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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: THAILAND**

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

Phase-out

- National CFC phase-out plan: 2008 annual implementation plan World Bank

## PROJECT DESCRIPTION

### Background

1. At its 35<sup>th</sup> Meeting, the Executive Committee approved the Thailand CFC national phase-out plan and agreed, in principle, total funding of US \$14,728,626 to be disbursed between 2001-2009 for eliminating the remaining consumption of 3,066 ODP tonnes of Annex A, Group I CFCs, 34 ODP tonnes of 1,1,1-trichloroethane (TCA) and 7.52 ODP tonnes of carbon tetrachloride. Since its approval, seven tranches representing the 2001 to 2007 annual work programmes have been released to the World Bank, with a total disbursement of US \$13,793,626. In each of the annual programmes completed, the national phase-out plan successfully reduced the ODS consumption below the targets established in the Agreement.

### Project submission

2. Consistent with the Agreement, the World Bank is submitting to the 55<sup>th</sup> Meeting the request for the release of the 2008 tranche of funds of US \$550,000 and the associated support cost of US \$49,500. The submission consists of a report on the implementation of the 2007 work programme, and the proposed 2008 work programme. As per the Agreement, which makes the 2008 disbursement conditional on satisfactory verification by the World Bank that Thailand has met its consumption target for 2006, the World Bank provided the verification audit of the imports of CFC, TCA and CTC for the year 2006. The 2008 annual work programme and 2006 verification audits of imports are not attached but could be made available upon request.

3. The table below summarises the key data in the 2008 annual work programme for the national phase-out plan in Thailand in relation to the 2007 annual programme.

Country	Thailand
Project title:	Thailand ODS Phase-Out Project National CFC Phase-Out Plan (NCFCP)
Year of plan	2008
# of years completed	6
# of years remaining under the plan	2
Ceiling for 2007 ODS consumption (in ODP tonnes), 2007 annual plan	912 ODP tonnes of Annex A, Group I Chemicals (CFCs) 4.5 ODP tonnes of TCA 1.13 ODP tonnes of CTC Total: 917.63 ODP tonnes
Ceiling for 2008 ODS consumption (in ODP tonnes), 2008 annual plan	704 ODP tonnes of Annex A, Group I Chemicals (CFCs) 4.5 ODP tonnes of TCA 1.13 ODP tonnes of CTC Total: 709.63 ODP tonnes
Total funding approved in principle for the CFC phase-out plan	US \$14,728,626
Total funding released as of December 2007	US \$13,793,626
Level of funding requested for 2008 Annual Plan	US \$550,000

## Report on the 2007 annual work programme

4. The results of the verification of imports of ODS in Thailand in 2006 are shown against the targets set in the Agreement as follows: 389.21 ODP tonnes against 1,121 ODP tonnes for CFCs, and zero against 4.5 ODP tonnes for TCA and zero against 1.13 ODP tonnes for CTC. The preliminary results of the 2007 work programme again showed lower consumption than the targets: 300.484 ODP tonnes of CFC, and zero for TCA, and 0.005 ODP tonne of CTC against the targets of 912 ODP tonnes of CFC, 4.5 ODP tonnes of TCA, and 1.13 ODP tonnes of CTC. The World Bank plans to conduct a verification of the results of the 2007 programme for submission in 2009.

5. Implementation of the phase-out plan in 2007 continued to benefit from the policies implemented by the Government of Thailand, which include:

- (a) Excise tax on CFCs (30 per cent of import price) imposed by the Ministry of Finance;
- (b) Ban on ODS use in the manufacturing sector (2004);
- (c) Mandatory MAC inspections (2004);
- (d) Ban on imports of CFC-based MDIs (2005);
- (e) Training of custom officers and provision of refrigerant identifiers (RI) to Customs Department; and
- (f) Ban on import of CFC-based refrigerators effective since May 2006.

6. The achievement of the CFC reduction in 2006 and 2007 is partly due to the contribution of on-going public awareness campaigns concentrating on (i) the impact of using CFC-12 contaminated with other chemicals, (ii) the impact of using improper refrigerants in MAC systems, in particular the use of CFC-12 in non-CFC MAC systems, and (iii) the need and advantage to retrofit the CFC-12 MAC system to the HFC-134a MAC system. To implement the MAC inspection programme, 209 units of refrigerant identifiers (RIs) were distributed to the Department of Land Transport stations, and an additional 468 RIs will be procured for 2,000 private inspection stations around the country.

7. Five phases of workshops for certification of MAC service technicians have been held and 5,437 technicians from 3,250 MAC shops trained, which exceeds Thailand's commitments under the approved NCFCP for 2,750 MAC service shops. A total of 111 recovery and recycling machines were delivered to MAC workshops as of 31 December 2007.

8. The majority of the industry conversion projects have been completed, except for a few in the foam sector, which are scheduled for completion in 2008.

9. The achievements of the 2007 technical assistance programme are presented in Table 3 of the World Bank submission, and the Government actions implemented are contained in Table 4. Table 5 presents the 2007 budget and financial performance report which contains both the 2007 annual expenditure situation and the cumulative figures since the beginning of the plan. Of the total approvals of US \$13.79 million from the Multilateral Fund, the cumulative disbursement as of December 2007 was US \$7.8 million, with another US\$5.19 million having been committed.

### The 2008 work programme

10. The 2008 annual work programme proposes consumption reductions sooner than those set out in the Agreement, as shown in the following table.

#### Actual consumption in 2007 and target consumption in 2008 (in ODP tonnes)

Indicators			Preceding Year (2007)	Year of Plan (2008)	Reduction
Supply of ODS	<i>Maximum allowable ODS imports</i>	CFCs	912	704	208
		TCA	4.5	4.5	0
		CTC	1.13	1.13	0
	<i>Import</i>	CFCs	300.484	250	50.484
		TCA	0	0	0
		CTC	0.005	0	0.005
	Production	--	--	--	--
	<b>Total (1)</b>	<b>CFCs</b>	<b>300.484</b>	<b>250</b>	<b>50.484</b>
		<b>TCA</b>	<b>0</b>	<b>0</b>	<b>0</b>
		<b>CTC</b>	<b>0.005</b>	<b>0</b>	<b>0.005</b>
Demand of ODS	Manufacturing	CFCs	0	0	0
		TCA	0	0	0
		CTC	0	0	0
	<b>Servicing</b>	CFCs	300.484	250	50.484
	<b>Stockpiles</b>	--	---	---	---
	<b>Total (2)</b>	<b>CFCs</b>	<b>300.484</b>	<b>250</b>	<b>50.484</b>
		<b>TCA</b>	<b>0</b>	<b>0</b>	<b>0</b>
		<b>CTC</b>	<b>0.005</b>	<b>0</b>	<b>0.005</b>

11. The plan intends to complete the remaining conversion projects in 2008. The other on-going programmes will continue, such as mandatory vehicle MAC inspection, MAC technician certification, distribution of basic tools and refrigerant recovery and recycling (R&R) equipment, customs training and procurement of refrigerant identifiers. In order to establish the need for CTC used in laboratories throughout the country, a survey of the target laboratories will be carried out in 2008 by engaging a consultant.

12. New training courses will be organized in 2008 by the NOU and the Customs Department for 900 custom officers and representatives from the Natural Resources and Environmental Crime Division and the Border Liaison Officials. Thailand Customs will continue participating in UNEP's Sky Hole Patching Project which has created a monitoring and notification network to keep track of suspicious shipments across borders of several countries in the Asia and Pacific region.

13. The 2008 plan proposes to reallocate US \$507,544 from savings in completed projects to finance additional staff and public awareness activities under the budget of the NOU in 2008-2009 as the Project Management Unit was terminated at the end of January 2007. Approximately another US\$ 1.1 million will be reallocated from the remaining balance of the investment component to purchase more MAC R&R machines, refrigerant identifiers and refrigeration servicing tools.

### **Audit of ODS imports**

14. The audit of imports of CFC, TCA and CTC for the year 2006 was undertaken by a certified public accountant from Thailand. The audit covered an examination of the import/export control procedure which had been implemented by the Government and the validation of actual imports against the import quotas issued and custom declarations through checking of the documents maintained by the departments concerned.

15. The import/export of ODS is jointly controlled by the Department of Industrial Works (DIW) and the Customs Department (CD). DIW is responsible for issuing the import quotas according to the annual maximum consumption targets established in the national phase-out plan, and the CD is charged with the task of managing the actual clearance of imports and exports of the relevant ODS at the borders. On a sample basis, the auditors first reviewed and verified the quota issued to importers by comparing the maximum allowable quantity in the national phase-out plan and the permitted amounts as indicated in the import licenses. The supporting documents that importers and exporters had submitted to DIW when seeking clearance were then verified for consistency. These documents included imports/exports approved by DIW, a copy of import/export licenses, invoices, and bills of lading. Subsequently the auditors examined the records of the Customs Department to ascertain the consistency in the documents submitted to DIW with those that had been submitted to CD. Finally the methodology used by the Government for data collection was reviewed.

16. The auditors found that there were a number of cases whereby HFCs were incorrectly labelled as CFCs in the records of Customs Declarations, but in general the data from DIW and Customs were reliable and consistent. The auditors also concluded that the procedures employed for ODS import control were satisfactory and that the ODS import figures for 2006 were 14.22 ODP tonnes of CFC-11, and 374.99 ODP tonnes of CFC-12. There were no imports of TCA, CFC-113, CFC-114 and CFC-115 in 2006, and there were no exports of such substances. The audited imports were therefore well below the allowable targets in the Agreement, as stated in paragraph 4 above.

## SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

### COMMENTS

17. The progress reports on the 2007 annual work programme and the proposed 2008 work programme have been prepared in accordance with the Guidelines for the preparation, implementation and management of performance-based sectoral and national ODS phase-out plans approved at the 38<sup>th</sup> Meeting.

18. The Government of Thailand and the World Bank continued to make commendable efforts in 2007 to enforce policy measures to facilitate the implementation of the national phase-out plan, and consequently there has been a consistent and significant decrease in the demand for CFCs and the other controlled substances.

19. The proposed targets for 2008 are again more ambitious than those in the Agreement, and the action plan which includes ongoing actions and new initiatives is credible and would contribute towards the achievement of these targets.

20. The Government of Thailand has introduced a functioning ODS import quota control system under the joint responsibility of several departments. Imports in 2006 were verified by a duly authorized auditor who examined the adequacy of the import control policies and procedures enacted by the Government and the records maintained by the relevant government departments on ODS imports in 2006.

### RECOMMENDATIONS

21. In light of the satisfactory verification that the 2006 imports of CFC, TCA and CTC in Thailand were below the consumption targets set out in the Agreement, the Secretariat recommends that the Executive Committee:

- (a) Takes note, with appreciation, of the verification audit of the imports of CFC, TCA and CTC in Thailand for the year 2006; and
- (b) Approves the 2008 work programme for the Thailand CFC national phase-out plan at the requested funding level of US \$550,000 and the associated support cost of US \$49,500 by the World Bank.

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