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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-third Meeting
Geneva, 5-9 July 2004

Addendum

PROJECT PROPOSALS: ARGENTINA

CFC production closure plan: 2003 and 2004 work programmes (World Bank)

1. This addendum is issued to reflect the reply of the World Bank to the comments of the Secretariat on the verification report on the CFC production of FIASA for 2002 and 2003, and the revised comments and the recommendations of the Secretariat resulting from the World Bank's reply.

Reply of the World Bank to the comments of the Secretariat

2. The World Bank reports that Mr. Cristodero, the consultant who carried out the verification, has a degree in Chemistry and many years of experience in the CFC business.

3. Due to reduced demand for CFC-11, FIASA has been recycling CFC-11 to increase the output of CFC-12. In addition, FIASA also tried to increase the output ratio of CFC-12 to CFC-11 by changing the input ratio of CTC and HF. The company recognizes that it co-produces small quantities of CFC-13 by changing the ratios of CTC and HF; however, it does not have the capacity to trace the production of the substance because CFC-13 has a low boiling point (-81°C) and behaves as a non-condensable gas.

4. In its comments, the Secretariat queried about the higher consumption ratios of raw materials of CTC and HF per unit of CFC production in 2002 and 2003, as compared to those found in the technical audit.

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Annual CTC/CFC and HF/CTC Ratios

Ratios/Year	2003	2002	2000*
CTC/CFC-11	1.3083	1.2578	1.2170
HF/CFC-11	0.1985	0.1737	0.1620
CTC/CFC-12	1.5102	1.3810	1.3770
HF/CTC-12	0.4453	0.3712	0.3690

*Data from Technoeconomic Audit of FIASA's Plant in 2000

5. The response of the World Bank attributed this to deteriorating manufacturing efficiency and lower standards of maintenance.

- **Replace** paras. 23 to 31 with the following paragraphs:

23. The consultant reported that he could not have access to the daily CFC production logs or the raw material consumption records and had to rely on monthly summaries for his audit since the company had destroyed the daily records. This is not consistent with the requirements of the Guidelines for verifying ODS production phase-out and could have limited the capacity of the consultant to validate the level of CFC production and draw his conclusions. For instance, the Secretariat sought the advice of experts on the reasons for the high consumption ratios of HF and CTC and was advised that the increased ratios could result in higher CFC production and that a closer examination of the production data would help to clarify the situation. The daily production records would have helped if available.

24. There is a need to monitor the co-production of CFC-13 because according to the advice of the experts, the level of CFC-13 co-produced could be 1 per cent of the total CFC production under normal CFC-11/CFC-12 output ratio, but could reach even higher levels if the input ratios of CTC and HF is changed. That means between 200-300 MT could be produced by FIASA and emitted every year. Assuming that FIASA continues the methodology for increasing the CFC-12 output ratio to CFC-11, the co-production could continue.

25. The World Bank did not provide any further clarification on the funding being requested although there is a provision of US \$3.5 million for 2003 according to the Agreement. The World Bank did not submit a 2003 annual work programme and request the 2003 tranche. The Bank did however request the release of support cost of US \$110,000 for 2003 and US \$90,000 for 2004.

26. The World Bank also did not submit the 2004 annual work programme, although the Agreement requires the submission of annual programmes as the basis of continued funding (para. 3(b)) and a commitment of the Bank as the implementing agency to assist Argentina in developing an annual work programme (para. 3f(iii)). In view of the forthcoming production reduction of 50 per cent in 2005 and the need to monitor and manage the CFC-13 co-production as stated above, the 2004 work programme would provide useful insight on the actions to be taken by FIASA and those to be implemented by the Government.

- **Replace** the Recommendations **with** the following:

The Secretariat recommends that the Executive Committee may wish to:

- (a) Request the World Bank to comply fully with the Guidelines on the verification of ODS production phase-out, adopted at the 32nd Meeting in 2000, especially with regard to the inclusion of a member in the verification team with financial and accounting background, and the need to examine the daily production and raw material consumption records.
- (b) Request the World Bank and the Government of Argentina to monitor the co-production of CFC-13 by FIASA in view of its environmental impact and report on the situation in the next verification report.
- (c) Request the World Bank to submit the 2004 annual work programme for the CFC Production Closure Agreement and specify the funding being requested in the programme.
