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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fourth Meeting
Montreal, 18-22 May 2015

PROJECT PROPOSAL: THE LAO PEOPLE'S DEMOCRATIC REPUBLIC

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) UNEP and France

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
THE LAO PEOPLE’S DEMOCRATIC REPUBLIC**

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	UNEP (lead)/France	63 rd	35 per cent by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2013	1.60 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2013	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-141b in imported pre-blended polyol		3.46							3.46
HCFC-22					1.60				1.60

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	2.3	Starting point for sustained aggregate reductions:	5.54
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.81	Remaining:	4.73

(V) BUSINESS PLAN		2015	2016	2017	2018	2019	2020	Total
France	ODS phase-out (ODP tonnes)	0.1					0.0	0.1
	Funding (US \$)	34,324					3,814	38,138
UNEP	ODS phase-out (ODP tonnes)	0.1					0.0	0.2
	Funding (US \$)	55,088					15,679	70,767

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits			n/a	n/a	2.30	2.30	2.07	2.07	2.07	2.07	2.07	1.50	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	2.30	2.30	2.07	2.07	2.07	2.07	2.07	1.50	n/a
Agreed funding (US\$)	UNEP	Project costs	113,625	0	0	0	97,875	0	0	0	0	23,500	235,000
		Support costs	14,771	0	0	0	12,724	0	0	0	0	0	3,055
Agreed funding (US\$)	France	Project costs	0	0	0	0	40,500	0	0	0	0	4,500	45,000
		Support costs	0	0	0	0	5,265	0	0	0	0	0	585
		Project costs	113,625	0	0	0	138,375	0	0	0	0	28,000	280,000
		Support costs	14,771	0	0	0	17,989	0	0	0	0	3,640	36,400
Total funds requested for approval at this meeting (US\$)	Project costs		0	0	0	0	138,375	0	0	0	0	0	138,375
	Support costs		0	0	0	0	17,989	0	0	0	0	0	17,989

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of the Lao People's Democratic Republic, UNEP as the lead implementing agency, has submitted to the 74th meeting 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 \$138,375, consisting of US \$87,875, plus agency support costs of US \$12,724 for UNEP, and US \$40,500, plus agency support costs of US \$5,265 for the Government of France. The submission includes a progress report on the implementation of the second tranche, and the tranche implementation plan for 2015 to 2020.

Report on HCFC consumption

HCFC consumption

2. The Government of the Lao People's Democratic Republic reported an estimated consumption of 2.28 ODP tonnes of HCFC in 2014 based on preliminary assessment. The 2010-2014 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in the Lao People's Democratic Republic (2010-2014) (Article 7 data)

Substances	2010	2011	2012	2013	2014*	Baseline
Metric tonnes						
HCFC-22	44.8	48.28	49.95	29.06	41.53	41.93
HCFC-141b in imported pre-blended polyols**	31.0	32.45	32.92	31.41	-	29.49**
ODP tonnes						
HCFC-22	2.5	2.66	2.75	1.60	2.28	2.30
HCFC-141b in imported pre-blended polyols**	3.4	3.57	3.62	3.46	-	3.24**

*Preliminary data not reported under Article 7 of the Montreal Protocol.

**The baseline (starting point) used average imports of 2007-2009

3. The HCFC consumption for Lao People's Democratic Republic in 2013 of 1.60 ODP tonnes was 0.70 ODP tonnes lower than the baseline (2.30 ODP tonnes). In 2013, the HCFC-22 consumption decreased significantly. However, this consumption increased in 2014 to a level slightly below the baseline. The data for HCFC-141b contained in the imported pre-blended polyols for 2014 is still being consolidated.

Country programme (CP) implementation report

4. The Government of the Lao People's Democratic Republic reported sector HCFC consumption data for 2013 under CP implementation report which is consistent with the data reported under Article 7. The 2014 CP data will be submitted in May 2015.

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

Legal framework

5. In 2014 a new regulation was promulgated to strengthen the enforcement of the 2003 decree on ODS import control. The new regulation defines the procedure for HCFC license system and authorises the Pollution Control Department (PCD) of the Ministry of Environment as the sole authority for issuing import licences. The licensing system covers HCFCs, HFCS refrigerants and HCFC-based equipment. Mandatory labelling has been implemented for HCFC-22 cylinders from 2014. Labelling requirement for other refrigerants is also being considered.

6. In January 2013, a training workshop was organized in which 58 enforcement officers were trained on the procedures of the licensing system, detecting ODS, non-ODS refrigerants and HCFC-based

equipment. Five refrigerant identifiers were purchased and delivered to key customs posts. Furthermore, refresher training on ODS control was provided to 35 frontline officers at 10 border check points from July to August 2013.

7. An awareness workshop was held for 35 customs officers, importers and distributors of HCFCs and HCFC-dependent equipment to inform them of government policy on HCFC phase-out, and new procedures for licensing to control import and export of HCFCs. Posters and booklets were prepared and distributed.

Refrigeration servicing sector

8. In November 2012, a train-the-trainer workshop was conducted in which a total of 28 refrigeration and air-conditioning (RAC) trainers from polytechnic institutes were trained on good servicing practices. Subsequently, a three-day RAC technician training workshop was held in December 2014 where 37 technicians were trained. Training materials were developed and translated into local language.

9. In cooperation with key stakeholders (the Ministry of Labours and Social Welfare, training institutes, and the Association of Refrigeration Technicians), PCD plans to implement a technician certification programme to improve the skills of technicians and control the sale of refrigerants to certified technicians. In view of the increased penetration of hydrocarbon into the market, this programme is of increasing importance. The certification programme will be fully implemented during the second tranche.

Project implementation and monitoring unit (PMU)

10. The national ozone unit (NOU), housed under the PCD, has continued to act as the PMU and supported the implementation of HPMP activities. The PMU has been responsible for planning, implementation and monitoring of all activities under stage I of the HPMP.

Level of fund disbursement

11. As of March 2015, of the US \$113,625 so far approved, US \$93,199 (82 per cent) has been disbursed for UNEP. The balance of US \$20,426 will be disbursed in 2015.

Implementation plan for the second tranche of the HPMP

12. During the second funding tranche of the HPMP, the Government will implement the following activities:

- (a) Developing policy measures including: a ban on the import of HCFC-141b contained in pre-blended polyols, restriction of refrigerant supply to certified technicians, and a ban on the installation of HCFC-22 chillers and large commercial air-conditioning equipment (UNEP) (US \$1,000);
- (b) Training of 50 customs officers on new technologies for detecting ODS, detecting flammable refrigerants and equipment using flammable refrigerants, and developing new regulatory requirements for HCFC control; (UNEP) (US \$13,575)
- (c) Holding a refreshment training course for 30 trainers and six workshops for 200 technicians on good service practices and implementing mandatory training and certification of RAC technicians. Training will include refrigerant recovery, recycling and reclamation emphasizing the reuse of refrigerant to reduce dependency on import of virgin HCFC and safe handling of flammable refrigerants. Since a small quantity of hydrocarbon-based commercial refrigerators are being imported into the country, the need to establish safety

standards and regulations will be discussed with stakeholders; (UNEP) (US \$67,375);

- (d) Establishing a refrigerant reclamation centre, and implementing refrigerant recovery, reuse and reclamation initiative (France) (US \$40,500);
- (e) Information dissemination, communication and public awareness raising on new emerging technologies, safety risk associated with flammable refrigerants and equipment especially in transportation and storage (UNEP) (US \$7,125); and
- (f) Project management, coordination and monitoring (UNEP) (8,800).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

HCFC consumption

13. Upon request for clarification, UNEP indicated that the significant decrease in consumption of HCFCs in 2013 was due to importers' unfamiliarity with the new import licensing system protocol and the availability of HCFC-22 from stockpiles imported in 2012. The quota for 2014 was issued at 41.53 mt (2.28 ODP tonnes).

Verification report

14. The Lao People's Democratic Republic is a low-volume-consuming (LVC) country, and was selected to include an independent verification report along with the present tranche request (decision 70/15). UNEP informed that a verification report is being prepared and will be submitted to the 74th meeting. However at the time of finalizing this document, the verification report has not been received.

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

Legal framework

15. In line with decision 63/17, confirmation has been received from the Government that an enforceable national system of licensing and quotas for HCFC imports and exports is in place and that the system is capable of ensuring compliance with the Montreal Protocol. The HCFC import quota for 2015 has been established at 2.0 ODP tonnes in accordance with the Agreement. For subsequent years, the annual quota will be based on the levels allowed under the Montreal Protocol.

Phase-out of HCFC-141b in imported pre-blended polyols

16. The Lao People's Democratic Republic also consumes a small quantity of HCFC-141b contained in imported pre-blended polyols for manufacturing flexible moulded foam used for motorcycle seats. Since the process is hand-mix in small scale production, there was no suitable alternative technology when the HPMP was prepared. The import of HCFC-141b pre-blended polyols has not been included in the licensing and quota system at this time. PCD is coordinating with the Ministry of Industry and Commerce to identify actions to control the import of this chemical. A project proposal for phasing out HCFC-141b pre-blended polyols is being prepared and is planned to be submitted to the 75th meeting¹.

¹ The Executive Committee allowed the Lao People's Democratic Republic to submit a foam sector plan during the implementation of the stage I of HPMP (Decision 63/49(f)).

Revision to the HPMP Agreement

17. In approving the HPMP the Executive Committee requested the Secretariat, once the baseline data were known, to update Appendix 2-A (the targets, and funding) to the Agreement to include the figures for maximum allowable consumption, and to notify the Executive Committee of the resulting levels of maximum allowable consumption and of any potential related impact on the eligible funding level, with any adjustments needed being made when the next tranche was submitted (decision 63/49(d)). Based on the established HCFC baseline for compliance (2.3 ODP tonnes), the relevant paragraph of the Agreement has been updated, and a new paragraph 16 has been added to indicate that the updated Agreement supersedes that reached at the 63rd meeting, as shown in Annex I to the present document. The adjustment of the baseline has also put the country into a higher funding category (from US \$210,000 to US \$280,000) for stage I of the HPMP in line with decision 60/44. UNEP also informed the change of the Government monitoring agency for implementation of the HPMP reflected in the updated paragraph 1 of Appendix 5-A. The full revised Agreement will be appended to the final report of the 74th meeting.

18. Based on the increase in the level of funding of stage I of the HPMP, the funding requested for the second tranche has been increased from US \$79,125 plus agency support cost of US \$10,287 to US \$138,375 plus agency support cost of US \$17,989 (consisting of US \$97,875 plus agency support cost of US \$12,724 for UNEP and US \$40,500 plus agency support cost of US \$5,265 for the Government of France).

Conclusion

19. The Lao People's Democratic Republic has been in compliance with the Montreal Protocol control targets in 2013 based on Article 7 reporting. The preliminary data in 2014, pending confirmation from the verification, is slightly below the allowable consumption for the year. The Government has established an enforceable licensing and quota system, and an effective monitoring mechanism for HCFC imports capable of ensuring compliance. Training has been provided to refrigeration servicing technicians to enable best practices and better containment of refrigerants. Certification of technicians has been initiated to sustain the long-term capacity development of servicing technicians to meet evolving challenges. In view of the progress achieved and a disbursement rate of 82 per cent of the approved funds, the Secretariat recommends approval of the second tranche.

RECOMMENDATION

20. The Funds Secretariat recommends that the Executive Committee:

- (a) Takes note of the progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan (HPMP) in the Lao People's Democratic Republic;
- (b) Notes that the Fund Secretariat had updated paragraph 1, Appendices 1-A, 2-A and paragraph 1 of Appendix 5-A of the Agreement between the Government of the Lao People's Democratic Republic and the Executive Committee, based on the established HCFC baseline for compliance, revised funding level and the change of the Government monitoring agency, and that a new paragraph 16 had been added to indicate that the updated Agreement superseded that reached at the 63rd meeting, as contained in Annex I to the present document; and
- (c) Further notes that the revised starting point for sustained aggregate reduction in HCFC consumption was 5.54 ODP tonnes, calculated using the actual consumption of 2.1 ODP tonnes and 2.5 ODP tonnes reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol, plus 3.24 ODP tonnes of HCFC-141b contained in

imported pre-blended polyol system and that the revised funding level for stage I of the HPMP for the Lao People's Democratic Republic was US \$280,000, plus agency support costs, in accordance with decision 60/44(f)(xii).

21. The Secretariat further recommends blanket approval of the second tranche of stage I of the HPMP for the Lao People's Democratic Republic, and the corresponding 2015 to 2020 tranche implementation plan, at the funding levels shown in the table below, on the understanding that:

- (a) The approved funds would not be transferred to UNEP and the Government of France until the Secretariat had reviewed the verification report confirming that the Government of Lao People's Democratic Republic was in compliance with the Montreal Protocol and the Agreement between the Government and the Executive Committee in 2013 and 2014; and
- (b) If the Lao People's Democratic Republic were to decide to proceed with retrofits and associated servicing to flammable and toxic refrigerants in refrigeration and air-conditioning equipment originally designed for non-flammable substances, it would do so assuming all associated responsibilities and risks and only in accordance with the relevant standards and protocols.

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, second tranche)	97,875	12,724	UNEP
(b)	HCFC phase-out management plan (stage I, second tranche)	40,500	5,265	France

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF THE LAO PEOPLE’S DEMOCRATIC REPUBLIC AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

1. This Agreement represents the understanding of the Government of the Lao People’s Democratic Republic (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 **1.50** ODP tonnes prior to 1 January 2020 in compliance with Montreal Protocol schedules.

16. This updated Agreement supersedes the Agreement reached between the Government of the Lao People’s Democratic Republic and the Executive Committee at the 63rd meeting of the Executive Committee.

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	2.30
HCFC-141b contained in imported pre-blended polyol	C	I	3.24
Total			5.54

APPENDIX 2-A: THE TARGETS, AND FUNDING*

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)			2.30	2.30	2.07	2.07	2.07	2.07	2.07	1.50	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)			2.30	2.30	2.07	2.07	2.07	2.07	2.07	1.50	n/a
2.1	Lead IA UNEP agreed funding (US \$)	113,625				97,875					23,500	235,000
2.2	Support costs for Lead IA (US \$)	14,771				12,724					3,055	30,550
2.3	Cooperating IA France agreed funding (US \$)	0				40,500					4,500	45,000
2.4	Support costs for Cooperating IA (US \$)	0				5,265					585	5,850
3.1	Total agreed funding (US \$)	113,625				138,375					28,000	280,000
3.2	Total support cost (US \$)	14,771				17,989					3,640	36,400
3.3	Total agreed costs (US \$)	128,396				156,364					31,640	316,400
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)											0.80
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)											0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)											1.50
4.2.1	Total phase-out of HCFC-141b in pre-blended polyols agreed to be achieved under this agreement (ODP tonnes)											0
4.2.2	Phase-out of HCFC-141b in pre-blended polyols to be achieved in previously approved projects (ODP tonnes)											n/a
4.2.3	Remaining eligible consumption for HCFC-141b in pre-blended polyols (ODP tonnes)											3.24

*Excludes funding for conversion of HCFC-141b contained in pre-blended polyol

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The annual consumption of HCFCs and other ODSs will be monitored through the Customs Department and **the Pollution Control Department, the Ministry of Natural Resources and Environment.**
