



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/75/62
21 October 2015

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fifth Meeting
Montreal, 16-20 November 2015

PROJECT PROPOSAL: PERU

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, second tranche)

UNDP/UNEP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Peru

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	UNDP (lead), UNEP	68 th	10% by 2015

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2014	22.01 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2014	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124					0.02				0.02
HCFC-141b					1.93				1.93
HCFC-141b in Imported Pre-blended Polyol		25.34							25.34
HCFC-142b					0.28				0.28
HCFC-22					19.78				19.78
HCFC-225ca									

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	26.88	Starting point for sustained aggregate reductions:	26.88
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	3.74	Remaining:	23.14

(V) BUSINESS PLAN		2015	Total
UNDP	ODS phase-out (ODP tonnes)	1.6	1.6
	Funding (US \$)	135,891	135,891
UNEP	ODS phase-out (ODP tonnes)	0.3	0.3
	Funding (US \$)	28,250	28,250

(VI) PROJECT DATA			2012	2013*	2014	2015	Total
Montreal Protocol consumption limits			n/a	26.88	26.88	24.19	n/a
Maximum allowable consumption (ODP tonnes)			n/a	26.88	26.88	24.19	n/a
Agreed funding (US\$)	UNDP	Project costs	108,000	100,000	0	24,671	232,671
		Support costs	9,720	9,000	0	2,220	20,940
	UNEP	Project costs	25,000	20,000	0	5,000	50,000
		Support costs	3,250	2,600	0	650	6,500
Funds approved by ExCom (US\$)	Project costs	133,000	0	0	0	133,000	
	Support costs	12,970	0	0	0	12,970	
Total funds requested for approval at this meeting (US\$)		Project costs		120,000			120,000
		Support costs		11,600			11,600

*Second tranche planned for 2013 but submitted to the 75th meeting.

Secretariat's recommendation:	For individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Peru, UNDP as the lead implementing agency, has submitted to the 75th meeting 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 \$131,600, consisting of US \$100,000, plus agency support costs of US \$9,000 for UNDP, and US \$20,000, plus agency support costs of US \$2,600 for UNEP. The submission includes a progress report on the implementation of the first tranche of the HPMP, the verification report on HCFC consumption and the tranche implementation plan for 2015 to 2016.

Report on HCFC consumption

HCFC consumption

2. The Government of Peru reported a consumption of 22.01 ODP tonnes of HCFC in 2014. The 2010-2014 HCFC consumption is shown in Table 1.

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

HCFC	2010*	2011	2012	2013	2014	Baseline
Metric tonnes						
HCFC-22	421.67	538.66	451.50	434.84	359.69	433.29
HCFC-124	1.43	3.72	1.97	2.14	1.02	2.77
HCFC-141b	22.40	15.70	13.16	9.95	17.53	16.25
HCFC-142b	11.69	16.34	10.15	11.57	4.31	18.15
Total (metric tonnes)	457.19	574.42	476.78	458.5	382.55	470.46
HCFC-141b in imported pre-blended polyols**	199.49	209.1	98.04	842.78	230.37	n.a.
ODP tonnes						
HCFC-22	23.19	29.63	24.83	23.92	19.78	23.85
HCFC-124	0.03	0.08	0.04	0.05	0.02	0.06
HCFC-141b	2.46	1.73	1.45	1.09	1.93	1.79
HCFC-142b	0.76	1.06	0.66	0.75	0.28	1.18
Total (ODP tonnes)	26.44	32.50	26.98	25.81	22.01	26.88
HCFC-141b in imported pre-blended polyols**	21.94	23.00	10.78	92.71	25.34	n.a.

*Small amounts of HCFC-225CA (0.02 MT) and HCFC-225CB (0.003 MT) were imported in 2010

**From the Country Programme implementation reports

3. HCFC-22 consumption, which represents over 88 per cent of the HCFC consumption baseline, has been decreasing for the last three years subsequent to a peak of imports in 2011 for stockpiling. The total HCFC consumption in 2014 is already 18 per cent below the HCFC consumption baseline. Imports of HCFC-141b contained in pre-blended polyols had an unusual peak in 2013, which could be attributed to an increased demand for polyurethane foam to build structures to host the 20th session of the Conference of the Parties of the United Nations Framework Convention on Climate Change held in Lima in December 2014.

4. The Government of Peru has already issued HCFC import quotas for 2015 in the amount of 24.19 ODP tonnes, in compliance with the Montreal Protocol.

¹ The second tranche was originally planned for 2013 but only submitted to the 75th meeting.

Verification report

5. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and that the total consumption of HCFC was 25.8 ODP tonnes in 2013 and 22 ODP tonnes in 2014, in compliance with the consumption targets in the Agreement between the Government of Peru and the Executive Committee.

Country programme (CP) implementation report

6. The Government of Peru reported HCFC sector consumption data under the 2014 CP implementation report which is consistent with the data reported under Article 7.

Progress report on the implementation of the first tranche

7. Stage I of the HPMP for Peru was approved at the 68th meeting (December 2012), on the understanding that funding would be disbursed only upon of confirmation from the Government that an enforceable national import/export licensing and quota system for HCFC was in place capable of ensuring the compliance with the Montreal Protocol (decision 68/35(g)).

8. Pursuant to decision 68/35(g), confirmation that the licensing and quota system was operational was received from the Government in August 2013 (i.e., 10 months after the approval of the HPMP). A further delay on the implementation of the activities planned under the first tranche occurred as the UNDP project document was only signed by the Government in May 2015. However, the implementation agreement with UNEP, the cooperating implementing agency, has not been signed yet.

Legal framework

9. The licensing and quota system for HCFC imports is being enforced since 2013 by the Ministry of Production (PRODUCE) in coordination with the customs department and other governmental entities.

10. During the implementation of stage I, the Government of Peru committed to ban imports of pure HCFC-141b no later than 1 January 2015 (decision 68/35(c)). This ban has not been established as the technical assistance to phase-out HCFC-141b used for flushing refrigeration circuits has not been implemented yet. The Government of Peru estimates that this ban will be established by 1 January 2017, and requested a modification of decision 68/35(c) to reflect this new date.

Refrigeration servicing sector

11. The activities proposed for the refrigeration and air-conditioning servicing sector for stage I of the HPMP for Peru took into account the status of implementation of the terminal phase-out management plan (TPMP) that was still under implementation. With funding from the TPMP the HCFC licensing and quota systems was developed to start operations in 2013; equipment was provided to the customs department; regulations for refrigeration servicing technicians were drafted; 39 training centres were upgraded with the latest tools for training on good refrigeration practices; 60 trainers and 450 technicians were trained in good refrigeration practices and the use of hydrocarbon as alternative refrigerant².

12. During the implementation of the first tranche of the HPMP, it was noted that the refrigeration equipment and tools to be purchased under the TPMP was not delivered to training centres and refrigeration technicians. As a result, it was agreed to train a lower number of technicians under stage I in order to afford the purchase of equipment. Thirty-eight stakeholders and 31 technicians received one-day

² Paragraph 24 of document UNEP/OzL.Pro/ExCom/68/36.

training on alternative technologies and best practices, and technical specifications for the refrigeration equipment were drafted. The equipment will be delivered by December 2015.

Project management unit (PMU)

13. The PMU was set under PRODUCE, reporting directly to the General Director of Environmental Matters. One international refrigeration expert and one local consultant have been hired.

Level of fund disbursement

14. As of July 2015, of the US \$133,000 so far approved (US \$108,000 for UNDP and US \$25,000 for UNEP), US \$44,906 (34 per cent) had been disbursed for UNDP (UNEP had not disbursed funds). The balance of US \$88,094 will be disbursed in 2016.

Implementation plan for the second tranche

15. Under the second tranche, the Government of Peru will implement the following activities:

- (a) Train 40 refrigeration trainers, procure equipment for flushing refrigeration circuits and refrigeration servicing, and establish two excellence centers on flushing alternatives (UNDP) (US \$80,000);
- (b) Train 45 custom officers (UNEP) (US \$20,000); and
- (c) Project management and reporting (UNDP) (US \$20,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Status of the equipment provided under the TPMP

16. The Secretariat noted with concern the fact that UNDP had to include in stage I of the HPMP the procurement of refrigeration equipment for training not envisaged originally as the equipment procured by UNIDO (at a total cost of US \$115,254) under the TPMP for this purpose was not delivered to the three training centres. In response UNDP indicated that the Government of Peru submitted through UNDP a document explaining that the equipment was procured by UNIDO but could not be released by customs because UNIDO's project was not registered in the Peruvian Agency of International Cooperation (APCI), and could not be accepted by the country. Considering that the equipment is retained in customs, the Secretariat urged UNDP to work with relevant authorities within the Government to address all procedural issues to expedite customs clearance of the equipment and to refrain from levying any taxes or duties; in the case customs duties were required to release the equipment purchased with Multilateral Fund funding, such duties will be covered by the beneficiary or the Government in line with decision 26/3.

Revised plan of action for the implementation of the second tranche

17. The Secretariat noted with concern the major delay in the signature of the implementation agreement between the Government of Peru and UNDP, and that the agreement with UNEP has not been signed yet, with the following consequences: the ban on imports of pure HCFC-141b by 1 January 2015, as the Government's commitment was not established; the majority of activities planned were not implemented and the second tranche request originally programmed for 2013 had been submitted only in 2015; and the third (and last) tranche, originally programmed for 2015, would only be submitted in 2017.

18. UNDP explained that the delay in the agreements signature was caused by an internal restructuring of and revisions of legal procedures by PRODUCE, and internal changes of the national executing agencies of the HPMP. However, all the institutional issues had been resolved and the agreement with UNDP has been signed. As the agreement with UNEP has not been signed, UNEP had opted for a direct implementation modality, which does not require a Small Scale Fund Agreement established between UNEP and the Government. Instead, UNEP can implement activities under the oversight of the Government of Peru, with payments being done through UNDP's country office in Peru. UNDP assured that with the new functions established at PRODUCE and formal arrangements in place for both UNDP and UNEP, the current conditions are favorable for the effective and sustainable implementation of the HPMP.

19. In view of the delay on the implementation of the activities of the HPMP, the Secretariat suggested UNDP to extend stage I of the HPMP beyond December 2015, and prepare a revised plan of action for the remaining funds under the first tranche (US \$88,094) and the second tranche (US \$120,000) for consideration by the Executive Committee.

20. Following the Secretariat's suggestion, UNDP submitted a revised plan of action for the implementation of the second tranche with the activities summarized in Table 2. It was further agreed that the third tranche of stage I as well as the first tranche of stage II of the HPMP could only be submitted to the Executive Committee for consideration when all the outputs in the revised plan of action were achieved.

Table 2. Revised plan of action for the second tranche

Component	Outputs	Cost (US \$)
Policy, legal and institutional framework (UNEP)	2 multi-refrigerant identifiers procured 4 training classes delivered 50 custom officials trained 40 customs brokers trained	45,000
RAC servicing sector (UNDP)	2 Sets of flushing laboratory equipment installed 2 Sets of training equipment and tools established 2 training centers equipped 20 trainers capacitated 100 technicians trained	148,560
Monitoring, evaluation and reporting (UNDP)	Draft ban on imports of pure HCFC-141b (enforcement from 1 January 2017) 1 progress report prepared 2 consultation meetings held 1 independent verification report delivered Project monitored and completed	14,534
Total		208,094

21. With regard to the training on flammable refrigerants for technicians, and the current availability of these refrigerants in Peru, UNDP clarified that the market penetration of equipment with flammable refrigerants is still low; training will be limited to stakeholders who are responsible for the maintenance of hydrocarbon-based equipment. Currently the majority of RAC equipment is based on HFC-410A, HFC-404A or HFC-134a refrigerants and, to a less extent HC-290 for commercial refrigeration. Some HFC-based blends are used for retrofit. The retrofit with flammable substances is not envisaged at the moment.

Revision to the HPMP Agreement

22. UNDP indicated that in order to avoid further delay in the implementation of phase-out activities, the Government of Peru proposed to request the third tranche for the last meeting of 2016 instead of 2017 as originally envisaged, noting that stage II of the HPMP³ would be submitted in 2016.

23. In order to reflect the changes proposed by the Government of Peru for the implementation of the second and third tranches of stage I of the HPMP, the relevant paragraphs and appendices of the Agreement between the Government and the Executive Committee have been updated and a new paragraph has been added to indicate that the updated Agreement supersedes that reached at the 68th meeting, as shown in Annex I to the present document. The full revised Agreement will be appended to the final report of the 75th meeting.

24. With the approval of stage I of the HPMP the Government of Peru committed to phase out 10 per cent of the HCFC consumption baseline by 2015. In noting that the phase-out associated with stage I amounted to of 3.74 ODP tonnes of HCFC (i.e., 14 per cent of the HCFC baseline), that the HCFC consumption in 2014 was already 18 per cent below the baseline, and the ban on imports of pure HCFC-141b from 1 January 2017 will further reduce HCFC consumption, the Secretariat suggested that UNDP discussed with the Government a commitment beyond the 10 per cent of the baseline already committed (e.g., an additional 10 per cent in 2016). UNDP informed that the Government of Peru is not in a position to make any additional commitments.

Conclusion

25. The Secretariat noted that HCFC consumption in Peru has been decreasing in the last three years reaching a level 18 per cent below the baseline in 2014. Peru has an operational import licensing and quota system that will enable HCFC consumption reductions in line with the Montreal Protocol's phase-out schedule. Given that a limited number of activities have been implemented so far and that it was not possible for the Government to establish the ban on imports of pure HCFC-141b in 1 January 2015, a revised plan of action for the remaining tranches of the HPMP has been proposed for consideration of the Executive Committee. The plan of action would extend stage I to 2016 to allow completing planned activities and establishing the ban on imports of pure HCFC-141b by 1 January 2017. The Secretariat further noted that the third tranche of stage I as well as the first tranche of stage II of the HPMP could only be submitted to consideration of the Executive Committee when all the outputs in the revised plan of action were achieved, the equipment procured by UNIDO during the implementation of the TPMP has been cleared from customs and distributed to the training centres, and assurance from the Government that imports of pure HCFC-141b will be banned from 1 January 2017.

RECOMMENDATION

26. The Executive Committee may wish to consider:

- (a) Noting:
 - (i) The progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan (HPMP) in Peru;
 - (ii) The submission of a revised plan of action for the implementation of the remaining activities under the first and second tranches of the HPMP;

³ Funding for the preparation of stage II of the HPMP has been submitted to the 75th meeting, by UNDP (UNEP/OzL.Pro/ExCom/75/29) and UNEP (UNEP/OzL.Pro/ExCom/75/30).

- (iii) With concern that the Government of Peru was unable to establish the ban on imports of pure HCFC-141b by 1 January 2015 in line with decision 68/35(c) but was committed to do so by 1 January 2017;
 - (iv) That the Fund Secretariat had updated paragraph 1, Appendices 2-A and 8-A of the Agreement between the Government of Peru and the Executive Committee, to reflect the extension of stage I of the HPMP until 2016 and that a new paragraph 16 had been added to indicate that the updated Agreement superseded that reached at the 68th meeting, as contained in Annex I to the present document;
- (b) Approving the second tranche of stage I of the HPMP for Peru and the revised 2015-2016 tranche implementation plan, at the amount of US \$120,000 consisting of US \$100,000, plus agency support costs of US \$9,000 for UNDP; and US \$20,000 plus agency support costs of US \$2,600 for UNEP, on the understanding that no further funding will be approved for subsequent tranches of stage I or stage II of the HPMP for Peru until:
- (i) The Government of Peru reports through UNDP that all the outputs agreed in the revised plan of action for the second tranche as reflected in Appendix 8-A of the Agreement, have been completed;
 - (ii) The equipment procured by UNIDO during the implementation of the terminal phase-out management plan had been cleared from customs and distributed to the training centres, recalling that if customs duties were required to release the equipment, such duties will be covered by the beneficiary or the Government in line with decision 26/3; and
 - (iii) Assurances had been provided by the Government of Peru that imports of pure HCFC-141b will be banned from 1 January 2017.

Annex I

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

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

1. This Agreement represents the understanding of the Government of Peru (the “Country”) and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODS) set out in Appendix I-A (“The Substances”) to a sustained level of 24.19 ODP tonnes by 1 January **2016** in compliance with Montreal Protocol schedules.

16. The updated Agreement supersedes the Agreement reached between the Government of Peru 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	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	26.88	26.88	24.19	24.19	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	26.88	26.88	24.19	24.19	n/a
2.1	Lead IA (UNDP) agreed funding (US \$)	108,000	0	0	100,000	24,671	232,671
2.2	Support costs for Lead IA (US \$)	9,720	0	0	9,000	2,220	20,940
2.3	Cooperating IA (UNEP) agreed funding (US \$)	25,000	0	0	20,000	5,000	50,000
2.4	Support costs for Cooperating IA (US \$)	3,250	0	0	2,600	650	6,500
3.1	Total agreed funding (US \$)	133,000	0	0	120,000	29,671	282,671
3.2	Total support costs (US \$)	12,970	0	0	11,600	2,870	27,440
3.3	Total agreed costs (US \$)	145,970	0	0	131,600	32,541	310,111
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)						1.95
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)						21.90
4.2.1	Total phase-out of HCFC-124 agreed to be achieved under this Agreement (ODP tonnes)						0
4.2.2	Phase-out of HCFC-124 to be achieved in previously approved projects (ODP tonnes)						0
4.2.3	Remaining eligible consumption for HCFC-124 (ODP tonnes)						0.06
4.3.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)						1.79
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)						0
4.4.1	Total phase-out of HCFC-142b agreed to be achieved under this Agreement (ODP tonnes)						0
4.4.2	Phase-out of HCFC-142b to be achieved in previously approved projects (ODP tonnes)						0
4.4.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)						1.18
4.5.1	Total phase-out of HCFC-141b contained in imported pre-blended polyols agreed to be achieved under this Agreement (ODP tonnes)						0
4.5.2	Phase-out of HCFC-141b contained in imported pre-blended polyols to be achieved in previously approved projects (ODP tonnes)						0
4.5.3	Remaining eligible consumption for HCFC-141b contained in imported pre-blended polyols (ODP tonnes)						TBD

APPENDIX 8-A: SECTOR SPECIFIC ARRANGEMENTS

1. This section outlines specific conditions required to be met before the agreed funding for 2016 (rows 2.1 to 2.4 and 3.1 to 3.3 of from Appendix 2-A) could be released:

Component	Outputs
Policy, legal and institutional framework (UNEP)	2 multi-refrigerant identifiers procured 4 training classes delivered 50 officials trained 40 customs brokers trained
RAC servicing sector (UNDP)	2 Sets of flushing laboratory equipment installed 2 Sets of training equipment and tools established 2 training centers equipped 20 trainers capacitated 100 technicians trained
Monitoring, evaluation and reporting (UNDP)	Draft ban on imports of pure HCFC-141b (enforcement from 1 January 2017) 1 progress report prepared 2 consultation meetings held 1 independent verification report delivered Project monitored and completed