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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-seventh Meeting
Bangkok, 16-20 July 2012

PROJECT PROPOSAL: VENEZUELA (BOLIVARIAN REPUBLIC OF)

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

Phase-out

- HCFC phase-out management plan (stage I, second tranche)

UNIDO and
UNEP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
Venezuela (Bolivarian Republic of)

(I) PROJECT TITLE	AGENCY
HCFC phase out plan (Stage I)	UNEP, UNIDO (lead)

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2010	197.7 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2011	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123					0.2				0.2
HCFC-124									
HCFC-141b		19.4							19.4
HCFC-141b in imported pre-blended polyol		0.5							0.5
HCFC-142b									
HCFC-22				1.1	151.0				152.1

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	207.0	Starting point for sustained aggregate reductions:	208.86
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.0	Remaining:	185.69

(V) BUSINESS PLAN		2011	2012	2013	2014	2015	Total
UNIDO	ODS phase-out (ODP tonnes)	4.5	12.7	2.0	1.0	1.0	21.2
	Funding (US \$)	401,828	1,161,225	166,758	81,872	81,872	1,893,556

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

Secretariat's recommendation:	For blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of the Bolivarian Republic of Venezuela UNIDO, as the lead implementing agency, has submitted to the 67th meeting of the Executive Committee a request for funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP) at a total cost of US \$701,316, consisting of US \$603,339 plus agency support costs of US \$45,250 for UNIDO, and US \$46,661 plus agency support costs of US \$6,066 for UNEP. The submission includes a progress report on the implementation of the first year of the HPMP, and annual implementation plans for 2012 and 2013.

Background

2. The HPMP for the Bolivarian Republic of Venezuela was approved by the Executive Committee at its 63rd meeting, to reduce HCFC consumption by 10 per cent of the baseline by the end of 2014, at a total funding level in principle of US \$1,894,500, plus agency support costs of US \$149,568. At the 63rd meeting, the Executive Committee approved US \$654,854 plus agency support cost of US \$49,114 for UNIDO and US \$50,646 plus agency support costs of US \$6,584 for UNEP for implementation of the first year of the HPMP.

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

3. In 2011 two planning meetings were held amongst representatives from customs, Ministry of Environment and FONDOIN. An awareness workshop with 50 participants was conducted to build capacities of staff members of the National Guard to combat illegal trade. The ODS Import/Export Permission and Quota System Act has been revised and is waiting for final government approval. The technician certification scheme has also been updated.

4. The training programme for the trainers has commenced in the training centres, including hands on practice, but no training had been conducted during the first year. Forty-four sets of equipment and tools have been ordered for the centres. The good refrigeration practices training programme and manual has been updated, and includes the new HCFC phase-out schedule, the use of natural refrigerants, the new regulations and information on the latest technologies.

5. By May 2012, of the US \$705,500 approved for the first tranche, US \$459,982 (65.2 per cent) had been disbursed or committed.

Annual plans for 2012 and 2013

6. The main activities to be implemented in 2012 and 2013 cover the training of 250 refrigeration technicians in 2012 and a further 250 in 2013, and delivery of 202 tool sets during 2013 to improve servicing practices. Six hundred and fifty manuals, the same amount of prints of the code of good practice, 250 posters and 1,500 quick-reference cards for technicians are planned to be provided in 2012. Regulatory and enforcement activities will continue, and based on a revised regulation, customs training for 50 customs officers will be carried out during the end of 2012 and 2013.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

HCFC consumption

7. The HCFC baseline for compliance has been established at 207.0 ODP tonnes, based on the actual consumption reported under Article 7 of the Montreal Protocol for 2009 and 2010 as shown in Table 1. The established baseline is 13.7 ODP tonnes lower than that of 220.7 ODP tonnes estimated at the time the Bolivarian Republic of Venezuela's HPMP was approved.

Table 1: HCFC use and consumption (Article 7 and HPMP)

Year	2007	2008	2009	2010	Baseline	HPMP estimate for 2010	HPMP estimate for baseline
Substance	Metric tonnes						
HCFC-22	3693.2	2154.6	3107.8	2769.7	2938.7	3165.3	3136.5
HCFC-123	4.0	10.1	5.0	1.6	3.3	0.0	2.5
HCFC-124	71.4	14.5	0.0	0.0	0.0	7.7	3.9
HCFC-141b	417.5	186.0	342.8	376.4	359.6	359.4	351.1
HCFC-142b	148.5	139.0	115.2	59.7	87.4	174.9	145.1
Total consumption (Article 7)	4,334.5	2,504.2	3,570.8	3,207.4	3,389.0	3,707.3	3,639.1
HCFC-141b contained in imported pre-blended polyol	0.3	37.7	14.0	139.7	17.4	139.7	17.4
Total use	4,334.8	2,541.9	3,584.8	3,347.1	3,406.4	3,847.0	3,656.5
	ODP tonnes						
HCFC-22	203.12	118.50	170.93	152.33	161.63	174.09	172.51
HCFC-123	0.08	0.20	0.10	0.03	0.07	0.00	0.05
HCFC-124	1.57	0.32	0.00	0.00	0.00	0.17	0.09
HCFC-141b	45.92	20.46	37.71	41.41	39.56	39.53	38.62
HCFC-142b	9.66	9.03	7.49	3.88	5.69	11.37	9.43
Total consumption (Article 7)	260.35	148.51	216.23	197.65	207.0	225.16	220.70
HCFC-141b contained in imported pre-blended polyol	0.03	4.15	1.54	15.36	1.91	15.36	1.91
Total use	260.38	152.66	217.77	213.01	208.86	240.52	222.61

Progress reported and plans until 2015

8. The HPMP for the Bolivarian Republic of Venezuela had been originally submitted as a combination of activities in five enterprises in the foam sector and the service sector, as well as regulatory, enforcement and co-ordinating activities. In discussions with the Secretariat, agreement on the proposed replacement technology (HFC) and the associated costs was not reached, and the HPMP was refocused towards the service sector by removing the foam activities and replacing them with ones in the service sector.

9. The implementation has commenced in due time, although UNIDO advised about a change in the National Ozone Unit (NOU), which led to a somewhat slower implementation start-up than originally foreseen. The service sector activities appeared to progress very well both during 2011 as well as in the plans for 2012 and 2013. Customs training is scheduled to commence at the end of 2012, while by

1 January 2013 the regulation for the HCFC import and production quota will enter into force, in line with the Agreement.

10. The Secretariat noted that from 2009 to 2010, consumption in the country decreased, to 4.5 per cent below the baseline, with a drop in HCFC-22 use to 5.8 per cent below the baseline; this should make it easier for the country to comply with the 2013 and 2015 control measures, even without activities in the manufacturing sectors. The Secretariat believes that, overall, the progress on the implementation is satisfactory, and the plan appears to sufficiently address the challenges in the country to meet the 2013 and 2015 compliance targets as well as the targets in the Agreement.

Revision to the Agreement of the HPMP

11. The HPMP for The Bolivarian Republic of Venezuela was approved prior to the establishment of the HCFC baseline for compliance. Accordingly, in approving the HPMP the Executive Committee requested the Secretariat to *inter alia*, update Appendix 2-A (“The targets, and funding”) to the Agreement with the figures for the maximum allowable consumption, and to notify the Committee of the resulting levels accordingly (decision 63/57). Based on the data reported by the Government of The Bolivarian Republic of Venezuela under Article 7 and its revised phase-out schedule, the relevant paragraphs of the Agreement have been updated, and a new paragraph has been added to indicate that the updated Agreement supersedes that reached at the 63rd meeting, as shown in Annex I to this document. The full revised Agreement will be appended to the final report of the 67th meeting.

RECOMMENDATION

12. The Fund Secretariat recommends that the Executive Committee notes:

- (a) The progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan of (HPMP) in the Bolivarian Republic of Venezuela;
- (b) That the Fund Secretariat has updated paragraphs 1 and 2, Appendix 1-A “The substances” and Appendix 2-A: “The targets, and funding” of the Agreement between the Government of the Bolivarian Republic of Venezuela and the Executive Committee, based on the established HCFC baseline for compliance, and that a new paragraph 16 has been added to indicate that the updated Agreement supersedes the Agreement reached at the 63rd meeting, as shown in Annex I to the present document; and
- (c) That the revised starting point for sustained aggregate reduction in HCFC consumption is 208.91 ODP tonnes, calculated using actual consumption of 216.2 ODP tonnes and 197.7 ODP tonnes reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol, plus the use of HCFC-141b of 1.91 ODP tonnes contained in imported pre-blended polyols in eligible enterprises;

13. The Secretariat recommends blanket approval of the second tranche of stage I of the HPMP for the Bolivarian Republic of Venezuela, and the corresponding 2012 and 2013 annual implementation plans, at the funding level shown in the table below:

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	HCFC phase-out management plan (stage I, second tranche)	603,339	45,250	UNIDO
(b)	HCFC phase-out management plan (stage I, second tranche)	46,661	6,066	UNEP

Annex I

**TEXT TO BE INCLUDED IN THE 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)

1. This Agreement represents the understanding of the Government of the Bolivarian Republic of Venezuela (the “Country”) and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODS) set out in Appendix 1-A (“The Substances”) to a sustained level of **186.3** ODP tonnes prior to 1 January 2015 in compliance with Montreal Protocol schedules, with the understanding that this figure is to be revised one single time in 2011, when the baseline consumption for compliance would be established based on Article 7 data.

2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances which exceeds the level defined in row 1.2 of Appendix 2-A (“maximum allowable total consumption of Annex C, Group I Substances”; the Target) as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances which exceeds the level defined in rows 4.1.3, 4.2.3, 4.3.3, 4.4.3, 4.5.3, **and 4.6.3** (remaining eligible consumption).

16. **This updated Agreement supersedes the Agreement reached between the Government of the Bolivarian Republic of Venezuela and the Executive Committee at the 63rd meeting of the Executive Committee.**

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	161.63
HCFC-123	C	I	0.07
HCFC-124	C	I	0.00
HCFC-141b	C	I	39.56
HCFC-142b	C	I	5.68
Sub-total			206.94
HCFC-141b contained in imported pre-blended polyol			1.91
Total			208.86

APPENDIX 2-A: THE TARGETS, AND FUNDING

		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	175,432	1,758,500
2.2	Support costs for Lead IA (US \$)	49,114	45,250	24,366	0	13,158	131,888
2.3	Cooperating IA UNEP agreed funding (US \$)	50,646	46,661	25,125	0	13,568	136,000
2.4	Support costs for Cooperating IA (US \$)	6,584	6,066	3,266	0	1,764	17,680
3.1	Total agreed funding (US \$)	705,500	650,000	350,000	0	189,000	1,894,500
3.2	Total support cost	55,698	51,316	27,632	0	14,922	149,568
3.3	Total agreed costs (US \$)	761,198	701,316	377,632	0	203,922	2,044,068
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
