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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninety-fourth Meeting
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Item 9(c) of the provisional agenda¹

PROJECT PROPOSAL: TIMOR-LESTE

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) UNEP and UNDP

¹ UNEP/OzL.Pro/ExCom/94/1

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

TIMOR-LESTE

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (stage II)	UNEP (lead), UNDP	80 th	78% phase-out by 2025

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2022	0.12 ODP tonnes
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)							Year: 2023		
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.063				0.063

(IV) CONSUMPTION DATA (ODP tonnes)			
2009-2010 baseline:	0.50	Starting point for sustained aggregate reductions:	0.50
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	0.39	Remaining:	0.11

(V) ENDORSED BUSINESS PLAN		2024*	2025	2026	Total
UNEP	ODS phase-out (ODP tonnes)	0.04	0.02		0.06
	Funding (US \$)	46,330	136,594**		182,924**
UNDP	ODS phase-out (ODP tonnes)	0.03	0.01		0.04
	Funding (US \$)	29,975	15,173		45,148

*Delayed from 2023

**Including US \$113,000 for UNEP for additional activities to maintain energy efficiency (decision 89/6)

(VI) PROJECT DATA		2017	2018-2019	2020	2021	2022	2023*	2024	2025	Total
Montreal Protocol consumption limits		0.45	0.45	0.33	0.33	0.33	0.33	0.33	0.16	n/a
Maximum allowable consumption (ODP tonnes)		0.45	0.39	0.30	0.30	0.28	0.28	0.17	0.11	n/a
Agreed funding (US \$)	UNEP	Project costs	83,000	0	62,000	0	41,000	100,000	20,880	306,880
		Support costs	10,790	0	8,060	0	5,330	13,000	2,714	39,894
	UNDP	Project costs	55,000	0	41,500	0	27,500	0	13,920	137,920
		Support costs	4,950	0	3,735	0	2,475	0	1,253	12,413
Funds approved by ExCom (US \$)	Project costs	138,000	0	0	103,500	0	0	0	0	241,500
	Support costs	15,740	0	0	11,795	0	0	0	0	27,535
Total funds requested for approval at this meeting (US \$)	Project costs							168,500**		168,500
	Support costs							20,805**		20,805

*The third tranche should have been submitted in 2023

**Funding for 2024 includes US \$100,000, plus agency support costs of US \$13,000, for UNEP for additional activities to maintain energy efficiency (decision 89/6)

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Timor-Leste, UNEP as the lead implementing agency has submitted a request for funding for the third tranche of stage II of the HCFC phase-out management plan (HPMP), at a total cost of US \$189,305, consisting of US \$141,000, plus agency support costs of US \$18,330, for UNEP and US \$27,500, plus agency support costs of US \$2,475, for UNDP.² The submission includes a progress report on the implementation of the second tranche, a request for funding additional activities to maintain energy efficiency in the refrigeration servicing sector,³ and the third tranche implementation plan for 2024 to 2025.

Report on HCFC consumption

2. The Government of Timor-Leste reported under the country programme (CP) implementation report a consumption of 0.06 ODP tonnes of HCFC-22 in 2023, which is 87 per cent below the country's HCFC baseline for compliance. The Article 7 data for 2023 has not been reported yet. The 2019-2023 HCFC consumption is shown in table 1.

Table 1. HCFC consumption in Timor-Leste (2019-2023 Article 7 data)

HCFC-22	2019	2020	2021	2022	2023*	Baseline
Metric tonnes (mt)	5.44	2.73	4.27	2.18	1.15	9.08
ODP tonnes	0.30	0.17	0.23	0.12	0.06	0.50

* CP data

3. The HCFC consumption has been fluctuating with an overall decreasing trend attributed to the enforcement of the licensing and quota system, the implementation of activities in the servicing sector including training of technicians and technical assistance programmes, and to the introduction of refrigeration and air-conditioning (RAC) equipment based on alternative refrigerants. The low import in 2020 was due to the impact of COVID-19 that reduced business activities and decreased demand of HCFC-22 for servicing. The low consumption of 2023 was caused by the imports of 2022 being carried over to the later year.

Country programme implementation report

4. The Government of Timor-Leste reported HCFC sector consumption data for 2021 and 2022 under CP implementation reports that is consistent with the Article 7 of the Montreal Protocol.

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

Legal framework

5. A draft amendment to the Decree Law No. 36/2012 “Control of Imports and Exports of Ozone Depleting Substances” is currently being reviewed and includes mandatory labelling of HCFC cylinders; mandatory reporting by importers; a ban on the import of all HCFCs except for HCFC-22; a ban on the import of HCFC-based RAC equipment; and import and export controls for HFCs, HFC blends and HFC-based equipment. These provisions help prepare the country to control HFC once it ratifies the Kigali Amendment, expected in June 2024. The ban on import of all types of new and second-hand HCFC-based RAC equipment will enter into force 120 days after the publication of the amended Decree-Law expected by the end of 2024.

² As per the letter of 13 March 2024 from the Ministry of Tourism and Environment of Timor-Leste to UNEP.

³ In line with decision 89/6, low-volume-consuming countries can include in their HPMPs additional activities for the introduction of alternatives to HCFCs with low or zero global-warming potential and for maintaining energy efficiency in the refrigeration servicing sector.

6. The National Single Window System powered by ASYCUDA, which includes HCFC and HFC licensing system module, has been in full operation since 1 January 2022. This system allows better monitoring of the imports of controlled substances. The Customs Department is in the process of adopting 2022 Harmonized System (HS) code, pending approval by the Council of the Ministers. The national ozone unit (NOU) has worked closely with customs to assign specific HS code for commonly used HCFCs and HFCs to strengthen data monitoring and reporting.

7. The mandatory labelling requirement of HCFC containers has been implemented since 1 January 2022.

Refrigeration servicing sector

8. During implementation of the second tranche, the following activities were implemented:

- (a) One training workshop for 23 customs and enforcement officers (six female) was conducted and three additional training workshops have been planned for customs brokers/importers in 2024. The NOU monitored the use and condition of refrigerant identifiers and information regarding frequency of usage. The Customs Handbook was translated into local language for publication and distribution to the Customs Authority;
- (b) Seven training workshops for 161 RAC technicians (nine female) on proper installation, good servicing practices and handling of flammable refrigerant; development of the national training curricula on good practices and safe handling of flammable refrigerants, and the procedures and criteria for technician's certification within the National Qualifications Framework; and training of 18 assessors in assessing the competency-based certification;
- (c) Provision of recovery and recycle equipment and tools (two-stage rotary vacuum pump, electronic weighing scale, digital multimeter gauge manifold, electronic leak detector, micron gauge with LCD display, recovery machines, recycling kits, recovery cylinder, servicing tool kits, piercing pliers, etc.) for two training centres and four servicing companies to support training and implementation of good servicing practices;
- (d) A knowledge exchange programme for six master trainers, technicians, and experts (one female) was organised to India in March 2023. The team attended the training for technicians under the HPMP, visited one R-290 residential AC manufacturing plant and a training center to gain understanding on how trainings are organized, and the training facilities required; and
- (e) Awareness raising activities including development of three educational videos (customs and enforcement video, technician video and general public video), training tools, posters and social media page with resources accessible to technicians; materials on good servicing practices, safety in handling flammable refrigerant and installation of air conditioners were distributed to technicians; and a poster on proper declaration of shipment was translated into local language (Tetum) and distributed to customs officers.

Level of fund disbursement

9. As of March 2024, of the US \$241,500 approved so far, US \$194,132 (80 per cent) had been disbursed (US \$98,035 for UNEP and US \$96,097 for UNDP), as shown in table 2. The balance of US \$47,368 will be disbursed by end of 2024.

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

Agency	First tranche		Second tranche		Total		
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed	Balance
UNEP	83,000	82,679	62,000	15,356	145,000	98,035	46,965
UNDP	55,000	54,667	41,500	41,430	96,500	96,097	403
Total	138,000	137,346	103,500	56,786	241,500	194,132	47,368
Disbursement rate (%)	99.5		54.9		80.4		

Implementation plan for the third tranche of stage II of the HCFC phase-out management plan

10. The following activities will be implemented between July 2024 and December 2025:
- Policy, regulations and enforcement*: review of public procurement policy for amendments of the existing regulations to include restrictions on ODS technologies; inclusion of a requirement under the Decree Law for one certified technician in registered servicing workshops; continued enforcement of labelling requirement for HCFC containers; one train-the-trainer workshop for 20 customs and enforcement officers, three refresher trainings for 60 customs and enforcement officers, and one refresher workshop for 15 customs brokers/importers (UNEP) (US \$22,080);
 - Capacity building of RAC servicing sector*: three training workshops for 45 technicians on good practices and handling of flammable refrigerants; development of national code of good practices handbook and national training curriculum; certification of 60 technicians (UNEP) (US \$15,000);
 - Provision of tool and equipment for training on new technologies*: procure tools for six more servicing workshops (similar to those in paragraph 8(c)) (UNDP) (US \$27,500);
 - Education and public awareness*: design and production of awareness materials and media campaign tailored for target groups (UNEP) (US \$3,920); and
 - Activities to maintain energy efficiency*: these activities are described in detail in the following section (UNEP) (US \$100,000).

Activities to maintain energy efficiency in the refrigeration servicing sector

11. The project related to energy efficiency, submitted in line with decision 89/6, has been designed to promote the introduction of low-GWP technologies while phasing out HCFCs and maintaining energy efficiency through initiatives including minimum energy performance standards (MEPS) and energy labelling, and engage relevant stakeholders in enforcement of regulations, capacity building and awareness raising to streamline implementation at the national level. The description and proposed cost breakdown of activities to maintain energy efficiency in the sector are presented in table 3.

Table 3. Additional activities proposed to maintain energy efficiency in the servicing sector (UNEP)

Activity	Cost (US \$)
Two public consultations for inclusion of refrigerant information in MEPS and energy labelling systems, and development of energy labelling to include refrigerant information (type, GWP and safety classification)	15,000
Organizing a 3-day study tour for 10 people to a neighbouring country to learn about the product registration, energy efficiency testing, and verification of testing results, when enforcing MEPS and labeling system	35,000

Activity	Cost (US \$)
Three training workshops for 60 customs and enforcement authorities on import control procedures and examining the type of refrigerant and energy performance of the products to ensure compliance with regulations related to HCFC phase-out/HFC phase-down and energy efficiency	15,000
One training workshop for 20 importers of air-conditioners on Government regulations, energy efficiency, product registration, application and inspection process	5,000
One training workshop for 20 officers in Authority for Inspection and Oversight for Economy Activities (AIFAESA) and the Department of Monitoring and Inspection on market inspection of refrigerant and energy efficient appliance	5,000
Conducting a survey and market assessment to collect information on type of air-conditioners, refrigerant used, and energy efficiency level in the domestic market, to understand the barriers for adoption of low-GWP energy efficient air-conditioners in Timor-Leste	10,000
Development of outreach materials on energy efficiency rating, refrigerant type (ODS and GWP) to promote the use of low-GWP and energy efficient appliances	15,000
Grand Total	100,000

SECRETARIAT’S COMMENTS AND RECOMMENDATION

COMMENTS

Progress report on the implementation of the first tranche of stage II of the HCFC phase-out management plan

Legal framework

12. The Government of Timor-Leste has already issued HCFC import quotas for 2024 at 0.14 ODP tonnes, which is lower than the Montreal Protocol control targets.

Refrigeration servicing sector

13. Implementation of the second tranche was delayed due to COVID-19 pandemic. The remaining activities of the second tranche have been included together with the implementation of the third tranche and will be completed by the end of 2024.

14. The Government continues strengthening the licensing system through an integrated approach, including amending the Decree-law to include labeling of HCFC cylinders, mandatory post clearance reporting requirements, ban the import of new and second hand HCFC-based equipment; and establish a single window and harmonized system code for controlling HCFC imports. The implementation of these regulatory measures will further enable the country to better control HCFC imports to the country.

Activities to maintain energy efficiency in the refrigeration servicing sector

15. The Secretariat noted that although MEPS and the labeling system have not been developed yet, a capacity building study tour was planned for enforcement of the MEPS and labelling systems. Upon discussion, it was agreed to include the development of MEPS as a priority and to rationalize the associated costs. The adjusted activities and costs are presented in table 4 below.

Table 4. Additional activities to maintain energy efficiency in the servicing sector as agreed (UNEP)

Activity	Cost (US \$)
<i>Development of MEPS and energy labelling</i>	
Conducting a survey and market assessment to collect information on type of air-conditioners, refrigerant used, and energy efficiency level in the domestic market, to understand the barriers for adoption of low-GWP energy efficient air-conditioners in Timor-Leste	7,000
Technical assistance by an international expert on determination of MEPS level	10,000

Legal consultant to draft the Decree-Law and Ministerial Diploma to establish the MEPS and energy efficiency labelling for air-conditioners including design of energy labelling to include refrigerant information	20,000
Two public consultations for inclusion of refrigerant information in MEPS and energy labelling	3,000
Subtotal	40,000
<i>Inclusion of refrigerant information in MEPS and energy labelling</i>	
Technical assistance by an expert on product registration system and development of detail procedures and criteria on acceptance and verifying energy performance of air-conditioners	10,000
A capacity building and training study visit (3-days visit for 6 officials) to learn about product registration	18,000
Subtotal	28,000
<i>Capacity building and training of stakeholders</i>	
One additional day training of 60 customs and enforcement officers back-to-back with the planned training under stage II of the HPMP on energy efficiency-related issues and enforcement of MEPS and labelling	4,500
Two-day training of 20 importers of air-conditioners on regulations, energy efficiency, product registration, application and inspection process	4,000
Two-day training of 20 officers from AIFAESA and the department of Monitoring and Inspection on market inspection of refrigerant and energy efficient appliance	4,000
Subtotal	12,500
<i>Outreach and awareness</i>	
Development of outreach materials on energy efficiency rating, refrigerant type (ODS and GWP) to promote the use of low-GWP and energy-efficient appliances	12,500
Assessment on consumer behaviour and market barrier and recommendation to enhance awareness of energy efficiency in air-conditioner	7,000
Subtotal	19,500
Total	100,000

Gender policy implementation

16. The NOU has encouraged women to participate all HPMP activities including planning, policy and decision-making, brainstorming and advisory, monitoring and evaluation process. During the training workshops for technicians and customs officers, the NOU emphasized the participation of female participants. Moreover, female students were invited to attend the training on good servicing practices. The NOU collected sex-disaggregated data, where possible, to report on achievements under the stage II of the HPMP, discussed gender issues during the meetings and workshops to develop competency of stakeholders on gender mainstreaming and to exchange ideas, experiences and lessons learned on gender mainstreaming. In total, 285 persons participated in the second tranche project activities, of which 47 (16 per cent) were female participants.

Updated Agreement

17. In view of the inclusion of funding for additional activities to maintain energy efficiency in the refrigeration servicing sector and the delay in implementing the second tranche project activities due to the COVID-19 pandemic, the request for the release of the original third tranche was postponed from 2023 to 2024, the Agreement between the Government of Timor-Leste and the Executive Committee has been updated. Specifically, Appendix 2-A has been revised and paragraph 17 has been added to indicate that the updated Agreement supersedes that reached at the 80th meeting, as contained in annex I to the present document. The full updated Agreement will be appended to the final report of the 94th meeting.

Sustainability of the HCFC phase-out and assessment of risks

18. The Government of Timor-Leste identified several areas of risk to sustainable phase-out include the illegal import of HCFCs, low capacity of customs officers to identify the illegal trades, regular surveys of the market to gauge the penetration of alternative technologies, the lack of awareness of end-users on the regulation of banning HCFC-based equipment, and of technicians on good servicing practices and

refrigerant recovery.

19. To address these risks, the Government of Timor-Leste continues its commitment to implement the Montreal Protocol activities to achieve sustainable phase-out of HCFCs by revising the Decree Law to include a ban on the import of all HCFCs except for HCFC-22; banning the import of HCFC-based RAC equipment; enforcing a licensing and quota system and training of customs officers to control the import of HCFCs; training technicians in good servicing practices to reduce emissions of refrigerants from servicing of equipment; and executing awareness raising activities for HCFC phase-out and adoption of low-GWP technologies.

Conclusion

20. The Government of Timor-Leste has been enforcing its HCFC import and export licensing and quota system. Through careful implementation of the import quota system, HCFC consumption for the period of 2019-2023 has shown a decreasing trend and the annual import quota has been issued at about 85 per cent of the compliance level and below the maximum allowable consumption of the Agreement. Delayed activities caused by the COVID-19 pandemic under the second tranche will be fully implemented by end of 2024. Implementation of the third tranche activities and the additional activities to maintain energy efficiency in the refrigeration services sector, will facilitate the adoption of low- or zero-GWP refrigerants to reduce HCFC consumption, and refrigerant leakage.

RECOMMENDATION

21. The Fund Secretariat recommends that the Executive Committee:

(a) Note:

- (i) The progress report on the implementation of the second tranche of stage II of the HCFC phase-out management plan (HPMP) for Timor-Leste;
- (ii) The submission of additional activities to maintain energy efficiency in the refrigeration servicing sector in the amount of US \$113,000, consisting of US \$100,000, plus agency support costs of US \$13,000, for UNEP; and
- (iii) That the Fund Secretariat has updated the Agreement between the Government of Timor-Leste and the Executive Committee, as contained in annex I to the present document, specifically: Appendix 2-A, based on the inclusion of funding for additional activities to maintain energy efficiency in the refrigeration servicing sector referred to in subparagraph (a)(ii) above, and the shifting of the original third tranche funding from 2023 to 2024; and paragraph 17 has been added to indicate that the updated Agreement supersedes that reached at the 80th meeting.

22. The Fund Secretariat further recommends blanket approval of the third tranche of stage II of the HPMP for Timor-Leste, and the corresponding 2024-2025 tranche implementation plan, at the funding levels shown in the table below.

	Project title	Project funding (US \$)	Support costs (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage II, third tranche)	141,000	18,330	UNEP
(b)	HCFC phase-out management plan (stage II, third tranche)	27,500	2,475	UNDP

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF TIMOR-LESTE AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE 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)

17. This updated Agreement supersedes the Agreement reached between the Government of Timor-Leste and the Executive Committee at the 80th meeting of the Executive Committee.

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	0.45	0.45	0.45	0.33	0.33	0.33	0.33	0.33	0.16	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	0.45	0.39	0.39	0.30	0.30	0.28	0.28	0.17	0.11	n/a
2.1	Lead IA (UNEP) agreed funding (US \$)	83,000				62,000			141,000	20,880	306,880
2.2	Support costs for Lead IA (US \$)	10,790				8,060			18,330	2,714	39,894
2.3	Cooperating IA (UNDP) agreed funding (US \$)	55,000				41,500			27,500	13,920	137,920
2.4	Support costs for Cooperating IA (US \$)	4,950				3,735			2,475	1,253	12,413
3.1	Total agreed funding (US \$)	138,000				103,500			168,500	34,800	444,800
3.2	Total support cost (US \$)	15,740				11,795			20,805	3,967	52,307
3.3	Total agreed costs (US \$)	153,740				115,295			189,305	38,767	497,107
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)										0.34
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)										0.05
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)										0.11