PROJECT PROPOSAL: LIBYAN ARAB JAMAHIRIYA

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

Phase-out

- National CFC phase-out plan (third tranche)
**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**  
**LIBYAN ARAB JAMAHIRIYA**

**PROJECT TITLE**  
National CFC phase-out plan (third tranche)

**BILATERAL/IMPLEMENTING AGENCY**  
UNIDO

**NATIONAL CO-ORDINATING AGENCY:**  
Committee on Climate Change

**LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**  

**A: ARTICLE-7 DATA (ODP TONNES, 2005, AS OF SEPTEMBER 2006)**

<table>
<thead>
<tr>
<th>ODS</th>
<th>Aerosol</th>
<th>Foam</th>
<th>Ref.</th>
<th>ODS</th>
<th>Solvents</th>
<th>Process agent</th>
<th>Fumigant</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFC-11</td>
<td>0</td>
<td>66.0</td>
<td>31.0</td>
<td>MeBr</td>
<td>-</td>
<td>-</td>
<td>96.0</td>
</tr>
<tr>
<td>CFC-12</td>
<td>0</td>
<td>0</td>
<td>99.0</td>
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</tbody>
</table>

**CFC consumption remaining eligible for funding (ODP tonnes)**  
0

**CURRENT YEAR BUSINESS PLAN:**  
Total funding US $299,000: total phase-out 50.1 ODP tonnes.

**PROJECT DATA**

<table>
<thead>
<tr>
<th>PROJECT DATA</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFC (ODP tonnes)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Montreal Protocol limits</td>
<td>710</td>
<td>610</td>
<td>358</td>
<td>107</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Annual consumption limit</td>
<td>700</td>
<td>461</td>
<td>300</td>
<td>176</td>
<td>52</td>
<td>11.6</td>
<td>0</td>
<td>0</td>
<td>249.5</td>
</tr>
<tr>
<td>Annual phase-out from ongoing projects</td>
<td>239</td>
<td>10.5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>249.5</td>
</tr>
<tr>
<td>Annual phase-out newly addressed</td>
<td>0</td>
<td>150.5</td>
<td>124</td>
<td>124</td>
<td>40.4</td>
<td>11.6</td>
<td>0</td>
<td>0</td>
<td>450.5</td>
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<tr>
<td>Annual unfunded phase-out</td>
<td>239</td>
<td>161</td>
<td>124</td>
<td>124</td>
<td>40.4</td>
<td>11.6</td>
<td>0</td>
<td>0</td>
<td>700</td>
</tr>
</tbody>
</table>

**TOTAL ODS CONSUMPTION TO BE PHASED OUT**  
0

**FUNDING REQUEST:**  
Approval of funding for the third tranche (2006) as indicated above.

**SECRETARIAT'S RECOMMENDATION**  
Pending
PROJECT DESCRIPTION

1. On behalf of the Government of the Libyan Arab Jamahiriya, UNIDO has submitted a request amounting to US $277,947, plus agency support cost of US $20,846, for the third tranche of the National CFC phase-out plan. UNIDO has also submitted a verification report regarding the 2004 and 2005 CFC consumption, together with the 2005 progress report and 2006 annual implementation programme.

Background

2. At its 41st Meeting, the Executive Committee approved in principle US $2,497,947 (excluding agency support costs) for the implementation of the national CFC phase-out plan for the Libyan Arab Jamahiriya to enable the Government of the Libyan Arab Jamahiriya to achieve complete phase-out of CFCs. The plan targeted the refrigeration manufacturing and servicing sectors, as well as the foam sector, with UNIDO as the lead implementing agency. The Executive Committee also approved the first tranche amounting to US $1,500,000 for the implementation of the 2004 annual work programme.

3. On behalf of the Government of the Libyan Arab Jamahiriya, UNIDO submitted to the 45th Meeting a request for the release of the second funding tranche for the 2005 annual implementation programme. Following a discussion, the Executive Committee agreed on decision 45/50, approving the 2005 annual work programme and the requested tranche in the amount of US $720,000, plus agency support costs of US $54,000 for UNIDO, subject to the proviso that:

(a) No disbursement should be made until 2004 Article 7 data had been officially reported to the Ozone Secretariat;

(b) Written confirmation had been received regarding the enactment of legislation establishing a system for licensing imports and exports of ODS in the Libyan Arab Jamahiriya; and

(c) The outstanding reports on the 2002 and 2003 implementation of the Libyan Arab Jamahiriya’s country programme had been provided to the Fund Secretariat.

2005 Progress report

4. In the refrigeration manufacturing sector, six eligible companies have been provided with non-CFC based foam and refrigeration equipment. The equipment provided was installed and commissioned. The companies have been using HFC-134a as a refrigerant since May 2005 and started trial production using HCFC-141b as a blowing agent as of November 2005.

5. With regard to the foam component, the implementation of nine individual investment projects was completed by UNDP in 2005. Additionally, 15 companies in different foam subsectors have been identified by UNIDO as eligible for receiving assistance from the Multilateral Fund under the NPP. Foaming equipment was purchased for all 15 companies. Implementation is on-going. The package of equipment for 10 flexible block producing companies has been installed. CFC-based production was stopped. The production equipment for two rigid foam
producers and three remaining flexible slab stock producing companies has been delivered. The installation, commissioning, and start-up trials are scheduled for November 2006.

6. In the refrigeration servicing sector, a second “train-the-trainers” workshop on good refrigerant management practices was held in February 2005 with the participation of 25 trainees from the technical schools and large refrigeration servicing workshops and refrigeration companies. The training-of-trainers programme has been completed. The second phase, namely, the training of technicians invited from 30 refrigeration servicing workshops, has been carried out with the assistance of trainers.

7. Recovery and recycling equipment has been provided to 5 large-sized refrigeration servicing workshops, to 20 medium-sized workshops and 5 MAC workshops.

8. Concerning providing support for customs, two additional training courses for customs officers were held in 2005, and 10 ODS refrigerant identification kits were purchased and provided to customs offices. Altogether, 173 customs officers have been trained. The customs training component has been completed.

9. A draft of the ODS legislation has been prepared by an international expert. The legislation has been reviewed by a committee, including representatives of the customs department. The NOU informed UNIDO that the enactment of legislation establishing a system for licensing imports and exports of ODS is in process and will be finalized in 2006.

10. The National Committee on Climate Change of the Libyan Arab Jamahiriya is the entity responsible for issuing ODS the import quota through the Environment General Authority (member of the Committee). The NOU has issued the quotas for 2005 in line with the Agreement. Importers can only place orders to import ODS with the NOU’s approval.

**Financial status of the national ODS phase-out plan.**

11. UNIDO provided the following information regarding the financial status of the first and second tranches:

**Financial status of the national ODS phase-out plan, first and second tranches**

<table>
<thead>
<tr>
<th>NPP Activities</th>
<th>Approved (US $)</th>
<th>Expenditure (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial refrigeration manufacturing sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment procurement, technical assistance and consultancy</td>
<td>378,900</td>
<td>363,430</td>
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<tr>
<td>Incremental operating costs</td>
<td>33,157</td>
<td>0</td>
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<tr>
<td>Customs Training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workshops</td>
<td>48,800</td>
<td>47,000</td>
</tr>
<tr>
<td>Refrigerant identifiers</td>
<td>12,000</td>
<td>10,480</td>
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<tr>
<td>Refrigeration service sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment procurement for the training centres</td>
<td>15,000</td>
<td>12,268</td>
</tr>
<tr>
<td>“Train-the-trainers” workshops</td>
<td>45,580</td>
<td>47,000</td>
</tr>
<tr>
<td>Provision of recovery and recycling equipment</td>
<td>210,103</td>
<td>111,362</td>
</tr>
</tbody>
</table>
Verification report

11. As per the Agreement, UNIDO submitted a verification report on the achievement of the national consumption targets set out in the NPP for the Libyan Arab Jamahiriya. The report was prepared by a local consultant hired by UNIDO. The report covers verification of CFC import and consumption data for 2004 and 2005. According to the verification report, the consultant examined data provided to him by the National Ozone Office and the Customs Administration Department. The consultant took into account the import quotas issued to importers as well as the actual import data made available to him through customs. The quotas issued for CFC import in 2004 and 2005 amounted to 461 ODP tonnes and 248 ODP tonnes respectively. Actual import was 459 ODP tonnes in 2004 and 246 ODP tonnes in 2005. According to the Agreement, the 2004 and 2005 maximum CFC allowable consumption was established at the level of 461 ODP tonnes and 300 ODP tonnes respectively. The consultant also reviewed CFC consumption of enterprises with on-going and completed investment activities, national legislation policies, and procedures on ODS imports, as well as the system for collecting data on ODS consumption. The consultant identified that actual 2005 CFC consumption in the foam, refrigeration manufacturing and servicing sectors amounted to 196 ODP tonnes. The difference of 52 ODP tonnes between actual CFC consumption and total 2005 import is attributed to stockpiling by importers anticipating future shortages in supply.

2006 Annual Implementation Programme

12. The 2006 annual implementation programme has established a reduction target of a further 20 ODP tonnes of CFC consumption, to comply with the 2006 target of total allowable CFC consumption of 176 ODP tonnes. The following activities are proposed: further strengthening the national system for project implementation; training the remaining refrigeration servicing technicians; providing refrigeration and MAC servicing workshops with recovery and recycling equipment; enacting the ODS legislation; and initiating activities to introduce the ban on imports of ODS-based equipment in 2006.

13. The 2006 annual budget is presented in the following table.
SECRETARIAT’S COMMENTS AND RECOMMENDATION

COMMENTS

Issues related to the current request

14. The Secretariat noted from the verification report that, in the Libyan Arab Jamahiriya, apart from the major importer Tripoli Gas Sales Company, which is a publicly owned company, there are a number of private and oil companies importing CFCs for their needs. The consultant could not identify all of the importers. He was only able to identify two of them. This indicates that the endorsement of the licensing system by the Government will reinforce the legislation and constitute a solid basis for the control of ODS imports and consumption in the Libyan Arab Jamahiriya. The Secretariat has also identified a number of technical issues which are still under discussion between the Secretariat and UNIDO.

15. The progress report and verification reports show that a system for issuing of import quotas and licenses was operational, and that it supported control of CFC imports in 2005.

Issues related to the approval of the second tranche as per decision 45/50

16. The Secretariat noted that about 72% of the second tranche of US $720,000 has been disbursed by UNIDO to implement activities under the NPP in 2005-2006. The Secretariat has drawn UNIDO’s attention to decision 45/50, which placed a condition on the disbursement of the tranche that written confirmation needed to be first received confirming the enactment of legislation establishing a system for licensing imports and exports of ODS in the Libyan Arab Jamahiriya. While provisos (a) and (c) of decision 45/50 have been fulfilled, the progress report and the verification reports indicate that the required confirmation of enactment of legislation has not been supplied yet.

17. UNIDO provided copies of a number of letters signed by officers from the National Committee for Climate Change (NCCC), dated between 21 September and 4 October, 2006. These letters all confirm that the licensing unit of the Environment General Authority (a subordinate body of NCCC) does not authorize the import of CFCs and methyl bromide in excess of established quotas specified by the NOU. In none of those letters does the Government state that the legislation has been enacted, and in some letters, e.g. the latest, states that “official enactment of the legislation is delayed due to procedural matters and is expected to be finalized by the end of 2006”. UNIDO did not discuss with the Secretariat its intention to disburse funds from the second tranche, despite the evident lack of clarity regarding the fulfilment of the Executive Committee’s requirement for written confirmation of the enactment of legislation.

18. UNIDO stated its belief that the progress made in establishing the licensing and import quota system in the Libyan Arab Jamahiriya could be considered an argument indicating that decision 45/50 had been fulfilled. UNIDO further advised that two officers had witnessed the functioning of the licensing system during a mission to the country.

19. Regarding the actual status of the legislation, the Secretariat reminded UNIDO that very similar explanations had been provided by UNIDO prior to the 45th Meeting last year. According to the report of the 45th Meeting, the representative of UNIDO advised the Executive Committee that, with regard to the licensing system, the legislation had been prepared with
assistance from UNIDO but had not been enacted. He said that it would be enacted in 2005. Decision 45/50 was taken on the basis of the status as reported by UNIDO at that time.

20. The Secretariat is still discussing with UNIDO some unresolved technical issues, and will accordingly advise the Executive Committee on the outcome of this discussion.

RECOMMENDATION