2	66.2	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	73.5	73.5	66.2	66.2	60.6	n/a
Agreed funding (US \$)	UNDP	Project costs	1,500,000	0	745,589	0	124,760	0	124,760	2,495,109
		Support costs	112,500	0	55,919	0	9,357	0	9,357	187,133
Funds approved by ExCom (US \$)	UNDP	Project costs	1,500,000	0	745,589	0	0	0	0.0	2,245,589
		Support costs	112,500	0	55,919	0	0	0	0.0	168,419
Total funds requested for approval at this meeting (US \$)	UNDP	Project costs	0	0	0	0	124,760	0	0	124,760
		Support costs	0	0	0	0	9,357	0	0	9,357

Secretariat's recommendation:	Individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Lebanon, UNDP as the designated implementing agency, has submitted to the 74th meeting a request for funding for the third tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$124,760, plus agency support costs of US \$9,357. The submission includes a progress report on the implementation of the second tranche, the verification report on HCFC consumption for 2013 and 2014, and the tranche implementation plan for 2015 to 2017.

Report on HCFC consumption

HCFC consumption

2. The Government of Lebanon reported a consumption of 69.69 ODP tonnes of HCFC in 2014. The 2010-2014 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Lebanon (2010-2014 Article 7 data)

HCFC	2010	2011	2012	2013	2014	Baseline
Metric tonnes						
HCFC-22	727.11	709.57	756.20	610.00	581.00	653.55
HCFC-123	5.00	5.00	0.00	0.49	0.00	5.00
HCFC-141b	441.34	483.00	482.50	355.00	343.00	341.18
Total (metric tonnes)	1,173.45	1,197.57	1,238.70	965.49	924.00	999.73
ODP tonnes						
HCFC-22	39.9	39.03	41.59	33.55	31.96	35.95
HCFC-123	0.1	0.10	0.00	0.01	0.00	0.05
HCFC-141b	48.5	53.13	53.08	39.05	37.73	37.53
Total (ODP tonnes)	88.6	92.26	94.67	72.61	69.69	73.51

3. The consumption of HCFCs had increased between 2010 and 2012; however, in 2013 and 2014 the reported consumption was lower than the baseline by 0.89 ODP tonnes, and 3.81 ODP tonnes, respectively, demonstrating that the country has met the freeze in HCFC consumption in 2013, and has further reduced consumption in 2014.

Verification report

4. The verification report confirmed that the Government is strictly implementing a licensing and quota system for HCFC imports and exports, and verified that the total consumption of HCFCs in the country for 2013 and 2014 was 72.61 ODP tonnes and 69.69 ODP tonnes, respectively. The report concluded that the Government is committed to phasing out HCFCs in the country.

Country programme (CP) implementation report

5. It was noted that the 2013 CP data reported 70.49 ODP tonnes of HCFC consumption whereas Article 7 reported 72.61 ODP tonnes. The difference of 2.12 ODP tonnes is for stockpile in 2014. The Government has not yet submitted their CP data for 2014 (due by 1 May 2015).

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

Legal framework

6. The Government developed a decree for the amendment of the ODS licensing system to include the control and quota management for HCFC imports and exports, which was approved by the State Council in November 2014. The national ozone unit (NOU), with the support of the Customs Authorities and Tariff Department, is incorporating the 8-digit HS Codes for HCFC substances for more efficient and effective monitoring of HCFC imports and exports.

Manufacturing sector

7. The objective of stage I of the HPMP for Lebanon was to meet compliance with the 17.5 per cent reduction in HCFC consumption by 2017 through the conversion of two large enterprises in the country, one in foam manufacturing, and the other in air-conditioning manufacturing. The total phase-out foreseen in the manufacturing sector was 137.27 mt (15.10 ODP tonnes) of HCFC-141b and 90.0 mt (4.95 ODP tonnes) of HCFC-22.

8. Dalal Steel Industries, the beneficiary enterprise in the foam sector had completed its conversion to cyclopentane in March 2014 and phased out 137.0 mt (15.10 ODP tonnes) of HCFC-141b. The HCFC-based equipment was dismantled and destroyed in March 2014, and the hand-over protocol was completed in July 2014. The actual cost of the conversion amounted to US \$1,025,000 (as compared to the approved funding of US \$1,282,209), resulting in overall savings of US \$257,209.

9. The conversion of Lematic, the sole manufacturer of residential air-conditioners in Lebanon, to HFC-410A technology, resulted in six different models of residential split air-conditioners, and was completed in November 2013 with an associated phase-out of 90.0 mt (4.95 ODP tonnes) of HCFC-22. Dismantling and destruction of the HCFC-based equipment was completed in November 2013, while the hand-over protocol was completed in December 2013. The actual cost of the conversion amounted to US \$768,000 (as compared to the approved funding of US \$860,600), resulting in overall savings of US \$92,600.

10. In addition to the conversion of the two HCFC-based manufacturing enterprises, funding of US \$120,000 had been approved for technical assistance in the foam and refrigeration and air-conditioning (RAC) sectors, through implementation of technical workshops targeting small and medium sized enterprises (SMEs), and dissemination of technical information. However, these activities will start implementation in 2015.

Project implementation and monitoring unit (PMU)

11. The NOU continued to act as the PMU supporting the implementation the HPMP activities. Several technical and thematic workshops on HCFC alternatives were organized and targeted stakeholders, end-users, importers and the public at large. In 2013 and 2014, the NOU conducted training for 16 customs officers on all port borders to ensure appropriate identification and classification of ODS products and maintain an effective quota control. Two training and capacity building workshops for institutions and government stakeholders and two public awareness workshops took place in 2014.

Level of fund disbursement

12. As of January 2015, of the US \$2,245,589 so far approved, US \$2,114,243 had been disbursed, i.e., US \$1,793,000 associated with the two investment projects, and US \$321,243 associated with the PMU. The balance of US \$131,346 will be disbursed in 2015 and 2016 (Table 2).

Table 2. Financial report of stage I of the HPMP for Lebanon (US \$)

Agency	First tranche		Second tranche		Total	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNDP	1,500,000	1,500,000	745,589	614,243	2,245,589	2,114,243
Disbursement rate (%)		100		82		94

Implementation plan for the third tranche of the HPMP

13. The Government will implement the activities summarized below:
- (a) Coordination with all HPMP stage I stakeholders, and continued monitoring of the completed projects in Lematic and Dalal Steel (UNDP) (balances from previous tranches);
 - (b) Completing technical assistance activities for the foam and refrigeration sector (UNDP) (balances from previous tranches);
 - (c) Design and implementation of an awareness outreach programme (UNDP) (US \$14,600);
 - (d) Preparation of a verification report for 2015 (UNDP) (US \$30,000); and
 - (e) Project management, coordination and monitoring including financial management (UNDP) (US \$80,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION**COMMENTS**Report on HCFC consumption

14. The Secretariat noted that the HCFC consumption of Lebanon in 2014 was already below the baseline. UNDP explained that the increase in HCFC consumption from 2011 to 2012 was due to stockpiling for the refrigeration servicing sector. The import for HCFC-141b remained the same during that period. These imports were reduced in 2013 and 2014, and the country is now on track to meeting their obligations under the Montreal Protocol. There may be further reductions recorded in 2015 due to the phase-out from the completed conversion at the two enterprises.

Progress report on the implementation of the second tranche of the HPMP*Legal framework*

15. The Government of Lebanon has already issued HCFC import quotas for 2015 of 58.0 ODP tonnes, which is 8.2 ODP tonnes lower than the amount allowed under the Montreal Protocol and the Agreement with the Executive Committee for that year.

Manufacturing sector

16. The Secretariat noted that the conversion projects to non-HCFC technologies in the foam and RAC sectors had been successfully completed at a lower cost as originally estimated, resulting in total savings of US \$349,209. These savings include all the funds of the third and fourth tranches (each one at US \$124,760), as they were allocated for the conversion of these enterprises.

17. The Secretariat further noted that the total funding of US \$232,000 associated with the operation of the PMU was allocated to the first two tranches. However, the financial report submitted by UNDP showed a disbursement of US \$272,243, resulting in an over expenditure of US \$40,243. On this issue, UNDP explained that the over expenditure, was covered from balances from the investment projects, and was used to implement additional activities and consultations with the industry on HCFC-free alternatives, and to cover an increase in operating costs for coordination and project management which were necessary to ensure the successful implementation of the investment projects and other activities.

18. The Secretariat considered that the reallocation of balances from the investment projects to the PMU is a major change as indicated in paragraph 7(a) of the Agreement, and therefore had to be approved in advance by the Executive Committee. In addition, stage I was designed to reduce HCFC consumption only through the conversion of the two manufacturing enterprises, and no activities were foreseen for the servicing sector. Accordingly, the Government of Lebanon should present for consideration by the Executive Committee a revised work plan associated for additional activities associated with the RAC servicing sector with the total balances available of US \$349,209 (i.e., savings associated with the conversion of the manufacturing enterprises, and funding associated with the two remaining tranches), with the associated reduction in HCFC-22 consumption calculated at US \$4.50/kg (in line with decision 60/44).

19. Further to consultations with the Government, UNDP submitted a revised work plan for the period 2015-2017 for consideration by the Executive Committee as shown in Table 3. This revised plan would allow the Government to initiate work in the servicing sector while stage II of the HPMP is being completed. A summary of the plan is provided in Table 4.

Table 3: Revised implementation plan for the period 2015 – 2017 for stage I of the HPMP (US \$)

Activities	2015	2016	2017	Total cost
Technical assistance for project management and coordination	60,346	0	0	60,346
Verification costs (only for 2017)	0	0	10,500	10,500
Service sector training and technical information outreach (four workshops targeting the remaining recipient enterprises and two public awareness workshops)	35,000	25,000	25,000	85,000
Equipment for four training centres for good practices, and recovery and reclamation equipment	0	40,000	40,000	80,000
Capacity building for regulations enforcement (five workshops targeting the Government stakeholders, associations, remaining enterprises, NGOs, consultants)	25,000	25,000	24,020	74,020
Information outreach and technology options targeted at SMEs in foam and RAC sector (three workshops for the RAC sector; two workshops for the foam sector)	35,000	30,000	6,000	71,000*
Total	155,346	120,000	105,520	380,866*

* US \$131,346 is from balances from already approved tranches; US \$249,520 is funding of the remaining two tranches under stage I, where US \$124,760 is requested at this meeting

20. Based on the overall financial report provided by UNDP, and the revised 2015-2017 work plan submitted for approval by the Executive Committee, the Government confirmed their agreement for an additional reduction of 4.29 ODP tonnes of HCFC-22 from their remaining consumption eligible for funding.

Revision of the HPMP Agreement

21. In order to reflect the changes in the reduction of HCFC-22 consumption (i.e. further reduce eligible HCFC-22 consumption by 4.29 ODP tonnes), Appendix 2-A (“The targets, and funding”) to the Agreement for stage I of the HPMP for Lebanon, which was revised at the 70th meeting, is further updated at this meeting as contained in Annex II to the present document. The full updated revised Agreement will be appended to the final report of the 74th meeting.

Conclusion

22. The Secretariat has noted that Lebanon is in compliance with the level of consumption required under the Montreal Protocol and its Agreement for stage I of the HPMP, and has a robust legal framework with a strong quota system that will control its imports of HCFCs. It further noted that Lebanon has met its reduction targets in stage I of the HPMP with the completion of the two investment projects with a

total associated phase-out of 20.0 ODP tonnes (15.08 ODP tonnes of HCFC-141b and 4.96 ODP tonnes of HCFC-22). In addition, these projects were completed in a more cost-effective manner than originally submitted, and the use of the balances associated with the projects' completion will result in additional reduction of HCFC consumption based on a revised work plan for 2015-2017 (submitted for approval of the Executive Committee at this meeting). UNDP also mentioned that stage II of the HPMP may be submitted to the 75th meeting. Based on the above, the third tranche of the HPMP may be considered for approval by the Executive Committee.

RECOMMENDATION

23. The Executive Committee may wish to consider:

- (a) Noting:
 - (i) The progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan (HPMP) in Lebanon;
 - (ii) With appreciation that the investment projects that were part of stage I of the HPMP phased out a total of 20.76 ODP tonnes, and were completed at a better cost-effectiveness than what had been approved by the Executive Committee (US \$7.89/kg compared to US \$9.79/kg) therefore showing a balance of US \$349,209;
- (b) Approving the revised work plan for 2015-2017 submitted by the Government of Lebanon, in line with paragraph 7(a) of the Agreement between the Government of Lebanon and the Executive Committee concerning major changes on the use of the approved funds, and revisions to the activities for remaining tranches;
- (c) Deducting 4.29 ODP tonnes from their remaining eligible consumption of HCFC-22 to be associated with the activities contained in the revised work plan;
- (d) Noting that the Fund Secretariat had updated paragraph 16 and Appendix 2-A of the Agreement between the Government of Lebanon and the Executive Committee, based on the additional reduction in HCFC-22 agreed in above sub-paragraph (c), and to indicate that the updated Agreement superseded that reached at the 70th meeting, as contained in Annex I to the present document;
- (e) Approving the third tranche of stage I of the HPMP for Lebanon, and the corresponding 2015-2017 tranche implementation plan mentioned in sub-paragraph (b) above, at the amount of US \$124,760, plus agency support costs of US \$9,375 for UNDP; and
- (f) Encouraging the Government of Lebanon to submit its stage II of the HPMP at the 75th meeting in order to maintain the successes gained during stage I.

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF LEBANON 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. The updated Agreement supersedes the Agreement reached between the Government of Lebanon and the Executive Committee at the **70th** meeting of the Executive Committee.

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2011	2012	2013	2014	2015	2016	2017	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	73.50	73.50	66.15	66.15	66.15	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	73.50	73.50	66.15	66.15	60.64	n/a
2.1	Lead IA (UNDP) agreed funding (US \$)	1,500,000	0	745,589	0	124,760	0	124,760	2,495,109
2.2	Support costs for Lead IA (US \$)	112,500	0	55,919	0	9,357	0	9,357	187,133
3.1	Total agreed funding (US \$)	1,500,000	0	745,589	0	124,760	0	124,760	2,495,109
3.2	Total support cost (US \$)	112,500	0	55,919	0	9,357	0	9,357	187,133
3.3	Total agreed costs (US \$)	1,612,500	0	801,508	0	134,117	0	134,117	2,682,242
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)								9.2
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)								0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								26.8
4.2.1	Total phase-out of HCFC-123 agreed to be achieved under this Agreement (ODP tonnes)								0
4.2.2	Phase-out of HCFC-123 to be achieved in previously approved projects (ODP tonnes)								0
4.2.3	Remaining eligible consumption for HCFC-123 (ODP tonnes)								0.05
4.3.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)								15.1
4.3.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)								0
4.3.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)								22.43