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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-fifth Meeting
Bangkok, 14-18 July 2008

PROJECT PROPOSAL: PERU

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

Phase-out

- Terminal phase-out management plan (first tranche) UNEP and UNDP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
Peru

| | |
|--------------------------|---------------|
| (I) PROJECT TITLE | AGENCY |
| CFC phase out plan | UNDP, UNEP |

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|--|--------|-----------|-------|-------------------|--|
| (II) LATEST ARTICLE 7 DATA (ODP Tonnes) | | | | Year: 2007 | |
| CFC: 0 | CTC: 0 | Halons: 0 | MB: 0 | TCA: 0 | |

| (III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes) | | | | | | | | | | Year: 2007 | | | |
|--|---------|------|-------|---------------|------------|---------|---------------|-----|---------|-------------------|---------|------------------|--------------------------|
| Substances | Aerosol | Foam | Halon | Refrigeration | | Solvent | Process Agent | MDI | Lab Use | Methyl Bromide | | Tobacco fluffina | Total Sector Consumption |
| | | | | Manufacturing | Serviceing | | | | | QPS | Non QPS | | |
| CFC | | | | | | | | | | | | | 0. |
| CTC | | | | | | | | | | | | | 0. |
| Halons | | | | | | | | | | | | | 0. |
| Methyl Bromide | | | | | | | | | | | | | 0. |
| TCA | | | | | | | | | | | | | 0. |

| (IV) PROJECT DATA | | | 2008 | 2009 | 2010 | Total |
|--|------|---------------|----------|----------|------|----------|
| Montreal Protocol Consumption Limits | | CFC | 43.4 | 43.4 | 0. | |
| Maximum Allowable Consumption (ODP Tonnes) | | CFC | 43.4 | 28.4 | 0. | |
| Project Costs (US\$) | UNEP | Project Costs | 77,500. | 77,500. | | 155,000. |
| | | Support Costs | 10,075. | 10,075. | | 20,150. |
| | UNDP | Project Costs | 183,500. | 183,500. | | 367,000. |
| | | Support Costs | 13,762. | 13,763. | | 27,525. |
| Total Funds Requested for Current Year (US\$) | | Project Costs | 261,000. | | | 261,000. |
| | | Support Costs | 23,837. | | | 23,837. |

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| (V) SECRETARIAT'S RECOMMENDATION: | Pending |
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PROJECT DESCRIPTION

1. On behalf of the Government of Peru, UNEP, as the lead implementing agency, has submitted a terminal CFC phase-out management plan (TPMP) for consideration by the Executive Committee at its 55th Meeting. The project will also be implemented with assistance from UNDP. The total cost of the TPMP as originally submitted is US \$565,000 (US \$367,000 plus agency support costs of US \$27,525 for UNDP and US \$198,000 plus agency support cost of US \$25,740 for UNEP). The project proposes the complete phase out of CFCs by the end of 2009. The CFC baseline for compliance is 289.5 ODP tonnes.

Background

2. With regard to the phase-out of CFCs in the refrigeration servicing sector, at its 27th Meeting the Executive Committee allocated US \$20,000 to UNEP to support the implementation of a licensing system in the country, as well as for the development of a code of practice for refrigeration in the form of a refrigerant management plan (RMP). In addition, at the 43rd Meeting, US \$275,000 was allocated to Peru through UNEP and UNDP for an RMP update which included the implementation of training programmes for refrigeration technicians using the train the trainer approach, as well as the development of a technician certification programme alongside the training. It also included a technical assistance programme for the refrigeration servicing sector which encouraged retrofitting and provided basis service tools to workshops. This update also provided the country with assistance to combat illegal trade in the form of workshops. Prior to the two phases of the RMP, a stand-alone recovery and recycling project had been implemented by UNDP with an allocation of US \$342,695 approved at the 19th Meeting.

3. The implementation of the RMP and the RMP update in Peru resulted in the training and certification of 508 technicians, training of 400 customs officers, and the completion of a Code of good refrigeration practice. The earlier recovery and recycling programme identified 42 beneficiaries who have received equipment, but there is no information on the amount of ODS recovered.

Policy and legislation

4. The Supreme Decree 033-2000 ITINCI forms the legal basis for the management and monitoring of ODS in the country. This decree provides for the licensing system for ODS imports and exports, establishes annual quotas for imports as well as imposes bans on equipment containing ODS or on import of substances for certain specific applications. The country also has a number of minor regulations in the form of ministerial declarations that support this overall decree, including one that gives the mandate to the National Ozone Office to oversee the commitments to the Montreal Protocol, while another formalises the Code of Good Refrigeration Practices. One other important regulation covers the work that needs to be done with the Customs and includes buyer registration and reporting of imports on a regular basis.

Refrigeration servicing sector

5. Peru reported a consumption of 87.2 ODP tonnes of CFCs in 2006 under Article 7. In their recent country programme progress report for 2007, the country has reported zero imports of CFCs. The refrigeration association in Peru (the “Association of Technicians for Refrigeration, Air Conditioning and Equipment”) is an organised group of both informal and formal technicians in the country. It estimates that there are about 5,000 technicians in the country, half of which have not received any formal training, and around 1,200 service workshops.

6. In 2006, the prices of refrigerants per kg were as follows: US \$12.80 for R-12, US \$3.90 for R-22, US \$20.00 for R-502, US\$18.90 for R-404a and US \$13.00 for R-134a. The submission indicates that the high prices of CFCs (it has doubled in 2006 as compared to its 2005 price of US \$6.6 per kilogramme) are indicative of their increasing scarcity on the market. The prices for the other alternatives are still quite high, but HFC-134a has decreased by US \$5.00 from its previous year’s price.

Activities proposed in the TPMP

7. The following activities are proposed to be implemented through the TPMP project:
- (a) Technical assistance to the refrigeration sector for conversion to alternatives;
 - (b) Incentive programme for conversion in cities with higher consumption & establishment of a retrofit centre;
 - (c) Technical assistance for prevention of illegal CFC trade;
 - (d) Proposal to study the replacement of CFC-using equipment with that with higher energy efficiency; and
 - (e) Project monitoring and reporting.

8. The Government of Peru plans the complete phase-out of CFCs by 1 January 2010. A detailed work plan for 2008 has been submitted with the TPMP proposal.

SECRETARIAT’S COMMENTS AND RECOMMENDATION

COMMENTS

9. The Government of Peru has not yet reported Article 7 data for 2007. However, its country programme data shows that CFC consumption in 2007 was zero. In 2006, Peru reported a consumption of 87.2 ODP tonnes of CFCs. Peru’s allowable consumption under the Montreal Protocol for 2007 is 43.5 ODP tonnes. In providing clarification regarding the 2007 CFC consumption, UNEP informed the Secretariat that the country had not imported CFCs for that year, however, new licenses and a quota has been issued for 2008 which will reflect its allowable consumption for the year. The country also acknowledges that due to the size of the servicing sector, there is still work that needs to be completed in Peru to ensure that the phase out of CFCs

under the Montreal Protocol is sustained. This is the country's justification for the request for funds for the TPMP.

10. The Secretariat discussed with the implementing agency the technical issues concerning the level of implementation of the RMP particularly as it relates to similar activities proposed in the TPMP, as well as the issues that needed clarification in the submitted TPMP components.

Level of funding and implementation modalities

11. During the review of the TPMP, the Secretariat noted that:

- (a) Most of the CFC use in the refrigeration sector in the country is in domestic refrigeration which accounts for 37.4 percent of the total CFC use. The commercial refrigeration sector follows second with 28.7 percent, and the industrial refrigeration sector reports a consumption of around 17.2 percent. The use of CFCs in the MAC sector is the lowest with a 16 percent share;
- (b) It is also noted that in the commercial and industrial refrigeration sector, there is a trend of replacing the current CFC-based equipment with those that could use HCFC-22 and HFC 134a, often as part of a corporate strategy particularly of bigger companies;
- (c) There is no information on the amount of ODS recovered by the recovery and recycling programme implemented before the RMP, and UNEP indicated that this information is still being sought from the NOU;
- (d) The training of technicians as well as the technician certification scheme and the implementation of the Code of Good Practice under the RMP has resulted in better servicing practices being followed by those trained, but with the size of the country and the number of technicians and workshops, there needs to be additional training to ensure sustainability;
- (e) The country has also been able to establish a network of training institutes lead by the National Training Service in Industrial Work (SENATI) which ensures the institutionalisation of the refrigeration training programme into the vocational education programmes of the country;
- (f) The price of CFCs is increasing as well as the prices of other alternatives. On the other hand, both HCFC-22 and HFC-134a prices show a decreasing trend despite the fact that these were more expensive than CFCs in the past two years. HFC-134a is now comparable to the price of CFC-12;
- (g) The TPMP envisages the establishment of recovery and recycling centres in major cities linked to large workshops that will be provided with equipment. These centres will also be backed up by training; and

- (h) The TPMP also mentions that the country's request for assistance in the development of an MDI transition strategy with the required data, however this was considered under the UNDP work programme amendment and was consequently withdrawn due to lack of requisite data in line with decision 51/34, for a possible submission in the future.

12. UNEP as the lead agency provided clarification on the approach to be taken for the component providing technical assistance for the conversion of the refrigeration sector to alternative refrigerants. It explained that this work will be done through the national refrigeration association, and provided information on the alternatives that will be used. It also provided a list of the equipment that will be provided during this technical assistance component.

13. The Secretariat also sought clarification on one component which was to undertake a study as well as a survey on the existing CFC based refrigeration equipment available with the view to developing an approach for replacing these. The Secretariat believed that such a study in itself which was to include surveys of existing refrigeration equipment, would constitute double funding following earlier funded preparation activities for the RMP and the TPMP. UNEP agreed with the Secretariat's recommendations and subsequently withdrew this component from the proposal.

14. The Secretariat sought clarification on the 2007 country programme consumption of Peru. It noted that the zero consumption reported seems inconsistent with its 2006 import data. At the time of writing this document, the discussions were still ongoing.

RECOMMENDATION

- 15. Pending.
