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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-second Meeting
Montreal, 3-7 December 2018

PROJECT PROPOSAL: LIBYA

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)

UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Libya

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (stage I)	UNIDO (lead)	75th	10% by 2018

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2017	117.68 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2017	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					85.64				85.64
HCFC-141b		32.05							32.05

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	118.37	Starting point for sustained aggregate reductions:	113.66
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	26.51	Remaining:	87.15

(V) BUSINESS PLAN		2018
UNIDO	ODS phase-out (ODP tonnes)	2.65
	Funding (US \$)	204,256

(VI) PROJECT DATA			2015	2016	2017	2018	Total
Montreal Protocol consumption limits			106.54	106.54	106.54	106.54	n/a
Maximum allowable consumption (ODP tonnes)			122.30	118.40	118.40	106.50	n/a
Agreed funding (US \$)	UNIDO	Project costs	1,717,950	0	0	190,893	1,908,843
		Support costs	120,257	0	0	13,362	133,619
Funds approved by ExCom (US \$)		Project costs	1,717,950	0	0	0	1,717,950
		Support costs	120,257	0	0	0	120,257
Total funds requested for approval at this meeting (US \$)		Project costs				190,893	190,893
		Support costs				13,362	13,362

Secretariat's recommendation:	For individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Libya, UNIDO as the designated implementing agency has submitted a request for funding for the second and final tranche of stage I of the HCFC phase-out management plan (HPMP) at the amount of US \$190,893, plus agency support costs of US \$13,362¹. The submission includes a progress report on the implementation of the first tranche, the verification report on HCFC consumption for 2017, and the tranche implementation plan for 2018 to 2019.

Background

Compliance with decision XXVII/11 of the Meeting of the Parties

2. At its Twenty-seventh meeting, the Parties noted that the annual HCFC consumption of 144.0 ODP tonnes reported by Libya for 2013 and 122.4 ODP tonnes for 2014 exceeded the Party's maximum allowable consumption of 118.38 ODP tonnes for those controlled substances for those years and that Libya was therefore in non-compliance with the consumption control measures under the Protocol for HCFCs. The Parties also noted with appreciation the submission by Libya of a plan of action to ensure its return to compliance with the Protocol's HCFC control measures under which Libya specifically commits itself to reducing HCFC consumption from 122.4 ODP tonnes in 2014 to no greater than:

- (a) 122.3 ODP tonnes in 2015;
- (b) 118.4 ODP tonnes in 2016 and 2017;
- (c) 106.5 ODP tonnes in 2018 and 2019;
- (d) 76.95 ODP tonnes in 2020 and 2021; and
- (e) Levels allowed under the Montreal Protocol in 2022 and subsequent years.

3. Subsequently the Executive Committee approved stage I of the HPMP for Libya at the 75th meeting to facilitate its implementation of the plan of action to return to compliance. The control targets proposed in the plan of action were used as the Montreal Protocol control targets for stage I of the HPMP of Libya.

Report on HCFC consumption

4. The Government of Libya reported a consumption of 117.68 ODP tonnes of HCFCs in 2017, which is 0.70 ODP tonnes lower than the control target set in the plan of action for the year. The 2013-2017 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Libya (2013-2017 Article 7 data)

HCFC	2013	2014	2015	2016	2017	Baseline
Adjusted (decision XXVII/11) ODP tonnes*	n/a	n/a	122.3	118.38	118.38	118.38
HCFC consumption (metric tonnes)						
HCFC-22	1,658.14	1,585.50	1,631.00	1,560.45	1,557.00	1,586.00
HCFC-141b	480.00	320.00	273.64	295.73	291.35	283.07
Total (mt)	2,138.14	1,905.50	1,904.64	1,856.18	1,848.35	1,869.07

¹ As per the letter of 29 September 2018 from the Ministry of Environment General Authority of Libya to the Secretariat.

HCFC	2013	2014	2015	2016	2017	Baseline
HCFC consumption (ODP tonnes)						
HCFC-22	91.20	87.20	89.71	85.82	85.63	87.25
HCFC-141b	52.80	35.20	30.10	32.53	32.05	31.13
Total (ODP tonnes)	144.00	122.40	119.81	118.35	117.68	118.38

* Adjusted by decision XXVII/11 of the Parties.

5. HCFC consumption has been decreasing since 2013. This is mainly due to the implementation of the HPMP, particularly the licensing and quota system, which limited imports of HCFCs into the country and gradual introduction of non-HCFC equipment.

Country programme (CP) implementation report

6. The Government of Libya reported HCFC sector consumption data under the 2017 CP implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

Verification report

7. The verification report confirmed that the Government is effectively implementing a licensing and quota system for HCFC imports and exports since 2015 and that the total consumption of HCFCs for 2017 was 117.68 ODP tonnes. The verification concluded that Libya is in compliance with the target set out in the Agreement with the Executive Committee and the levels of consumption allowed under decision XXVII/11.

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

Legal framework

8. The Government of Libya issued Decree Law No. 228 in June 2015 to introduce the licensing and quota system for HCFCs and HCFC-based equipment. The regulatory framework also supports banning the establishment of new manufacturing capacity using HCFCs and features a duty relaxation for alternatives. During the first tranche, the harmonized customs codes were introduced to track HCFCs. The legal framework is being examined to see whether it needs to include additional regulatory measures, including safety requirements related to flammable and toxic refrigerants, a ban on uncontrolled release of HCFCs during servicing, and a ban on the import of products and equipment using HCFCs.

Foam manufacturing sector

9. The conversions of three foam manufacturing enterprises were included in stage I of the HPMP to phase-out 23.8 ODP tonnes of HCFC-141b. The equipment for two enterprises (Al-Najah and Al-Amal Alkhadar) has been manufactured; however, the prevailing security conditions in Libya are delaying its dispatch to beneficiary enterprises. It is expected that delivery will take place by end of 2018, and conversions will be completed by the end of March 2019.

10. The third enterprise, Alyem, is no longer in operation. The national ozone unit (NOU) and UNIDO requested to cancel the project. Accordingly US \$747,533 associated with the project (US \$715,137 for conversion and US \$32,396 for technical assistance and training), plus agency support costs of US \$52,327, would be returned to the 82nd meeting.

Refrigeration servicing sector

11. Due to the security situation in the country, only limited activities were implemented as follows:
- (a) UNIDO provided training in Vienna for NOU staff and Environment General Administration's technical expert on the management of quota and licensing procedures; project and programme planning and implementation (including procurement and financial management);
 - (b) The licensing and quota system to control the import of HCFCs was strengthened in collaboration with other government departments including the Ministry of Economy and Industry and General Administration of Customs; the harmonised coding system was revised to differentiate HCFCs; and
 - (c) NOU staff and the technical expert attended different meetings (e.g. 39th and 40th meetings of the Open-ended Working Group of the Montreal Protocol), associated workshops with different thematic programmes for HCFC phase-out, the workshop for HFC phase-down in March 2018 in Vienna and related activities after ratification of the Kigali Amendment.

Project implementation and monitoring

12. The NOU monitored and coordinated the implementation of the HPMP and reported on the progress in implementation.

Level of fund disbursement

13. As of September 2018, after deducting the funds to be returned associated with the cancellation of the conversion of Alyem, the remaining funding for the first tranche would be US \$970,417. Of this amount, US \$169,169 had been disbursed (17.4 per cent), consisting of US \$155,316 for investment activities and US \$13,853 for servicing sector activities. The remaining balance of US \$801,248 will be disbursed in 2019.

Implementation plan for the second tranche of the HPMP

14. During the second tranche, the following activities will be implemented between December 2018 and December 2019:
- (a) Complete the conversion of the foam enterprises (no additional cost);
 - (b) Development of national guidelines to promote the establishment of refrigerant recovery and reclamation centers (US \$16,677);
 - (c) Procurement of equipment for recovery and recycling centres (US \$161,616); and
 - (d) Procurement of portable recovery units (US \$12,600).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

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

Legal framework

15. The Government of Libya has issued HCFC import quotas for 2018 at 105.66 ODP tonnes, which is lower than the control target of 106.5 ODP tonnes allowed under decision XXVII/11.

16. The Secretariat inquired about the implementation of other control measures in the plan of action noted by decision XXVII/11, which included *inter alia* imposing a ban on the procurement of air-conditioning equipment containing HCFCs and considering a ban on the import of such equipment. UNIDO responded that the Government is currently examining the need for the additional measures required in the existing legal framework in the light of changes expected due to ratification of the Kigali Amendment. In addition, currently available alternatives either have high global warming potential (GWP) (HFCs), or have issues linked to flammability, toxicity, technical complexity or higher costs. The training of technicians in safety and servicing required to use those low-GWP alternatives has yet to be undertaken. Imposing these additional measures in the existing legal framework may not be practical before 2020.

Foam manufacturing sector

17. Given the security situation in Libya, the Secretariat inquired if UNIDO would be able to continue implementing activities included in the HPMP. UNIDO reported that the security situation was improving; UNDP country office (a consignee for the delivery of equipment and an assistant for customs clearance) has resumed operations in Tripoli. Therefore, a plan for equipment delivery, installation, test and trial, training and commission had been proposed and initiated. UNIDO further informed that the equipment for one foam enterprise (Al-Najah) had been shipped to Libya. According to the plan, the conversion of the foam line was expected to be completed by the end of December 2018. The equipment for Al-Amal Alkhadar had also been manufactured but was being held at the supplier, waiting for completion of site preparation to meet the installation requirements. It is expected that the conversion of Al-Amal Alkhadar will be completed by the end of March 2019.

18. UNIDO also indicated that the technical experts will be sent to Libya by the equipment suppliers to assist with installation, test, trial and commission of the new lines. Training on operation and maintenance of the new foam lines will also be provided to the operators. The NOU will monitor the process of implementation.

Refrigeration servicing sector

19. Noting that only limited activities have been implemented in the servicing sector and that the second tranche focuses on refrigerant recovery and reclamation, the Secretariat suggested to give priority to the training of technicians and customs officers to sustainably improve technicians' servicing practices and strengthen the national capacity for HCFC import control. Accordingly, UNIDO revised the plan and include the following activities in the second tranche:

- (a) Updating the legal framework, enforcement of regulations, development of an electronically operated licensing and quota management system (US \$20,000);

- (b) Strengthening the capacity of customs, including: training of three trainers and 20 customs officers in the control of HCFC imports and prevention of illegal trade; integrating the ODS import control into the curriculum of training for customs officers; and procuring four multi-function refrigerant identifiers (US \$48,000, including US \$13,470 from the first tranche);
- (c) Developing and upgrading the curriculum for training of technicians; strengthening the training institutions and refrigeration associations, including the translation of training materials into Arabic (US \$36,000);
- (d) Training three trainers and 50 technicians in good servicing practices, servicing refrigeration and air-conditioning equipment, and safety issues related to flammable and toxic refrigerants (US \$50,000);
- (e) Procuring model training equipment for training institutions; servicing tools and equipment for technicians and testing equipment (US \$40,000); and
- (f) Awareness-raising activities on HCFC phase-out and introduction of low-GWP technologies; and project monitoring and coordination (US \$10,363).

20. With regard to the tools and equipment to be purchased for technicians and training institutions, UNIDO advised that if the security conditions in the country allows, the NOU will distribute tools and monitor their use; otherwise, procurement will be put on hold.

Level of fund disbursement

21. The Secretariat noted that, notwithstanding the security situation in the country, progress has been achieved in implementation of stage I, although the level of disbursement (17.4 per cent) was below the 20 per cent threshold. UNIDO emphasized that the US \$304,100 allocated for purchasing the equipment for the manufacturing sector are being withheld awaiting delivery, and will be released once the equipment is delivered to the beneficiary enterprises. This would increase the disbursement to 49 per cent. The Secretariat further noted that, out of the US \$27,323 approved for servicing sector activities in the first tranche, US \$13,853 has been disbursed (50.7 per cent). All of the funding in the second tranche was planned for the servicing sector. Based on the recent report by UNIDO on the improvement of the security situation in the country, it appears that approving the second tranche at this meeting would assist the country in early implementation of the activities in the servicing sector and in advancing overall HPMP implementation.

Conclusion

22. The Government of Libya is enforcing a licensing and quota system to control the import and export of HCFCs, and HCFC consumption in 2017 is below the control target set in the Agreement between the Government and the Executive Committee. The conversions of foam manufacturing lines are progressing and are expected to be completed before March 2019. Training in managing the licensing and quota system was provided to the NOU staff. Based on UNIDO's reports, the security situation is improving and is expected to further improve to allow implementation of activities in the servicing sector. In view of the progress achieved and the disbursement of 49 per cent to be achieved after equipment arrival, and noting that the HCFC consumption of 117.68 ODP tonnes in 2017 is only 0.70 ODP tonnes below the level of consumption allowed under decision XXVII/11 (with a potential risk of the country being in non-compliance), the Secretariat recommends to the Executive Committee to consider approval of the second tranche, on an exceptional basis, on the understanding that the funding will only be transferred to UNIDO when the disbursement of the first tranche reaches 20 per cent.

RECOMMENDATION

23. The Executive Committee may wish to consider:
- (a) Noting the progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan (HPMP) for Libya;
 - (b) Noting the return of US \$747,533, plus agency support costs of US \$52,327, by UNIDO to the 82nd meeting, due to the cancellation of the foam conversion project at Alyem;
 - (c) Requesting the Government of Libya and UNIDO to submit a progress report on the implementation of the work programme associated with the final tranche and a verification report on consumption each year until the completion of the stage I;
 - (d) Requesting to return the remaining funding balance upon completion of stage I and to submit the project completion report to the second meeting of the Executive Committee in 2020; and
 - (e) Approving the second and final tranche of stage I of the HPMP for Libya, and the corresponding 2018-2019 tranche implementation plan, at the amount of US \$190,893, plus agency support costs of US \$13,362 for UNIDO, noting that the country could be at risk of being in non-compliance with the Montreal Protocol given that the HCFC consumption reported under Article 7 of the Montreal Protocol in 2017 was only 0.70 ODP tonnes below the level of consumption allowed under decision XXVII/11 of the Parties, and on the understanding that the funding will only be transferred to UNIDO when the disbursement of the first tranche reaches 20 per cent.
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