



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/85/32
2 May 2020

ORIGINAL: ENGLISH



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: KYRGYZSTAN

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

Phase-out

- HCFC phase-out management plan (stage II, third tranche) UNDP and UNEP

* Due to coronavirus disease (COVID-19)

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Kyrgyzstan

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (stage II)	UNDP (lead), UNEP	74 th	97.5% by 2020 and 100% by 2025

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2018	1.33 (ODP tonnes)
--	------------	-------------------

(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					0.71				0.71

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	4.1	Starting point for sustained aggregate reductions:	4.1
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	4.1	Remaining:	0

(V) BUSINESS PLAN		2020
UNEP	ODS phase-out (ODP tonnes)	0.03
	Funding (US \$)	7,006
UNDP	ODS phase-out (ODP tonnes)	0.24
	Funding (US \$)	58,850

(VI) PROJECT DATA			2015	2016	2017	2018	2019	2020*	Total
Montreal Protocol consumption limits			3.69	3.69	3.69	3.69	3.69	2.67	n/a
Maximum allowable consumption (ODP tonnes)			3.08	2.67	2.05	1.32	0.71	0.10	n/a
Agreed funding (US \$)	UNDP	Project costs	170,000	0	0	175,000	0	55,000	400,000
		Support costs	11,900	0	0	12,250	0	3,850	28,000
	UNEP	Project costs	150,000	0	0	155,800	0	6,200	312,000
		Support costs	19,500	0	0	20,254	0	806	40,560
Funds approved by ExCom (US \$)		Project costs	320,000	0	0	330,800	0	0	650,800
		Support costs	31,400	0	0	32,504	0	0	63,904
Total funds requested for approval at this meeting (US \$)		Project costs						61,200	61,200
		Support costs						4,656	4,656

*Remaining for service tail up to 2025 (0.10 ODP tonnes per year).

Secretariat's recommendation:	For blanket approval
--------------------------------------	----------------------

PROJECT DESCRIPTION

1. On behalf of the Government of Kyrgyzstan, UNDP as the lead implementing agency, has submitted a request for funding for the third and final tranche of stage II of the HCFC phase-out management plan (HPMP), at a total cost of US \$65,856, consisting of US \$55,000, plus agency support costs of US \$3,850 for UNDP, and US \$6,200, plus agency support costs of US \$806 for UNEP.¹ The submission includes a progress report on the implementation of the second tranche and the tranche implementation plan for 2020-2021.

Report on HCFC consumption

2. The Government of Kyrgyzstan reported under country programme (CP) implementation report a consumption of 0.71 ODP tonnes of HCFC in 2019, which is 82.5 per cent below the HCFC baseline for compliance. The 2015-2019 HCFC consumption is shown in Table 1.

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

HCFC	2015	2016	2017	2018	2019*	Baseline
Metric tonnes (mt)						
HCFC-22	28.75	31.50	24.89	24.14	12.90	57.40
HCFC-141b	0.00	0.00	0.00	0.00	0.00	6.61
HCFC-142b	0.00	0.00	0.00	0.00	0.00	2.60
Total (mt)	28.75	31.50	24.89	24.14	12.90	66.61
ODP tonnes						
HCFC-22	1.58	1.73	1.37	1.33	0.71	3.16
HCFC-141b	0.00	0.00	0.00	0.00	0.00	0.73
HCFC-142b	0.00	0.00	0.00	0.00	0.00	0.17
Total (ODP tonnes)	1.58	1.73	1.37	1.33	0.71	4.05

*Country programme data submitted on 7 April 2020.

3. Currently, only HCFC-22 is consumed to service existing refrigeration and air-conditioning (RAC) equipment. Consumption continues to decline with strict enforcement of the licensing and quota systems, implementation of good practices in servicing equipment by trained technicians, introduction of non-HCFC-based equipment; and the influence of the European Union (EU) which resulted in faster adoption of HCFC-free technologies in the country. Since 2011, consumption of HCFC-141b and HCFC-142b has been nil except for 2013, when 10.30 mt (0.67 ODP tonnes) of HCFC-142b as a component of a refrigerant blend, were imported.

CP implementation report

4. The Government of Kyrgyzstan reported HCFC sector consumption data under the 2018 CP implementation report which is consistent with the data reported under Article 7 of the Montreal Protocol.

Progress report on the implementation of the second tranche of stage II of the HPMP

Legal framework

5. The Government of Kyrgyzstan has banned imports of HCFC-based equipment, including “dry” HCFC-based equipment (i.e., HCFC-based equipment that is shipped without being charged with HCFC refrigerant) as of 1 September 2015; and has established regulations requiring national certification of refrigeration specialists working with HCFCs, HFCs and natural refrigerants, and the renewal of such

¹ As per the letter of 9 March 2020 from the State Agency on Environmental Protection and Forestry of Kyrgyzstan to the Secretariat.

certification through trainings every two years. Certification of technicians is mandatory for RAC equipment servicing.

6. The Government approved a normative legal act on safety rules for ammonia refrigeration units and systems, and adopted a law on the movement of ODS and products containing them between Eurasian Economic Union Member States.² In December 2019, the Parliament supported the first reading of the decree to ratify the Kigali Amendment; two more rounds of review will be followed by a vote which had been expected in the first half of 2020 but may be delayed given the COVID-19 pandemic.

Refrigeration servicing sector

7. The following activities were carried out:

- (a) Two hundred and forty-one customs officers, of which approximately 72 were women, were trained in seven workshops on regulations of import, export, and transit of ODS and ODS-containing equipment, and on prevention of illegal trade of ODS;
- (b) Five hundred and forty-three refrigeration technicians, of which five were women, were trained in 15 training workshops on good servicing practices, including the safe handling of flammable and toxic refrigerants; and thirty recovery machines, 40 service tools sets (e.g., vacuum pumps, pipe cutters, hoses) and seven sets of equipment and tools for training centres (e.g., recovery machines, vacuum pumps, charging stations) were purchased and distributed. In 2019 1,015 kg HCFC-22 were recovered;
- (c) Five hundred ninety-two refrigeration specialists, of which five were women, were trained and certified on refrigeration technologies in cooperation with the Refrigeration Association and the National Technical University;
- (d) Training materials were updated and manuals were developed to include topics on refrigerants and the environment, new low-global warming potential (GWP) and non-HFC alternative technologies; five workshops for owners of retail stores, hotels and other organizations using refrigeration equipment, with a focus on new low-GWP-based equipment, and two workshops for building planners and architects on energy-efficient buildings and modern practices with low-GWP-based refrigerants were held. Of the owners that participated in the workshops, forty-four were women;
- (e) As part of the end-user incentive programme, 39 R-290-based refrigeration units were purchased, of which three have been installed to demonstrate successful use, with the remaining 36 units to be installed in the food sector (e.g., small grocery shops, cafeterias, restaurants), with all end-users contributing up to 50 per cent of the cost of the equipment; and
- (f) Awareness materials including posters, brochures, and fact sheets on ozone layer protection, availability and use of alternatives, including safe use of flammable and toxic refrigerants, were developed and disseminated. Stakeholder consultation meetings were held, including two annual meeting of the national refrigeration association.

² Members are: Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation.

Project implementation and monitoring unit (PMU)

8. The national ozone unit (NOU), under the State Agency on Environmental Protection and Forestry, is responsible for the implementation and monitoring of the HPMP programme. Out of US \$16,800 allocated for project monitoring under the second tranche, US \$6,709 had been disbursed for national consultants to survey enterprises using ODS, HFCs and natural refrigerants and prepare a report on the results. The remaining balance of US \$10,091 is committed for national consultants hired to monitor HPMP components.

Level of fund disbursement

9. As of March 2020, of the US \$650,800 approved so far, US \$469,219 had been disbursed (US \$240,400 for UNDP and US \$228,819 for UNEP) as shown in Table 2. The balance of US \$181,581 will be disbursed by December 2021.

Table 2. Financial report of stage II of the HPMP for Kyrgyzstan (US \$)

Agency	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNDP	170,000	170,000	175,000	70,400	345,000	240,400
UNEP	150,000	150,000	155,800	78,819	305,800	228,819
Total	320,000	320,000	330,800	149,219	650,800	469,219
Disbursement rate (%)	100		45		72	

Implementation plan for the third and final tranche of the HPMP

10. The following activities will be implemented by December 2021:
- Develop and update regulatory acts in accordance with the requirements of the Montreal Protocol and the Eurasian Economic Union (UNEP) (US \$4,000);
 - Provide training equipment and servicing tools (e.g., charging station for natural refrigerants, welding and vacuum test stand, basic multi-refrigerant analyzer) to training centres and vocational schools and recruit a national consultant for distribution of and training with the tools (UNDP) (US \$25,000);
 - Continue implementing the end-user incentive programme through the provision of co-financed low-GWP-based equipment to end-users and hire a national expert for the programme (UNDP) (US \$30,000); and
 - Continue HPMP monitoring activities (UNEP) (US \$2,200).

SECRETARIAT'S COMMENTS AND RECOMMENDATION**COMMENTS**Report on HCFC consumption

11. The Secretariat noted that notwithstanding the continued progress in reducing consumption, the country's 2019 consumption was higher than the target specified in row 1.2 of Appendix 2-A of the Agreement between the country and the Executive Committee. UNDP clarified that at the 74th meeting, the intention of the Government had been to set that target at 82.5 per cent of the country's baseline, i.e., at 0.71 ODP tonnes, which is the average of the 2018 and 2020 target. Due to an inadvertent error, the target

was set at 0.41 ODP tonnes. Accordingly, the Government requested that its Agreement with the Executive Committee be updated. The Secretariat confirms that due to a typographical error the maximum allowable total consumption of HCFC in the Agreement was set at 0.41 ODP tonnes instead of 0.71 ODP; accordingly, it has included an updated Agreement, reflecting the corrected target, which is consistent with the 2019 quota, in Annex I to the present document. The full updated Agreement will be appended to the final report of the 85th meeting.

12. UNIDO also agreed that a verification report covering the consumption in 2019 through 2022 would be submitted in 2023, on the understanding that if it were determined that Kyrgyzstan was not in compliance with the targets specified in the updated Agreement, the Executive Committee could consider applying the penalty clause against future approvals for the country.

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

Legal framework

13. The Government of Kyrgyzstan has already issued HCFC import quotas for 2020 at zero ODP tonnes.

Refrigeration servicing sector

14. With the exception of domestic refrigeration and a limited number of large ammonia-based industrial commercial refrigeration installations, there is limited introduction of low-GWP alternative technology in RAC sector. Noting that limited introduction, the Secretariat sought additional information on the activities undertaken in the context of the end-user incentive scheme that was part of the approved implementation plan for the second tranche, and the planned activities under the third tranche.

15. Under the second tranche, UNDP had planned to import key components and assemble *in situ* one or two cold rooms in commercial installations based on natural refrigerants such as ammonia and CO₂ to introduce the technology to the market, and demonstrate its benefits. However, it was found that ammonia and CO₂ technologies were too expensive for the low level of capitalization of end-users in the country, and the focus of the project was changed to smaller-scale R-290-based refrigeration equipment.

16. In line with decision 84/84(c), UNDP clarified:

- (a) Regarding the domestic policy framework to support and sustain introduction and the scaling up of the new technology based on R-290, the NOU will build on the experience with end-user incentive programmes in the CFC era. The extent to which the technology can be scaled up will depend in part on the reliability and operational costs of the technology, and regulations related to the import and use of the technology. Those elements will be further considered in future work under the Kigali Amendment;
- (b) Regarding the number of end-users that could be interested in the technology, the NOU identified 17 large and more than one hundred smaller users that may be interested;
- (c) Regarding a methodology to estimate the scalability of the technology, the NOU noted that one multinational enterprise (Coca-Cola) had started importing unitary low-GWP-based coolers. That use, combined with awareness-raising efforts from the successful introduction of the equipment provided with support from the HPMP, will help ensure the sustained introduction of the technology;

- (d) Given the limited introduction in the market of low-GWP technology, demonstration of the benefits of the technology are important to ensuring its uptake. To that end, the NOU will monitor the performance of the R-290-based equipment and compare it with that of the HCFC-22-based equipment, as well as the HFC-134a- and R-404A-based equipment that is prevalent in the country. The National Refrigeration Association will communicate the results of the project to relevant stakeholders;
- (e) The HPMP has included training workshops on the safe handling of flammable refrigerants; training materials were updated and manuals were developed to include low-GWP technologies; and workshops for owners of retail stores, hotels and other organizations using refrigeration equipment included a focus on new low-GWP-based equipment. The National Refrigeration Service Association disseminates information on the use of different refrigerants, including flammable refrigerants;
- (f) End-users will be required to provide up to 50 per cent co-financing, depending on the end-user; and
- (g) UNDP confirmed that no retrofitting with flammable or toxic alternatives is planned, and that UNDP would submit detailed reports on the results of the end-user project undertaken in Kyrgyzstan once it had been completed, to allow the Secretariat to develop fact sheets to inform future projects.

17. The date of completion of stage II is 31 December 2021 as established in paragraph 14 of the Agreement.

Sustainability of the HCFC phase-out

18. The country has implemented a ban on HCFC-based equipment, including “dry” equipment, as well as a ban on the import of controlled substances that have already been phased out (i.e., Annexes A, B and E, except for quarantine and pre-shipment uses of methyl bromide) and equipment containing those substances, where applicable. Those bans are enforced through customs, the State Technical Inspectorate, and finance and border controls. The licensing and quota system is effectively implemented and includes HCFCs and controlled substances that have already been phased out, with an alert being raised in case an importer presents documentation that includes controlled substances that have been phased out. The last illegal import into the country was discovered in 2014 and was reported to the Ozone Secretariat. The NOU regularly monitors the use of refrigerants in the market and was not aware of the use in the market or stocks of controlled substances that have been phased out. The sustainability of the technicians training is ensured given that certification of technicians is mandatory; vocational training schools will provide training for such certification with support from the HPMP.

Conclusion

19. The 2019 HCFC consumption of 0.71 ODP tonnes of HCFCs was 82.5 per cent below the baseline and in line with the draft updated Agreement, which corrects an inadvertent error from the 74th meeting. The Government continues to implement licensing and quota systems for monitoring and controlling HCFCs, with the quota for 2020 established at zero ODP tonnes, and enforces the ban on imports of HCFC-based equipment, which will help ensure the sustainability of the phase-out. Activities are progressing including training of customs and law enforcement officers and technicians with emphasis on servicing equipment using flammable refrigerants and HCFC-free alternatives. The mandatory certification system for technicians results in better servicing practices and ensures sustainability of training. The Government will continue to implement HPMP activities focusing on enforcement of regulations, training of service technicians and adoption of HCFC-free low-GWP alternatives through incentive and outreach programmes. The verification of consumption to be submitted in 2023 would allow verification of the

country's consumption both before the completion of the Agreement, and that the country's consumption thereafter remained within the service tail specified by the Agreement.

RECOMMENDATION

20. The Fund Secretariat recommends that the Executive Committee:
- (a) Takes note of the progress report on the implementation of the second tranche of stage II of the HCFC phase-out management plan of (HPMP) for Kyrgyzstan;
 - (b) Notes that the Fund Secretariat had updated the Agreement between the Government of Kyrgyzstan and the Executive Committee, as contained in Annex I to the present document, specifically: Appendix 2-A, to reflect that the 2019 target specified in row 2.1 was 0.71 ODP tonnes; and paragraph 16, which had been added to indicate that the updated Agreement superseded that reached at the 74th meeting;
 - (c) Requests the Government of Kyrgyzstan, UNDP and UNEP to submit a progress report on the implementation of the work programme associated with the final tranche and the project completion report to the first meeting of the Executive Committee in 2022; and
 - (d) Requests UNDP to include in its work programme/work programme amendments for 2022 funding, in the amount of US \$30,000, plus agency support costs, for the verification report of Kyrgyzstan's 2019-2022 consumption, to be submitted to the first meeting of 2023.
21. The Fund Secretariat further recommends blanket approval of the third and final tranche of stage II of the HPMP for Kyrgyzstan, and the corresponding 2020-2021 tranche implementation plan, at the funding levels shown in the table below, on the understanding that:
- (a) If the verification report to be submitted in 2023 covering the country's consumption in 2019 through 2022 indicated the country was not in compliance with the targets specified in the Agreement, the Executive Committee could consider applying the penalty clause against future approvals for the country; and
 - (b) Kyrgyzstan had consumption in the servicing sector only; that the incentive scheme to promote conversion of refrigeration and air-conditioning equipment to low-global warming potential alternatives include associated training and capacity building to ensure sustainable implementation; that end-users would provide co-financing to participate in the scheme; and that UNDP would submit detailed reports on the results of the end-user incentive scheme once it had been completed:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage II, third tranche)	55,000	3,850	UNDP
(b)	HCFC phase-out management plan (stage II, third tranche)	6,200	806	UNEP

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF KYRGYZSTAN AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS IN ACCORDANCE WITH STAGE II OF THE HCFC PHASE-OUT MANAGEMENT PLAN
(Relevant changes are in bold font for ease of reference)

16. This updated Agreement supersedes the Agreement reached between the Government of Kyrgyzstan and the Executive Committee at the 74th meeting of the Executive Committee.

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2015	2016	2017	2018	2019	2020*	Total	
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	3.69	3.69	3.69	3.69	3.69	2.67	n/a	
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	3.08	2.67	2.05	1.32	0.71	0.10	n/a	
2.1	Lead IA (UNDP) agreed funding (US \$)	170,000	0	0	175,000	0	55,000	400,000	
2.2	Support costs for Lead IA (US \$)	11,900	0	0	12,250	0	3,850	28,000	
2.3	Cooperating IA (UNEP) agreed funding (US \$)	150,000	0	0	155,800	0	6,200	312,000	
2.4	Support costs for Cooperating IA (US \$)	19,500	0	0	20,254	0	806	40,560	
3.1	Total agreed funding (US \$)	320,000	0	0	330,800	0	61,200	712,000	
3.2	Total support costs (US \$)	31,400	0	0	32,504	0	4,656	68,560	
3.3	Total agreed costs (US \$)	351,400	0	0	363,304	0	65,856	780,560	
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)								2.88
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)								0.32
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								0
4.2.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)								0
4.2.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)								0.70
4.2.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)								0
4.3.1	Total phase-out of HCFC-142b agreed to be achieved under this Agreement (ODP tonnes)								0.20
4.3.2	Phase-out of HCFC-142b to be achieved in previously approved projects (ODP tonnes)								0
4.3.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)								0

*Remaining for service tail up to 2025 (0.10 ODP tonnes per year).