



**Programme des
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COMITÉ EXÉCUTIF
DU FONDS MULTILATÉRAL AUX FINS
D'APPLICATION DU PROTOCOLE DE MONTRÉAL
Quarante-quatrième réunion
Prague, 29 novembre – 3 décembre 2004

PROPOSITION DE PROJET: ARGENTINE

Ce document contient les observations et recommandations du Secrétariat du Fonds sur la proposition de projet suivante:

Production

- Stratégie d'élimination graduelle de la production de CFC-11 et de CFC-12: programme de travail annuel 2004

Banque mondiale

Contexte

1. Lors de sa 38^e Réunion en 2002, le Comité exécutif avait approuvé en principe un total de 8,3 millions \$US affectés à la mise en œuvre de l'Accord sur le secteur de la production en Argentine et décaissé la première tranche du projet au montant de 0,5 million \$US. Le tableau ci-dessous récapitule les seuils de production annuelle de CFC et les tranches de financement :

Année	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Production maximale autorisée (tonnes métriques)	3 020	3 020	3 020	1 647	1 647	686	686	686	0*	
Financement Fonds Multilatéral (millions de \$)	0,5	3,5	0	0,3	2	0	1	1		8,3
Frais d'agence (millions de \$)	0,02	0,11	0,09	0,12	0,10	0,12	0,12	0,047		0,727

(*) À l'exception de toute production de CFC convenue avec les Parties pour répondre aux besoins essentiels de l'Argentine

2. Aux termes de l'Accord qui prévoit la vérification indépendante du respect des seuils annuels de production, la Banque mondiale a présenté à la 43^e Réunion, en juillet 2004, son rapport de contrôle de la production de CFC en 2002 et 2003 par la FIASA, l'unique usine de production du CFC en Argentine. Cet exercice de vérification a constaté que la FIASA avait produit 3015 tonnes PAO de CFC en 2002 et 3018 tonnes PAO de CFC en 2003, les deux chiffres étant au-dessous du seuil de 3020 tonnes PAO arrêté dans l'Accord.

3. La Banque mondiale présente le programme de travail annuel 2004 et demande la libération de 3,5 millions \$US au titre des tranches pour les exercices 2003 et 2004 et des coûts d'appui associés aux montants de 110 000 \$US et de 90 000 \$US pour les années 2003 et 2004 respectivement. Par ailleurs, la Banque mondiale a communiqué sa réponse aux observations émises par le Secrétariat sur le rapport de vérification de la production de CFC en 2002 et 2003, par la FIASA, lequel rapport a été soumis à la 43^e Réunion. Le programme de travail 2004 et la réponse de la Banque mondiale sont joints au présent document.

Programme de travail annuel 2004

4. Le programme de travail annuel 2004 comporte le seuil de production de CFC par FIASA, la politique que le Gouvernement se propose de suivre pour mettre en œuvre le plan d'élimination de la production de CFC et les activités d'assistance technique prévues pour l'année 2004. L'objectif de production de CFC pour 2004 est arrêté à 3020 tonnes PAO, seuil conforme au plan sectoriel. Pour veiller à la réalisation de l'objectif ainsi défini, le Gouvernement a introduit un plafond de production consacré par la Loi Nationale No. 24.040/1991 qui impose des contrôles sur la production et la vente sans danger de SAO. En outre, le Gouvernement prévoit d'introduire, dès le 1^{er} janvier 2005, le système national des licences d'importation et d'exportation des SAO. Ce système permettra la création d'un registre des importateurs et des exportateurs de SAO et la détermination de quotas annuels et sera géré par le Ministère de l'environnement et appliqué par le service des Douanes.

5. Le programme de travail 2004 prévoit une série d'activités d'assistance technique visant à soutenir le plan sectoriel, dont la formation de fonctionnaires pour leur permettre de gérer le plan national d'élimination, la recherche d'autres activités viables pour la FIASA et la conduite de campagnes de sensibilisation du public. Or, aucune de ces activités n'a été réalisée car l'Accord de subvention partielle n'a pas encore été signé par le Gouvernement et la Banque mondiale.

6. Pour les besoins de surveillance et de contrôle de la mise en œuvre du plan sectoriel, l'unité chargée de l'application du projet, au niveau du Ministère de l'industrie et du commerce (UEPRO), affectera un professionnel, à temps partiel, à la visite de FIASA pour y vérifier chaque mois les registres de production.

7. Sur les 8,3 millions \$US de financement total, 7,8 millions \$ seraient affectés à la FIASA, à titre de compensation, et le solde de 0,5 million \$US servirait à gérer le programme et à réaliser les activités d'assistance technique. Les 3,5 millions \$US, du programme 2004, représenteront la première tranche à payer à la FIASA. Cette somme lui sera décaissée une fois l'Accord de subvention partielle signé. On trouvera à l'Annexe I quatre tableaux décrivant les divers éléments du programme 2004.

Observations du Secrétariat

4. La soumission énonce un seuil de production de CFC conforme à l'objectif arrêté dans l'Accord. La politique actuelle de contrôle de la production de SAO et le nouveau système de licences d'importation et d'exportation, qui sera appliqué à partir de 2005, constituent des outils importants pour la mise en œuvre du contrôle de la production. Les vérifications mensuelles effectuées par l'EUPRO devraient fournir permettre de veiller à ce que l'entreprise respecte le plafond de production et entretienne des registres de production.

5. Le projet accuse quelque retard en ce qui concerne la signature de l'Accord de subvention partielle qui, indique-t-on, sera signé avant la date de la 44^e Réunion.

Recommandations

15. Le Secrétariat recommande au Comité exécutif de:

- (a) Prendre note de la réponse que la Banque mondiale avait communiquée sur les observations relatives à la vérification de la production de CFC, réalisée en 2002 et 2003, par FIASA d'Argentine.
- (b) Approuver le programme de travail annuel 2004, du plan d'élimination de la production de CFC en Argentine au montant de 3,5 millions \$US, ainsi que les coûts d'appuis y associés qui s'élèvent à 200 000 \$US pour la Banque mondiale pour les exercices 2003 et 2004.

**STRATEGY FOR GRADUAL PHASEOUT OF
CFC-11 & CFC-12 PRODUCTION IN
ARGENTINA**

2004 ANNUAL PROGRAM

OPROZ / UEPRO
AND

THE WORLD BANK

September 2004

1. DATA

Country	Argentina		
Year of plan	2004		
No. of years completed	1		
No. of years remaining under the plan	6		
Total ODS to be phaseout through the Strategy for Gradual Phaseout of CFC -11 & CFC -12 Production in Argentina	CFC – 11 + CFC – 12: 3020		
	ODS 3:		
	ODS 4:		
ODS Production for the Previous year (MT)		Target	Actual
	CFC	3,020	3.018
	ODS 2		
	ODS 3		
	ODS 4		
CFC production independently verified	Yes		
Target ODS Consumption for the year of the plan (MT)	CFC : 3,020 MT		
	ODS 2		
	ODS 3		
	ODS 4		
Total MLF funding approved for the Plan	US\$ 8.3 Million		
Total funds released so far			
		Funding	Disbursed (*)
Total funding disbursed on annual plans	Year 1	500,000	0
	Year 2	3,500,000	0
	Year 3	0	0
	Total	4, 000,000	0
Level of funding requested for this AP	US\$ 3,500,000		
Lead implementing agency	The World Bank		
Co-operating agency (ies)	UEPRO		
	OPROZ (Secretariat of Environment and Sustainable Development)		

(*) No disbursements have taken place due to the delays in the Signature of the Sub Grant Agreement between the Government of Argentina (GOA) and FIASA.

A: INTRODUCTION

Provide a brief general overview on the status of the implementation of the NOPP/SOPP and recent progress, new initiative, achievements etc.

- 1 In compliance with the Montreal Protocol, the Government of Argentina (GOA) should fulfill the obligations on phasing-out CFC-11&12 production by 2010. The CFC Production Phase-out Plan for Argentina was approved at the 38th meeting of the Executive Committee (ExCom) of the Multilateral Fund for the implementation of the Montreal Protocol and involves a sole production facility at Frio Industrias Argentinas S.A. (FIASA). The table below summarizes the phase out schedule as per the Agreement between the ExCom and the GOA:

Table1: Phase-out schedule as per the Agreement with ExCom:

Year	CFC-11 and CFC-12		MLF funding (in Mill USD)	
	Target	Actual	Project funding	Support costs
2002	3,020	3,015	0.5	0.02
2003	3,020	3,018	3.5	0.11
2004	3,020		0	0.09
2005	1,647		0.3	0.09
2006	1,647		2.0	0.10
2007	686		0	0.09
2008	686		1.0	0.12
2009	686		1.0	0.017
2010	0		0	0
Total	3,020 (Total impact)	3,020 (Total impact)	8.30	0.637

(*) save for any CFC production that may be agreed by the Parties to meet essential uses for Argentina

- 2 The World Bank has submitted the reports of the independent external audits for the years 2002 and 2003, proving the accomplishment of the proposed maximum production targets for that period.
- 3 Argentina will maintain its maximum CFC production level as agreed for 2004 of 3,020 MT, and will reduce its production (1,647 MT) by 2005.
- 4 The Subgrant Agreement (SGA) between the GOA and FIASA is expected to be signed before the 44th ExCom meeting.

B: 2004 ANNUAL PROGRAM

1. STATUS OF IMPLEMENTATION 2004 ANNUAL PROGRAM

In accordance with the phase out schedule agreed with ExCom, the GOA has complied with the maximum production caps for the years 2002 and 2003. OPROZ though UEPRO has implemented a monitoring system to support its surveillance activities over FIASA's production. During the first semester of 2004, no activities linked to the TA component were undertaken due to fact that the SGA with the enterprise has not yet been signed.

The phase-out plan includes the following activities:

- (a) Phasing out CFC production by 2010;
- (b) Dismantling FIASA's CFC production facilities;
- (c) Monitoring achievement of each year's production under the maximum cap agreed with ExCom
- (d) Implementation of policy measures and technical assistance activities to support the plan in a sustainable permanent manner

1.1 Policies, regulations etc. and governmental actions and initiatives

- (e) Import / Export licensing System: In January, 1, 2005, the Government of Argentina will have a National ODS licensing system in place. The system is based on a national registry of ODS importers and exporters and will be located, administrated by the Secretariat of Environment and enforced by the Customs, Quotas will be allocated based on historic import/export volumes, following ODS consumption restrictions established by the Montreal Protocol.

- (f) Annual Production caps in Argentina have been in compliance with the Montreal Protocol phased-out schedules in 2002 and 2003, and has been enforced by the Secretariat of Environment. Legally, the controls are supported by the National Law No. 24.040 /1991 which establishes controls to the production and commercialization of ODS.

1.2 Technical assistance activities

The technical assistance component (\$500,000) will be implemented throughout the project implementation (up to 2010). The following activities will be implemented during 2004:

- *Supporting the GOA to strengthen technical capacity of local staff:* This will include training of GOA staff, plus workshops for various participants in the phase-out program, including training in reclamation and re-cycling;
- *Research for Market Prospects:* This will finance the pre-feasibility evaluation of alternative products/business for FIASA;
- *Public Awareness campaign:* This activity will support the ozone protection communication strategy prepared by OPROZ, and is linked to other activities currently being implemented by OPROZ;

The terms of reference and work schedule will be agreed with World Bank prior to initiating work.

1.3 Project Management Unit

The existing project coordination unit established at UEPRO will continue its activities. However, UEPRO will allocate on a part-time basis one professional staff position from INTI (Instituto Nacional de Tecnología Industrial) for maintaining technical, financial and statistical records to manage this phase-out program. The consultant will visit the plant on a regular basis, at least once every four weeks, to verify production logs.

UEPRO will be provided with computing equipment and technical assistance to keep track of the information collected.

1.4. Compensation to FIASA

The requested US\$3.5 Million is the first tranche of the plan approved for FIASA. Resources will be disbursed once the enterprise and the Government sign the SGA. The total amount of the Sub Grant Agreement is \$7.8 Million and will be disbursed in tranches according to the Agreement between the Executive Committee for the Implementation of the Montreal Protocol and the Government of Argentina. Additional \$500,000 approved by the Executive Committee for the Implementation of the Montreal Protocol are being used in Technical Assistance for the Government as detailed above.

ANNEX 1

PROPOSED ACTIVITIES IN THE 2004 ANNUAL PROGRAM

TABLE 1A: POLICIES AND REGULATIONS

Proposed policy/regulation	Estimate costs	Ministry/Agency to be in charge	Planned date of effectiveness
Import / Export licensing system		Secretariat of Environment and Sustainable Development	12/31/2004
Production caps		OPROZ / UEPRO	12/1/2004

TABLE 1B TECHNICAL ASSISTANCE ACTIVITIES AND TRAINING ACTIVITIES

Name of TA/Training activity	Estimated costs	Duration
Supporting the GOA to strength technical capacity of local staff;	15,000	1 Year
Research for Market Prospects	35,000	2 months
Public Awareness	10,000	1 Year
Facilitating monitoring capabilities and compliance with the agreement between Argentina and the Executive Committee of the MLF.	30,000	1 Year

TABLE 1C: PROJECT MANAGEMENT UNIT

Name of activity	Estimated costs	Duration
One professional staff part-time;	7,000	1 Year
Equipment	8,000	One time basis

TABLE 1D: COMPENSATION TO FIASA

Name of activity	Estimated costs	Duration
Signature of SGA with FIASA	3,500,000	2004

(*) The total amount of the Sub Grant Agreement is \$7.8 Million and will be disbursed in tranches according to the Agreement between the ExCom and the GOA.

ANNEX 2

Contact Agency/Organization and person in charge of managing the national import/export licensing system.

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ARGENTINA: CFC-11&12 PRODUCTION PHASE OUT PROJECT

Follow up of the 43rd EXCOM Meeting – July 2004

In response to document UNEP/OzL.Pro/ExCom/43/26/add.1 prepared by the Multilateral Fund Secretariat for the 43rd meeting, the World Bank has the following comments:

CFC-11 and CFC-12 Production

CFC-13 co-production: Co-production of CFC-13 at FIASA is very low; based on typical co-production percentages for determined CFC-11/CFC-12 output ratios, it has been estimated somewhere between 1.0 - 1.6% of total CFC-11+12 production. As per the maximum production cap allowed under the agreement with ExCom (3020 MT), the maximum output of CFC-13 would fall in the range of 30.2 – 48.3 MT per year, whereas this maximum volume would significantly drop to 15.1 – 19.1 MT in 2005 (cap for CFC-11+12 = 1647 MT), and 6.9 – 11 MT in 2007 (cap for CFC-11 + CFC-12 = 686 MT).

Monitoring and recovering CFC-13: CFC-13 has a very low boiling point and it would take a fairly complex condensing system to recover it from the other non-condensable gases that are vented from the refining distillation column. To determine how much CFC-13 is actually co-produced, a careful analysis of the crude product stream would be required. Another possibility would also be to measure the hourly vent rate of non-condensable gases from refining and carry out an analysis on this stream to determine the % of CFC-13; this would give a fairly accurate vent rate for the material.

CFC-13 disposal: Once the CFC-13 output is estimated, alternatives for disposal would have to be developed. Disposal of the captured CFC-13 would pose another problem in case it does not reach the standard to be sold as refrigerant grade CFC-13 (traces of CFC-12 and HFC-14 may be found). The installation of a refining vent tail gas incinerator to destroy all traces of fluorocarbons would consequently be a possible alternative; however, the destruction products would be HCl and HF with some serious corrosion problems that can be handled, but likely quite expensive. It is possible that a commercially available molecular sieve could be installed on the vent stream to capture the residual fluorocarbons, but again subject to a high cost.

FIASA's capacity to deal with CFC-13: As informed by FIASA and explained by the Bank, the company does not have the capacity to trace, recover or manage the co-production of CFC-13 (an Annex B, group II substance).

Based on information from CFC plants in the United States and China, none of the plants in those countries have CFC-13 recovery facilities; in the case of India, there isn't evidence of recovery or disposal activities. In the United States, China and Russia, CFC-13 was produced in special facilities dedicated to its production rather than attempt to recover it from CFC 11/12 plants. Comparing the highest CFC-13 output in FIASA to the

lowest overall volumes co-produced in any of the alluded countries, the formers potential emissions turn insignificant. Moreover, it does not affect Argentina's compliance with the phaseout agreements for CFC production.

The main concerns about investing in monitoring and recovery activities would be the high costs involved in dealing with such a low concentration by-product in a plant with a very limited remaining lifetime.

Disposing of CFC-13 at FIASA would require additional funding to cover incremental costs, which were not included in the approved closure project in 2002. However, the Bank could estimate the associated incremental costs to be incurred and report back to ExCom for its consideration.

The 2004 Annual Program

A work program has been produced in coordination with the Government of Argentina (Attached).

CTC Stocks

The consultant that carried out the audit report has informed to the Bank that FIASA does not have the capacity to trace specific components within the reactor. The data provided on the verification report was based on estimates from the percentage of production of CFC-11 and CFC-12 for 2002 and 2003; and it was done to fill out the agreed format for verification audits.

Daily CFC Production Records

Daily CFC production records are being stored and filed at the plant since February 18, 2004.

Qualification of the Verification Team

The Bank will ensure that the verification team for the CFC Production Verification in 2004 includes a member with financial and accounting background.