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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
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**DRAFT GUIDELINES AND STANDARD FORMAT FOR VERIFICATION
OF ODS PRODUCTION PHASE-OUT**

Introduction

1. This document is submitted in response to Decisions 31/42 and 31/47 under which the Executive Committee requested the Secretariat to work with the relevant implementing agencies and develop guidelines for submission to the 32nd Meeting, setting up an acceptable format and content for the verification of ODS production phase-out. The Secretariat and the World Bank worked closely on this document.

2. From the very beginning, management of ODS production phase-out under the Multilateral Fund has followed a modality different from that for the ODS consuming sectors. Instead of funding individual projects, ODS production phase-out has adopted a performance-based sector funding scheme under which disbursement of funds is made conditional upon verification that ODS phase-out targets provided for in the sector plan are actually achieved. Adding to the challenge of phase out verification is the gradual production closure adopted by many of the ODS plants included in the sector plans under which ODS production is not closed entirely at once but only scaled down yearly till its final cessation several years in the future.

3. It is anticipated that the same modality will be followed by other ODS producing Article 5 countries and therefore it is of great importance that an adequate procedure is developed to enable the Executive Committee to monitor these sector ODS production phase out projects.

Purpose

4. The purpose of the guidelines is to provide standard procedures to be followed in conducting verifications of ODS production phase out (including gradual closures) financed by the Multilateral Fund. The guidelines include the Questionnaire in Annex I.

The Process

5. Before the field verification, the implementing agency responsible for the ODS production phase out project should ensure that the plant(s) to be audited provide the necessary information, using the Questionnaire in Annex I.

6. The responsible implementing agency should prepare terms of reference for the verification mission and make available to the verification team, prior to the field visit, the Questionnaire(s) containing baseline enterprise information, annual data reported for the year by the enterprise and a copy of the sector agreement approved by the Executive Committee.

7. During the plant closure or production audit, the verification team should have full access to the daily production logs and the financial records to validate the data provided by the plant in the Questionnaire.

8. Based on the field findings against the data provided by the plant in the Questionnaire, the verification team should prepare its verification report for submission to the Executive Committee and attach the filled-in Questionnaire to its report.

Questionnaire for Data Collection

9. The Questionnaire in Annex I should be filled out by each plant to be audited and made available to the audit team before the field visit to the plant. Thus the verification team would have in hand before departure:

- (i) Names and locations of producers;
- (ii) Contact at each corporate headquarters and each plant site;
- (iii) Number of days in production (operational days) for each month, at each plant site, and for each ODS production monitored at the location;
- (iv) Monthly production data for the ODS production monitored at each plant site;
- (v) Monthly consumption and procurement data for feedstocks used for the production of the ODS production monitored, (e.g. CTC and AHF for CFC-11 and CFC-12 production);
- (vi) Monthly sales figures for the ODS product(s) monitored, as well as stock for each monitored ODS production at the beginning and end of each year.

Verification Steps Before Departure

10.
 - (i) Review the data provided by the enterprise and ensure that the ODS production, sales figures and stock at the beginning and end of the years add up.
 - (ii) Compare actual production to annual quota assigned for each ODS production monitored and at each plant site.
 - (iii) Review any quota trading or changes of quotas during the year. Also check if ODS products monitored have been procured from other producers.
 - (iv) Review and verify conformity of raw materials consumption with the ODS production monitored.
 - (v) Based on questionnaire data, identify each campaign and distribute production and raw material consumption data per campaign.
 - (vi) Ensure access to daily production logs and financial records for the ODS productions monitored as necessary for the verification of information provided by the producer.

Verification steps at each Producing Location

11.
 - (i) Confirm production quantities and raw material consumption from production logs.
 - (ii) Verify sales and procurements of monitored ODS products against financial records.
 - (iii) Verify stock at the beginning and the end of year against financial records.

12. To achieve these results, the production verification should include:
 - (i) Review system of record keeping for adequacy.
 - (ii) Observe plant condition and apparent operational status.
 - (iii) Audit daily production records for monitored ODS production and “key” feedstock consumption data.
 - (iv) Confirm monthly and annual production of monitored ODS:
(production = sales (from sales records) -- change in inventory (from plant records)).
 - (v) Confirm that cumulative inventory change of monitored ODS corresponds to annual production and sales data.
 - (vi) Confirm that cumulative inventory change of “key” raw material is consistent with production, both overall and per campaign.
 - (vii) Integrate hourly in-plant flowrate data, (corrected for concentration if necessary), over time - either graphically or analytically - to get an independent value for production.
 - (viii) Compare the changes in reported feed and product tank levels, integrated with the appropriate correlating factor, to reported raw material usage and CFC production.
 - (ix) On a spot basis, rationalize hourly plant logs with raw material consumption and, e.g. CFC production. In other words match throughput, for example for a week, with raw material consumption and the monitored ODS production for the same week. Do for at least two or three weeks during each campaign.
 - (x) Review logs for periods of high hourly throughput and compare to reported production. Investigate any possible inconsistency.

- (xi) Review hourly plant logs during non-campaign time periods to verify non-production.

Verification steps at Complete Closed Location

- 13. (i) Observe plant condition and apparent operational status.
- (ii) Verify the data provided in Section D I of the Questionnaire in Annex I.
- (iii) Provide photographic documentation for the dismantling of the plant (e.g. photo and/or video)

Verification Report

14. The verification report should provide the results of the teams' findings and conclusions on the implementation of ODS production phase-out annual programme. The report should include as annexes the completed questionnaires.

Field Verification Team

15. The verification team should consist of at least two persons. At least one person should be fluent in the national language and one should be fluent in English language.

- (i) One of the verification team members should be familiar with accounting practice and financial auditing.
- (ii) One of the verification team members should be a technical expert with experience relevant to the ODS production to be audited.

Annex I

**Questionnaire for
ODS Production Phase Out Verification (Including Gradual Closure)****A. Plant identification**

Name of Enterprise :
Plant Ref. Number* :
Sector Plan #* :
SRI # * :
Address of the Plant :
Contact person(s) and :
Functional Title :
Telephone Number :
Fax Number :
E-mail Address :

B. Verification

Team Composition :
Leader :
Name :
Functional Title :
Member(s) :
Name :
Functional Title :
Date of Plant Visit :
Duration of Visit :

*As applicable, e.g. SRI# for China's CFC plants.

C. Plant History

Date of construction:					
ODS Products	No. of Lines	Capacity in Baseline Year*	Production**		
			Baseline Year*	Year 1	Year 2
CFC-11					
CFC-12					
CFC-13					
CFC-113					
CFC-114/115					
Raw Materials Production***					
HF					
CTC					

*The year from which data is used for approving the ODS production phase out project.

**Till the year prior to the verification.

***This applies to plants where production of either HF or CTC or both is integrated.

D. Plant Activity in the Year Verified**I. Plant for Complete Closure**

No. of CFC-11/12 lines closed :

Date of CFC production ceased :

Date of dismantling completed :

Verification of destruction of key components by : [Name of certifying body]

Reactor tank(s) dismantled and destroyed : Yes/No

Control and monitoring equipment dismantled and destroyed : Yes/No

Pipes dismantled and destroyed : Yes/No

Utilities dismantled and destroyed : Yes/No

Evidence of destruction (photos or videos) :

Chance of resuming production : Yes/No

Assessment by the verification team to be included in the verification report

II. Plant for gradual closure

Annual CFC-11/12 quotas, production, sales and stocks since the baseline year*
(Please use one table for each CFC product)

CFC Products (CFC-11, CFC-12)	Baseline Year*	Year 1	Year 2**
Quota			
Opening Stock at beginning of year			
Production			
Sales			
Closing stock at end of year			

*The year from which data is used to approve the ODS production phase out project.

**Till the year of the verification

Annual HF/CFC and CTC/CFC ratios

Ratio	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6*
CFC-11							
HF/CFC-11 ratio							
CTC/CFC-11							
CFC-12							
HF/CFC-12							
CTC/CFC-12							

* Till the year of the verification

Operational days per year

Type of Production	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6*
CFC-11							
CFC-12							

*Till the year of the verification.

Monthly CFC-11/12 production and raw material consumption*

CFC Production and CTC consumption:

Month	CFC-11	No. of operating days	CFC-11 Production	CTC/CFC-11 Ratio	CTC Opening Stock	CTC Procured/ or added to stock	CTC Closing Stock
Jan							
Feb							
Mar							
Apr							
May							
Jun							
Jul							
Aug							
Sept							
Oct							
Nov							
Dec							

CFC Production and HF consumption:

Month	CFC-11	No. of operating days	CFC-11 Production	HF/CFC-11 Ratio	HF Opening Stock	HF Procured/ or added to stock	HF Closing Stock
Jan							
Feb							
Mar							
Apr							
May							
Jun							
Jul							
Aug							
Sept							
Oct							
Nov							
Dec							

* Similar tables should be provided for CFC-12 and CFC-113