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

PROJECT PROPOSAL: VENEZUELA (BOLIVARIAN REPUBLIC OF)

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, fourth and final tranche)

UNIDO and UNEP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Venezuela (Bolivarian Republic of)

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (Stage I)	UNIDO (lead),UNEP	63 rd	10% by 2015

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2014	104.63 (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					0.08				0.08
HCFC-124					0.21				0.21
HCFC-141b		10.34							10.34
HCFC-141b in Imported Pre-blended Polyol		6.20							6.20
HCFC-142b					1.30				1.30
HCFC-22				0.44	87.55				87.99

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	207.0	Starting point for sustained aggregate reductions:	208.91
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	23.16	Remaining:	185.75

(V) BUSINESS PLAN		2015	Total
UNIDO	ODS phase-out (ODP tonnes)	2.1	2.1
	Funding (US \$)	188,589	188,589
UNEP	ODS phase-out (ODP tonnes)	0.2	0.2
	Funding (US \$)	15,332	15,332

(VI) PROJECT DATA			2011	2012	2013	2014	2015	Total
Montreal Protocol consumption limits			n/a	n/a	207.0	207.0	186.3	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	207.0	207.0	186.3	n/a
Agreed funding (US\$)	UNIDO	Project costs	654,854	603,339	324,875	0	175,432	1,758,500
		Support costs	49,114	45,250	24,366	0	13,158	131,888
	UNEP	Project costs	50,646	46,661	25,125	0	13,568	136,000
		Support costs	6,584	6,066	3,266	0	1,764	17,680
Funds approved by ExCom (US\$)		Project costs	705,500	650,000	350,000	0	0.0	1,705,500
		Support costs	55,698	51,316	27,632	0	0.0	134,646
Total funds requested for approval at this meeting (US\$)		Project costs	0	0	0	0	189,000	189,000
		Support costs	0	0	0	0	14,922	14,922

Secretariat's recommendation:	Individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Venezuela (Bolivarian Republic of), UNIDO as the lead implementing agency, has submitted to the 75th meeting a request for funding for the fourth and final tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$189,000, plus agency support costs of US \$14,175.

Report on HCFC consumption

HCFC consumption

2. The Government of Venezuela (Bolivarian Republic of) reported a consumption of 104.63 ODP tonnes of HCFC in 2014. The 2010-2014 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Venezuela (Bolivarian Republic of) (2010-2014 Article 7 data)

HCFC	2010	2011	2012	2013	2014	Baseline
Metric tonnes						
HCFC-22	2,769.7	2,643.31	3,518.96	2,357.27	1685.36	2938.7
HCFC-123	1.6	12.03	10.49	0.00	4.00	3.3
HCFC-124	0.0	0.00	6.01	0.00	9.60	0.0
HCFC-141b	376.4	176.80	469.12	93.06	94.00	359.6
HCFC-142b	59.7	0.00	10.00	0.00	20.00	87.4
Subtotal (mt)	3,207.4	2,832.14	4,014.58	2,450.33	1812.96	3389.0
HCFC-141b in imported pre-blended polyols	4.6	4.50	17.47	11.26	56.37	17.40*
Total (mt)	3,212.0	2,836.64	4,032.05	2,461.59	1869.33	
ODP tonnes						
HCFC-22	152.3	145.38	193.54	129.65	92.69	161.6
HCFC-123	0.1	0.24	0.21	0.00	0.08	0.1
HCFC-124	0.0	0.00	0.13	0.00	0.21	0.0
HCFC-141b	41.4	19.40	51.60	10.24	10.34	39.6
HCFC-142b	3.8	0.00	0.70	0.00	1.30	5.7
Subtotal (ODP tonnes)	216.2	165.02	246.18	139.89	104.63	207.0
HCFC-141b in imported pre-blended polyols	0.5	0.50	1.92	1.24	6.20	1.90**
Total (ODP tonnes)	216.7	165.52	248.10	141.13	110.83	

* Average consumption between 2007 and 2009 (HCFC-141b in imported pre-blended polyols extracted from CP implementation reports).

3. The consumption of HCFC-22 shows a decrease from 246.18 ODP tonnes in 2012 (in view of the HCFC consumption freeze in 2013) to 104.63 ODP tonnes in 2014, representing 56 per cent of the allowable consumption of 186.30 ODP tonnes in 2015. The reduction in HCFC-22 consumption from 2013 is due to the use of the 2012 stockpile and difficulties in importing refrigerants and raw materials into the country due to foreign currency regulations.

4. According to the data collected from refrigeration technicians, approximately 90 mt of HCFC-22 were recovered and reused in 2014. Currently, equipment with HFC refrigerant blends is imported in the country, and CO₂ and HC-290 are being used as alternative refrigerants in supermarkets and commercial refrigerators, respectively.

Verification report

5. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports and that the total consumption of HCFCs was 134.77 ODP tonnes

in 2013¹ (i.e., 5.12 ODP tonnes less than the consumption reported under Article 7 of the Montreal Protocol), and 104.63 ODP tonnes in 2014.

6. The audit procedures included consultations with the Integrated National Service for Customs and Tax Administration (SENIAT) to review the import/export data; as these consultations were not possible Fondo de Reconversión Industrial y Tecnológica (Fondoin), and the National Ozone Unit (NOU) requested the National Institute of Statistics (INE) to provide the HCFC import/export data it had available, as the data was derived exclusively from the customs department.

Country programme (CP) implementation report

7. The Government of Venezuela (Bolivarian Republic of), through Fondoin reported HCFC sector consumption data for 2013 and 2014 under the CP implementation reports, which was consistent with the data in the verification report.

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

Legal framework

8. The revision and updating of the decree on the "Rules for the import, export, production, use and consumption of ozone-layer depleting substances" was completed and will be submitted to the National Assembly for approval. The software developed for the ODS import and export licensing system was also improved.

Refrigeration-servicing sector

9. During the third tranche the following activities were implemented:

- (a) A seminar for the control and identification of HCFC and HCFC-based equipment with 120 participants from the Ministry of Environment (including customs officials, environment police, and international and local experts), and distribution of 13 refrigerant identifiers and spare parts to different customs points;
- (b) Equipment of 44 vocational centres selected by the "Instituto Nacional de Capacitación y Educación Socialista" (INCES) with refrigeration simulators to train technicians;
- (c) Training of 480 technicians, of which 429 were certified in good refrigeration practices and safe use of hydrocarbons (HC); training of 80 trainers in good refrigeration practices and safe use of HCs; and updating the manual for refrigeration technicians;
- (d) Organize study tours to refrigerator producers using HC; refrigeration equipment reprocessing site recovering ODS; visits to producers, international forums and conferences related to natural refrigerants; and
- (e) Public awareness activities and information dissemination on natural refrigerants and alternatives.

Project implementation and monitoring unit (PMU)

10. Fondoin, in close cooperation with UNIDO, monitored the HPMP activities.

¹ In approving the third tranche of the HPMP, UNIDO was requested to submit the fourth tranche with verification of consumption for 2013, which would include, *inter alia*, comparisons between data from the National Ozone Unit and the customs authority, as well as other input by the customs authority, as necessary (decision 63/57(f)).

Level of fund disbursement

11. As of August 2015, of the US \$1,705,500 so far approved, US \$1,231,403 (72 per cent) has been disbursed (US \$1,220,725 for UNIDO and US \$10,678 for UNEP). The balance of US \$474,097 will be disbursed in 2015 and 2016 (Table 2).

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

Agency	First tranche		Second tranche		Third tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNIDO	654,854	653,258	603,339	411,281	324,875	156,186	1,583,068	1,220,725
UNEP	50,646	10,678	46,661	0	25,125	0	122,432	10,678
Total	705,500	663,936	650,000	411,281	350,000	156,186	1,705,500	1,231,403
Disbursement	94.1%		63.3%		44.6%		72.2%	

Implementation plan for the fourth and final tranche of the HPMP

12. On 1 October 2015, the Government of Venezuela (Bolivarian Republic of) submitted an official request to the Fund Secretariat to transfer to UNIDO all the activities under the technical assistance component for UNEP, currently under implementation and those proposed under the fourth tranche (at a total value of US \$13,568 as approved in principle), resulting in a total transfer of US \$125,322 (i.e., US \$111,754 representing the balance available from the first three tranches plus US \$13,568 associated with the fourth tranche). Accordingly, UNEP will return the balance of US \$111,754 plus agency support costs of US \$14,528 to the 75th meeting.

13. Based on the request by the Government of Venezuela (Bolivarian Republic of), UNIDO submitted a revised plan of action for the fourth and final tranche of the HPMP taking into consideration the technical assistance activities that were being implemented with the assistance from UNEP. The revised plan of action will be implemented between December 2015 and December 2016, and the following activities will be undertaken:

- (a) Update the legislation framework to control the consumption of HCFCs and HCFC-based refrigeration and air-conditioning equipment, and to include customs codes (US \$10,000);
- (b) Training the staff in four laboratories in refrigerant identification, and purchase and distribution of equipment including four refrigerant identifiers (US \$35,000);
- (c) Training of 320 customs, enforcement officers and other Government officials, jointly with SENIAT and the Ministry of Environment in controlling and identifying HCFC and HCFC-based equipment, as well as on illegal trade, (US \$35,000);
- (d) Training of 1,000 technicians in good refrigeration practices and safe use of hydrocarbons (US \$85,000);
- (e) Purchase and deliver to technicians sets of tools and safety devices (US \$96,322);
- (f) Strengthening the refrigeration and certification programme with the support of the training centres, and standardization of the training programmes and technician certification requirements (US \$15,000);
- (g) Trials and tests with HC as alternative to HCFC-22 (US \$18,000); and
- (h) Conduct public awareness activities on the HCFC control system for importers, distributors, refrigeration chamber, and other stakeholders (US \$20,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Report on HCFC consumption

14. With regard to data discrepancy between the HCFC consumption reported under Article 7 (139.89 ODP tonnes) and that in the verification report (134.77 ODP tonnes) for 2013, UNIDO indicated that the Ministry of Environment agreed to submit an official request to the Ozone Secretariat to correct the 2013 data previously reported with that verified during the implementation of the HPMP.

Progress report on the implementation of the fourth and final tranche of the HPMP

Legal framework

15. The Government of Venezuela (Bolivarian Republic of) has issued HCFC import quotas of 186.30 ODP tonnes in accordance with the Montreal Protocol control targets, noting that in 2014 the consumption was 56 per cent of the allowable consumption for 2015.

Refrigeration-servicing sector

16. The Secretariat noted that the revised plan of action for the fourth and final tranche had incorporated the main activities that were being implemented by UNEP in support of the technical assistance activities being implemented by UNIDO (i.e., strengthening the ODS import/export quota system; establishment of an import quota for HCFC-based equipment HCFCs and a ban on new installations of HCFC-based equipment running; training of customs officers and distribution of ODS identification kits; and training and certification of refrigeration service technicians).

17. During the discussion, the Secretariat queried on what specific activities are being implemented to address the issue of the large number of individuals with no training who provide occasional servicing to refrigeration and air-conditioning equipment, resulting in large emissions of refrigerants into the atmosphere. UNIDO advised during the last tranche it is proposed to train an additional 1,000 technicians through the involvement of several institutes including INCES and some private training centres, and thus ensuring the long-term sustainability of the training programme.

18. Upon a request for information on whether retrofits to flammable refrigerants were currently taking place in the country, UNIDO indicated that its policy does not promote retrofitting with HC, although it is currently happening in the country outside the HPMP. At present, there are no specific regulations regarding the practice of retrofitting, nevertheless, the use of HCs as alternatives is part of the training and awareness raising activities included in the HPMP. As neither the Government of Venezuela (Bolivarian Republic of) nor UNIDO are promoting the practice of retrofitting refrigeration equipment to flammable refrigerants, there is no responsibility assumed in case of accidents. Moreover, UNIDO confirmed that the Government is fully aware of decisions 72/17² and 73/34³ on retrofit of refrigeration systems with flammable refrigerants.

² To include in the approval of HPMPs, tranches, projects or activities that proposed the retrofit of HCF-based refrigeration and air-conditioning equipment to flammable or toxic refrigerants that the Executive Committee notes that, if the country engages in retrofitting HCFC-based refrigeration and air-conditioning equipment to flammable or toxic refrigerants and associated servicing, it does so on the understanding that they assume all associated responsibilities and risks.

³ If a country were to decide, after taking into account decision 72/17, to proceed with retrofits that used flammable substances in equipment originally designed for non-flammable substances, it should be done only in accordance with the relevant standards and protocols.

Revision of the HPMP Agreement

19. In order to reflect the changes resulting from the transfer of the remaining activities and associated funding from UNEP to UNIDO, Appendix 2-A (“The targets, and funding”), to the Agreement has been updated, and paragraph 16 has been revised to indicate that the updated Agreement supersedes that reached at the 67th 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.

Conclusion

20. Venezuela (Bolivarian Republic of) is in compliance with the Montreal Protocol and its Agreement with the Executive Committee. 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 activities implemented under previously approved tranches, and those planned under the fourth tranche, including additional training, procurement and distribution of equipment, will further strengthen the servicing sector and ensure the long-term sustainability of the activities proposed in stage I. Despite the difficulties with implementation of the activities approved for UNEP, the overall disbursement rate of the HPMP was over 70 per cent as of August 2015.

RECOMMENDATION

21. The Executive Committee may wish to consider:

- (a) Noting:
 - (i) The progress report on the implementation of the third tranche of stage I of the HCFC phase-out management plan (HPMP) in Venezuela (Bolivarian Republic of);
 - (ii) The return of US \$111,754 plus agency support costs of US \$14,528 by UNEP associated with the balances available from the first three tranches to the 75th meeting;
- (b) Approving the transfer of US \$111,754, plus agency support costs of US \$8,381 from UNEP to UNIDO associated with the balances available from the first three tranches approved for UNEP, for the implementation of activities contained in the revised 2015-2016 tranche implementation plan;
- (c) Noting that the Fund Secretariat has updated Appendix 2-A of the Agreement between the Government of Venezuela (Bolivarian Republic of) and the Executive Committee, to reflect the changes in funding distribution resulting from the transfer of activities from UNEP to UNIDO, and that a new paragraph 16 has been added to indicate that the updated Agreement supersedes that reached at the 67th meeting, as contained in Annex I to the present document;
- (d) Requesting the Government of Venezuela (Bolivarian Republic of) and UNIDO to submit:
 - (i) The project completion report of stage I of the HPMP to the second meeting of the Executive Committee in 2017;
 - (ii) A verification report of the country’s HCFC consumption in 2015, when submitting stage II of the HPMP for consideration of the Executive Committee;

- (e) Approving the fourth and final tranche of stage I of the HPMP for Venezuela (Bolivarian Republic of), and the corresponding revised 2015-2016 tranche implementation plan, at the funding level shown in the table below, on the understanding that if Venezuela (Bolivarian Republic of) were to decide to proceed with retrofits and associated servicing to flammable and toxic refrigerants in refrigeration and air-conditioning equipment originally designed for non-flammable substances, it would do so assuming all associated responsibilities and risks and only in accordance with the relevant standards and protocols:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, fourth tranche)	189,000	14,175	UNIDO

Annex I

UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF THE BOLIVARIAN REPUBLIC OF VENEZUELA 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 the Bolivarian Republic of Venezuela and the Executive Committee at the 67th meeting of the Executive Committee.

APPENDIX 2-A: TAPPENDIX 2-A: THE TARGETS, AND FUN

Row	Particulars	2011	2012	2013	2014	2015	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	207.0	207.0	186.3	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	207.0	207.0	186.3	n/a
2.1	Lead IA UNIDO agreed funding (US \$)	654,854	603,339	324,875	0	189,000	1,772,068
2.2	Support costs for lead agency IA (US \$)	49,114	45,250	24,366	0	14,175	132,905
2.3	Cooperating IA UNEP agreed funding (US \$)*	50,646	46,661	25,125	0	0	122,432
2.4	Support costs for Cooperating IA (US \$)*	6,584	6,066	3,266	0	0	15,916
3.1	Total agreed funding (US \$)	705,500	650,000	350,000	0	189,000	1,894,500
3.2	Total support costs (US \$)	55,698	51,316	27,632	0	14,175	148,821
3.3	Total agreed costs (US \$)	761,198	701,316	377,632	0	203,175	2,043,321
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)						23.16
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)						n/a
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)						138.47
4.2.1	Total phase-out of HCFC-124 agreed to be achieved under this agreement (ODP tonnes)						n/a
4.2.2	Phase-out of HCFC-124 to be achieved in previously approved projects (ODP tonnes)						n/a
4.2.3	Remaining eligible consumption for HCFC-124 (ODP tonnes)						0
4.3.1	Total phase-out of HCFC-141b agreed to be achieved under this agreement (ODP tonnes)						n/a
4.3.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)						n/a
4.3.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)						39.56
4.4.1	Total phase-out of HCFC-142b agreed to be achieved under this agreement (ODP tonnes)						n/a
4.4.2	Phase-out of HCFC-142b to be achieved in previously approved projects (ODP tonnes)						n/a
4.4.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)						5.68
4.5.1	Total phase-out of HCFC-123 agreed to be achieved under this agreement (ODP tonnes)						n/a
4.5.2	Phase-out of HCFC-123 to be achieved in previously approved projects (ODP tonnes)						n/a
4.5.3	Remaining eligible consumption for HCFC-123 (ODP tonnes)						0.07
4.6.1	Total phase-out of HCFC-141b contained in imported pre-blended polyol agreed to be achieved under this agreement (ODP tonnes)						n/a
4.6.2	Phase-out of HCFC-141b contained in imported pre-blended polyol to be achieved in previously approved projects (ODP tonnes)						n/a
4.6.3	Remaining eligible consumption for HCFC-141b contained in imported pre-blended polyol (ODP tonnes)						1.91

*Balance of US \$39,968 from the 1st tranche and funding for the 2nd to the 4th tranches transferred to UNIDO at the 75th meeting.