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EXECUTIVE COMMITTEE OF
 THE MULTILATERAL FUND FOR THE
 IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-fifth Meeting

Montreal, 25-29 May 2020

Postponed to 19-22 July 2020\*

**PROJECT PROPOSAL: GEORGIA**

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

Phase-out

|  |  |
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| * HCFC phase-out management plan (stage I, fourth tranche)
 | UNDP |

\* Due to coronavirus disease (COVID-19)

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**

**Georgia**

|  |  |  |  |
| --- | --- | --- | --- |
| **(I) PROJECT TITLE** | **AGENCY** | **MEETING APPROVED** | **CONTROL MEASURE** |
| HCFC phase out plan (Stage I) | UNDP | 63rd  | 35% by 2020 |

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| **(II) LATEST ARTICLE 7 DATA (Annex C Group l)** | Year: 2018 | 1.89 (ODP tonnes) |

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| **(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)** | **Year: 2019** |
| Chemical | Aerosol | Foam | Fire fighting | Refrigeration | Solvent | Process agent | Lab use | Total sector consumption |
|   | Manufacturing | Servicing |  |
| HCFC-22 |  |  |  |  | 2.40 |  |  |  | 2.40 |

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| **(IV) CONSUMPTION DATA (ODP tonnes)** |
| 2009 - 2010 baseline: | 5.3 | Starting point for sustained aggregate reductions: | 5.33 |
| **CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)** |
| Already approved: | 2.33 | Remaining: | 3.00 |

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| **(V) BUSINESS PLAN** | **2020** |
| UNDP | ODS phase-out (ODP tonnes) | 0.15 |
| Funding (US $) | 33,863 |

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| **(VI) PROJECT DATA** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **Total** |
| Montreal Protocol consumption limits | n/a | n/a | 5.3 | 5.3 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 3.5 | n/a |
| Maximum allowable consumption (ODP tonnes) | n/a | n/a | 5.33 | 5.33 | 4.79 | 4.14 | 4.14 | 4.14 | 4.14 | 3.00 | n/a |
| Agreed funding (US $) | UNDP | Project costs | 200,000 | 0 | 0 | 150,000 | 0 | 0 | 119,400 | 0 |  | 31,500 | 500,900 |
| Support costs | 15,000 | 0 | 0 | 11,250 | 0 | 0 | 8,955 | 0 |  | 2,363 | 37,568 |
| Funds approved by ExCom (US $) | Project costs | 200,000 | 0 | 0 | 150,000 | 0 | 0 | 0 | 119,400 | 0 | 0 | 469,400 |
| Support costs | 15,000 | 0 | 0 | 11,250 | 0 | 0 | 0 | 8,955 | 0 | 0 | 35,205 |
| Total funds requested for approval at this meeting (US $) | Project costs |  |  |  |  |  |  |  |  |  | 31,500 | 31,500 |
| Support costs |  |  |  |  |  |  |  |  |  | 2,363 | 2,363 |

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| **Secretariat's recommendation:** | For blanket approval |

**PROJECT DESCRIPTION**

# On behalf of the Government of Georgia, UNDP as the designated implementing agency, has submitted a request for funding for the fourth and final tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US $31,500, plus agency support costs of US $2,363.[[1]](#footnote-1) The submission includes a progress report on the implementation of the third tranche and the tranche implementation plan for 2020-2021.

Report on HCFC consumption

# The Government of Georgia reported under the country programme (CP) implementation report, a consumption of 2.40 ODP tonnes of HCFC in 2019, which is 55 per cent below the HCFC baseline for compliance. The 2015‑2019 HCFC consumption is shown in Table 1.

**Table 1. HCFC consumption in Georgia (2015-2019 Article 7 data)**

| **HCFC** | **2015** | **2016** | **2017** | **2018** | **2019\*** | **Baseline** |
| --- | --- | --- | --- | --- | --- | --- |
| **Metric tonnes** |  |  |  |  |  |  |
| HCFC-22 | 30.60 | 25.20 | 38.20 | 34.32 | 43.59 | **83.1** |
| HCFC-142b | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 9.9 |
| **Total (mt)** | **30.06** | **25.20** | **38.20** | **34.32** | **43.59** | **93.0** |
| **ODP tonnes** |  |  |  |  |  |  |
| HCFC-22 | 1.68 | 1.39 | 2.10 | 1.89 | 2.40 | **4.6** |
| HCFC-142b | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0.6 |
| **Total (ODP tonnes)** | **1.68** | **1.39** | **2.10** | **1.89** | **2.40** | **5.3** |

\*Country programme data.

# HCFC‑22 is used in the servicing and maintenance of refrigeration and air-conditioning (RAC) equipment. The steep increase between 2016 and 2017 was due to the gradual exhaustion of HCFC-22 stockpiled prior to the freeze in consumption in 2013. HCFC-22 consumption in 2019 increased to 2.40 ODP tonnes due to importers stockpiling HCFC-22 in anticipation of price increases and a lower import quota in 2020.

# While there has been an upward trend in the consumption of HCFCs over the last five years, the average consumption (i.e., 1.90 ODP tonnes) is 65 per cent below the HCFC baseline for compliance. This reduction from the baseline is due to the enforcement of the import/export licensing and quota system and the implementation of the activities under the HPMP, including training of technicians and technical assistance provided to the refrigeration servicing sector. HCFC-142b, which was consumed in the solvent sector for dry cleaning of garments, has been phased out since 2011, after the dry-cleaning sub-sector was converted. Import of non-HCFC-22 based RAC equipment also contributed to the reduction in HCFC consumption.

*CP implementation report*

# The Government of Georgia reported HCFC sector consumption data under the 2018 CP implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

*Verification report*

# The updated verification report including 2016 and 2017 HCFC consumption data was submitted in June 2018 in accordance with the condition for approval of the third tranche set at the 81stmeeting. The report confirmed that the country was in compliance with the Montreal Protocol and its Agreement with the Executive Committee for those years.

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

*Legal framework*

# The country has a framework Law on Environmental Protection with provisions for the protection of the ozone layer. In 2014, the Government amended the ODS import-export legislation, introducing the HCFC quota system. In April 2016, amendments were introduced to laws on Environmental Protection, Atmospheric Air Protection, Licenses and Permits and Royalties to *inter alia* strengthen ODS import-export regulations, establish administrative sanctions for violation of ODS regulations, and strengthen regulatory requirements for certification of RAC technicians.

# Further amendments have been drafted in 2019 including a licensing system for exempt uses of ODS; stricter penalties for illegal imports; the establishment of legal validity of electronic reporting; and certification of RAC companies. Other draft legislation includes the alignment of RAC certification with European Union (EU) regulations on fluorinated gases; a ban on the import of HCFC-22-based equipment; and a resolution to make manufacturers, importers and retailers of RAC systems responsible for waste generated from those products, including ODS. The amendments and draft legislation would be reviewed in Parliament for adoption in the second half of 2020.

# The enforcement of the national legislation to ban the import of phased out ODS, the list of banned ODS, and the penalties for violations allowed Customs officers to intercept several cases of illegal trade in ODS that have been phased-out. The Government is not aware of any controlled substances that have been phased out that are currently available on the market, nor any stocks of those substances, other than methyl bromide (MB), which are not used. The National Food Agency of the Ministry of Environmental Protection and Agriculture (MEPA) has 1.9 mt of MB, stored until a suitable disposal facility is identified.

# *Refrigeration servicing sector*

# The following activities were implemented:

## A total of 49 customs officers were trained in the use of refrigerant identifiers for ODS import-export control; 41 environmental inspectors were trained on the technical characteristics of different types of HCFC-22-based RAC equipment, conducting proper inspections, and the use of refrigerant identifiers; and eight sets of refrigerant identifiers were procured and delivered to customs authorities;

## Eight sets of servicing equipment (e.g., refrigerant recovery machines, refillable refrigerant cylinders, vacuum pumps, manifold gauges, portable leak detectors, and digital multimeters) were provided to certified RAC service technicians following a training session in November 2019; additional tools will be distributed later in 2020 once COVID‑19 restrictions are removed; and

## A market assessment/survey of HCFC-22 end‑user applications in various economic sectors was carried out to select a suitable end-user to demonstrate the replacement of HCFC‑22 in RAC equipment with natural refrigerants.

## *Project implementation and monitoring unit*

# Project implementation and monitoring are coordinated through a project implementation team under the Montreal Protocol enabling activities programme in the MEPA; the team is composed of individual service contractors, including a part-time manager, project assistant, and national consultants. The expenditures related to project monitoring and implementation for the first three tranches of the HPMP totalled US $73,767, including staff and consultants (US $59,247), rent (US $2,500), travel (US $2,809) and communications/publications (US $9,211).

# Level of fund disbursement

# As of March 2020, of the US $469,400 approved so far, US $361,501 had been disbursed as shown in Table 2. The balance of US $107,899 will be disbursed in 2020 and 2021.

**Table 2. Financial report of stage I of the HPMP for Georgia (US $)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Tranche** | **Approved** | **Disbursed** | **Disbursement rate (%)** |
| First | 200,000 | 200,000 | 100 |
| Second | 150,000 | 108,247 | 72 |
| Third | 119,400 | 53,256 | 45 |
| Total | 469,400 | 361,501 | 77 |

Implementation plan for the fourth and final tranche of the HPMP

# The following activities will be implemented until December 2021:

## Refresher training for 20 customs and environmental inspectors (one session) on national regulations and international obligations related to ODS, illegal ODS imports and use of refrigerant identifiers; analytic study on gender in the RAC and solvent sectors (US $2,500);

## Purchase of additional equipment and tools for the refrigerant recovery, recycling and reclamation (RRR) centre; preparation of the environmental impact assessment required to obtain the environmental permit on alternative technologies (R-290, CO2, ammonia) for the RRR centre to be able to carry out the management of waste refrigerants (US $26,500);

## National market survey on the sustainability of the phase-out of HCFCs used in the solvent sector and application of alternatives; organization of an awareness raising workshop to present the results, and discuss developments, regulations and safety measures related to new technologies; and preparation and distribution of a brochure on ODS alternative technologies in the solvent sector (US $31,638from previous tranches);

## Recruitment of technical consultant to assess the infrastructure and define technical parameters for the equipment to purchase for a demonstration project; purchasing and installation of equipment at two selected healthcare clinics; and RAC and business sector awareness workshop (US $83,030 from previous tranches); and

## Project implementation and monitoring (US $2,500): recruitment of a part-time monitoring expert (US $2,000) and travel (US $500).

**SECRETARIAT’S COMMENTS AND RECOMMENDATION**

**COMMENTS**

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

*Legal framework*

# The Government of Georgia has issued an HCFC import quota for 2020 at 2.97 ODP tonnes (54.00 mt), which is 15 per cent below the compliance level of 3.50 ODP tonnes under the Montreal Protocol and in accordance with the target set in its Agreement with the Executive Committee.

*Refrigeration servicing sector*

# One of the conditions for the approval of the third tranche was that the financial incentive scheme would enhance the sustainability of the training of servicing technicians (decision 81/34(a)). UNDP informed that the strengthened certification system for refrigeration technicians that would be fully in place later in 2020 included a requirement for a minimum set of tools/equipment for certain types of RAC services, which would require a financial input from the technicians.

# *Demonstration project*

# Regarding the demonstration project directed to end-users to transition to natural refrigerants that had been approved under the previous tranche, in line with decision 84/84,[[2]](#footnote-2) UNDP indicated that end‑users were reluctant to introduce low-GWP-based and energy‑efficient equipment in refrigeration applications because of higher costs. Although several hundred end-users in Georgia use HCFC‑22-based equipment, only 14 end-users were interested in participating in the demonstration project, and UNDP opined that this number could decrease following the COVID-19 outbreak. The approach proposed in light of local market conditions, was not only the ODS conversion, but more importantly to increase awareness of end-users to the benefits of alternatives, including energy-efficiency. The Georgian Association for Refrigerating, Cryogenic and Air-Conditioning Engineers, would be involved in disseminating technical information to end‑users. Furthermore, stage II of the HPMP would include awareness-raising seminars.

# With regard to co-financing from end-users, UNDP advised that no co-financing had been reported yet as the demonstration programme had been re‑scheduled for late 2020 or early 2021; however, one end‑user (Med Alpha, that was selected to take part in the demonstration project) had committed to co‑financing for the projects to be implemented at two of its branches. UNDP also informed that the level of co-financing by end-users could be up to 40 per cent of the total cost if they were convinced that the installation would work properly, operating costs are reasonable, and there is a one-year technical guarantee.

# UNDP agreed, in line with decision 84/84(d), to submit detailed reports on the results of the end‑user project undertaken in Georgia once it has been completed, to allow the Secretariat to develop fact sheets to inform future projects.

# UNDP informed that the first step in order to build on activities in previous tranches would be the introduction of the import ban on ODS-based equipment. In parallel, the introduction of new requirements in state or public procurement rules and tax incentives would be considered to support the scaling up of low- or zero‑GWP alternative technologies. The planned ratification of the Kigali Amendment would be the next step to further encourage alternative technologies.

# *Solvent sector*

# Since 2011, the use of HCFC-142b in Georgia was discontinued due to the completion of the demonstration project to provide HCFC-free dry-cleaning machines to two enterprises, resulting in the phase‑out of 0.72 ODP tonnes. Of the US $185,900 approved for the solvent sector, US $154,263 has been disbursed ; with the balance available ( US $31,638) the Government will implement the awareness-raising workshop for the solvent sector that was originally scheduled for the second tranche in late 2020 or early 2021, to allow the project to focus on the needs of the servicing sector. Furthermore, it was decided to complete awareness activities closer to the end of stage I of the HPMP.

# Gender policy implementation[[3]](#footnote-3)

# A gender analysis conducted as part of the capacity building activities for RAC technicians, customs officers, and environmental inspectors, revealed that RAC servicing trainees were mostly men, while the Customs and environmental inspection service trainees were 40 per cent and 20 per cent women, respectively. The fourth tranche of stage I of the HPMP includes an analytical study on gender in the RAC servicing and solvent sectors and will include recommendations for further action in the context of the HPMP with regard to the RAC servicing and solvent sectors related training and employment matters.

# Sustainability of the HCFC phase-out

# The country has a licensing and quota system in place to ensure the sustained control of HCFC imports, and the capacity of customs officers continues to be strengthened. Continued training of RAC technicians, as well as the technical assistance and equipment provided to them and the RRR centre, and the continued engagement of the refrigeration association, will further strengthen the refrigeration servicing sector and ensure the long-term sustainability of the HCFC phase-out; this will be complemented by the ban on the import of HCFC-22-based equipment and the certification system for refrigeration technicians, expected by the end of 2020. The planned market survey of the solvent sector and application of ODS alternatives, and awareness-raising activities for that sector, will help ensure the phase-out of HCFCs in the solvent sector.

Date of completion of stage I of the HPMP

# UNDP indicated that stage I of the HPMP for Georgia would be completed by December 2021 as established in the Agreement.

Conclusion

# The Government of Georgia is making progress in implementing its stage I HPMP despite the rescheduling of the activities related to the demonstration project and solvent sector to the fourth tranche. The 2019 consumption of HCFCs was 42 per cent lower than the maximum allowable consumption in the Agreement, and there has been zero reported consumption of HCFCs in the solvent sector since 2011. The country has an operational licensing and quota system and the legal framework is being further strengthened with stricter penalties for illegal imports, and further enhancements are being made to the RAC certification system to align it with EU regulations. The level of disbursement of the third tranche is 45 per cent and the overall disbursement rate has reached 77 per cent. The activities so far implemented and those planned under the fourth tranche will continue to support the country meet its compliance obligations under the Protocol.

**RECOMMENDATION**

# The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the third tranche of stage I of the HCFC phase-out management plan of (HPMP) for Georgia; and further recommends blanket approval of the fourth and final tranche of stage I of the HPMP for Georgia, and the corresponding 2020-2021 tranche implementation plan, 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, fourth tranche) | 31,500 | 2,363 | UNDP |

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1. As per the letter of 12 March 2020 from the Ministry of Environmental Protection and Agriculture of Georgia to the Secretariat. [↑](#footnote-ref-1)
2. Information to be provided related to demonstration and pilot projects directed to end users. [↑](#footnote-ref-2)
3. Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle. [↑](#footnote-ref-3)