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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-fifth Meeting
Bangkok, 14-18 July 2008

PROJECT PROPOSAL: CHILE

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

Phase-out

- Servicing sector terminal CFC phase-out plan (first tranche) Canada

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
Chile

(I) PROJECT TITLE	AGENCY
CFC phase out plan	Canada

(II) LATEST ARTICLE 7 DATA (ODP Tonnes)				Year: 2007	
CFC: 19.2	CTC: 0.7	Halons: 0	MB: 168	TCA: 3.5	

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)										Year: 2007			
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffing	Total Sector Consumption
				Manufacturing	Serviceing					QPS	Non QPS		
CFC	0.5			1.6	16.9	0.2							19.2
CTC									0.7				0.7
Halons													0
Methyl Bromide										51.4	169		220.4
TCA						3.5							3.5

(IV) PROJECT DATA		2008	2009	2010	Total
Montreal Protocol Consumption Limits	CFC	124.3	124.3		
Maximum Allowable Consumption (ODP Tonnes)	CFC	124.3	124.3		
Project Costs (US\$)	Canada	Project Costs	176,000.	261,500.	437,500.
		Support Costs	22,880.	33,995.	56,875.
Total Funds Requested for Current Year (US\$)		Project Costs	176,000.		176,000.
		Support Costs	22,880.		22,880.

(V) SECRETARIAT'S RECOMMENDATION:	Individual consideration
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PROJECT DESCRIPTION

1. On behalf of the Government of Chile, the Government of Canada has submitted a servicing sector terminal CFC phase-out plan (Service Plan) for consideration by the Executive Committee at its 55th Meeting. The total cost of the Chile Service Plan is US \$437,500 plus agency support costs of US \$56,875 for the Government of Canada. The CFC baseline for compliance is 828.7 ODP tonnes.

Background

2. The phasing out of CFCs in the foam and refrigeration sector was achieved through the implementation of a two-phase technology conversion financing programme (Tecfin I from 1995 to June 1997, and Tecfin II from June 1997 to 2005). Through these programmes, over 537 ODP tonnes of CFC-11, CFC-12 and R-502 were phased out, at a total cost of US \$ 3,026,139.

3. In order to phase out CFCs consumption in the refrigeration servicing sector, the Executive Committee approved at its 35th Meeting a refrigerant management plan (RMP) at total funding of US \$1,127,020 for implementation by the Government of Canada and UNEP. The RMP was approved on the understanding that the Government of Chile committed to achieving the 50 per cent reduction in ODS consumption in the servicing sector (identified in the RMP as 219.4 ODP tonnes) by 2005 and the 85 per cent reduction by 2007, with no further request for funding in this sector (i.e., approved on the basis of decision 31/48 on RMPs for low-volume consuming countries).

4. The main activities implemented through the RMP were: control and regulatory activities including the development and implementation of an ODS database and information system and training of customs officers; training of refrigeration service technicians in good practices and inclusion of good practices in the curricula of training centres and universities; demonstration of retrofits to end-users of commercial and industrial refrigeration systems; and monitoring, evaluation and reporting. The following amounts of refrigerants (in metric kg) have been recovered, recycled and recharged during the second half of 2007.

	CFC-12 (kg)	R-502 (kg)	HCFC-22 (kg)
Recovered	334	92	4,825
Recycled	152	39	2,810
Reused	246	54	4,622

Policy and legislation

5. In 2006, the Government of Chile issued an Ozone Law, establishing control mechanisms applicable to ODS and ODS-based equipment. A licensing system, with specific controls on ODS imports and exports was established through a Presidential Decree which entered into force on September 2007.

Refrigeration servicing sector

6. Based on a survey conducted by the Government of Chile in 1999-2000, about 197 ODP tonnes of CFC-12, 18 ODP tonnes of CFC-11 and 4 ODP tonnes of R-502 were used in the

refrigeration, air conditioning, and servicing sectors. Since then CFC-12 consumption in the servicing sector has been reduced to less than 70 ODP tonnes as shown in the table below:

Servicing sector	ODP tonnes	%
Domestic refrigeration	30.5	43.9%
MACs (including buses)	15.6	22.5%
Commercial refrigeration	13.6	19.6%
Refrigerated transport	6.0	8.7%
Industrial refrigeration	3.7	5.3%
Total	69.4	100.0%

7. There are approximately 4,000 technicians servicing refrigeration and air conditioning systems, mainly domestic and commercial refrigerators. An additional 500 qualified technicians are working at authorized service workshops. About 1,700 of the technicians have received training in good practices with assistance from the Fund.

8. The current average prices of refrigerants per kg are: US \$7.11 for CFC-11, US \$8.21 for CFC-12, US \$10.55 for HFC-134a, US \$3.49 for HCFC-22, US \$10.41 for R-502, US \$10.68 for R-404a, and US \$15.92 for R-410a.

Activities proposed in the TPMP

9. After 2010, the installed capacity of CFCs in refrigeration systems has been estimated at about 500 ODP tonnes of CFC-12 if no additional activities are implemented. CFC phase-out must be accelerated in Chile. The Government's strategy is based on, and the Service Plan foresees: complementary training programmes for 700 additional refrigeration service technicians who have not received formal training to enable them to access the certification system; the updating of courses for 1,000 technicians (US \$145,000); establishing a registration and certification system (US \$83,000); and supporting technological conversion, including end-user incentives for conversion or replacement of CFC-based equipment, including equipment in public health facilities (US \$194,500). Monitoring and evaluation activities are also included in the Service Plan (US \$15,000).

10. The Government of Chile plans the complete phase-out of CFCs by 1 January 2010. A detailed work plan for 2008 has been submitted with the Service Plan proposal.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

11. The level of CFC consumption substantially decreased from 181.8 ODP tonnes in 2006 to 19.2 ODP tonnes in 2007, as reported by the Government of Chile under Article 7 of the Protocol. The 2007 level of consumption was 105.1 ODP tonnes below the Protocol's maximum allowable level of consumption of 124.3 ODP tonnes for that year.

12. With regard to the sharp drop in CFC consumption, the Government of Canada indicated that the successful awareness-raising campaign implemented by the Government of Chile prior

to the entry into force of the quota system on 11 September 2007 had caused importers to abstain from importing CFCs. However, for 2008 and 2009, National Customs will assign 98 per cent of the import quotas of 121.8 ODP tonnes for each year; the remaining 2 per cent will be saved for issuance later in each year if needed.

13. The Secretariat pointed to the amount of installed capacity after 2010 (500 ODP tonnes of CFCs), and the fact that Fund experience had shown that the Service Plan's proposed activities were not likely to yield sufficient reductions in CFC consumption to reach the 2010 Protocol's target. On this issue, the Government of Canada indicated that limited time and funding made it impossible to implement all of the activities required to achieve the complete phase-out of CFCs. It was therefore decided, with the participation of all stakeholders in Chile, that some end-users (i.e., the industrial and medium/large commercial refrigeration sectors) would address conversion or replacement of their CFC-based equipment on their own whereas other more vulnerable and less self-sufficient sectors would be directly supported through the Service Plan. The operation of recovery and recycling equipment had been demonstrated during RMP implementation, and this equipment is readily available for purchase in Chile.

14. The Government of Canada and the Secretariat discussed the level of funding for the Service Plan in light of the funding that had been approved by the Executive Committee for the implementation of the RMP project and the level of the remaining CFC consumption in the servicing sector (32.9 ODP tonnes). Based on this consumption, the level of funding would amount to some US \$200,000. The Government of Canada noted, however, that although Chile is not a LVC country, the RMP project was approved in light of decision 31/48, which does apply to LVC countries. On this basis, the Service Plan for Chile could be reviewed according to decision 45/54 on terminal phase-out plans for LVC countries. This would make the Government of Chile eligible to request funding of up to US \$565,000. However, recognizing its specific situation and the fact that Chile is not technically a LVC country, the Government is only requesting US \$437,500. This level of funding has been agreed taking into consideration the various phase-out activities proposed in the phase-out plan and the large installed capacity of CFCs post-2010 (i.e., over 500 ODP tonnes).

Agreement

15. The Government of Chile submitted a draft agreement between the Government and the Executive Committee with the conditions for the complete phase-out of CFCs in Chile, which is contained in the annex to the present document.

RECOMMENDATION

16. The Secretariat recommends approval of the servicing sector terminal CFC phase-out plan for Chile. The Executive Committee may wish to:

- (a) Approve, in principle, the servicing sector terminal CFC phase-out plan for Chile, at the amount of US \$437,500 plus agency support costs of US \$56,875 for the Government of Canada;
- (b) Approve the draft agreement between the Government of Chile and the Executive Committee for the implementation of the servicing sector terminal CFC phase-out plan as contained in Annex I to this document;

- (c) Urge the Government of Canada to take full account of the requirements of decisions 41/100 and 49/6 of the Executive Committee during the implementation of the servicing sector terminal CFC phase-out plan; and
- (d) Approve the first tranche of the servicing sector terminal CFC phase-out plan at the funding level shown in the table below:

	Project Title	Project Funding (US\$)	Support Cost (US\$)	Implementing Agency
(a)	Servicing sector terminal CFC phase-out plan (first tranche)	176,000	22,880	Canada

**DRAFT AGREEMENT BETWEEN CHILE AND THE EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE PHASE-OUT OF OZONE-DEPLETING
SUBSTANCES**

1. This Agreement represents the understanding of the Government of Chile (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone-depleting substances set out in Appendix 1-A (the “Substances”) prior to 1 January 2010 in compliance with Protocol schedules.
2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 2 of Appendix 2-A (the “Targets, and Funding”) in this Agreement. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substances.
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 6 of Appendix 2-A (the “Targets, and Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each of the Substances as indicated in Appendix 2-A. It will also accept independent verification by the relevant implementing agency of achievement of these consumption limits as described in sub-paragraph 5(b) of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 60 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets for the applicable year;
 - (b) That the meeting of the Target has been independently verified as described in paragraph 9;
 - (c) That the Country has substantially completed all actions set out in the last annual implementation programme; and
 - (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (the “Format of Annual Implementation Programme”) in respect of the year for which tranche funding is being requested.
6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring Institutions and Roles”) will monitor and report on that monitoring in accordance with the roles and responsibilities set

out in Appendix 5-A. This monitoring will also be subject to independent verification as described in sub-paragraph 5(b).

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the goals prescribed under this Agreement. Reallocations categorized as major changes must be documented in advance in the next annual implementation programme and endorsed by the Executive Committee as described in sub-paragraph 5(d). Reallocations not categorized as major changes may be incorporated in the approved annual implementation programme, under implementation at the time, and reported to the Executive Committee in the report on implementation of the annual implementation programme.

8. Specific attention will be paid to the execution of the activities in the refrigeration-servicing sub-sector, in particular:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation;
- (b) The technical assistance programme for the refrigeration-servicing sub-sector will be implemented in stages so that remaining resources can be diverted to other phase-out activities such as additional training or procurement of service tools in cases where the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this Agreement; and
- (c) The Country and the implementing agency will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the plan.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfill the obligations under this Agreement. The Government of Canada has agreed to be the lead implementing agency (the "Lead IA") in respect of the Country's activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to independent verification as per sub-paragraph 5(b). The Country also agrees to periodic evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 7 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in Appendix 2-A of the Montreal Protocol or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. At the discretion of the Executive Committee, funding will be reinstated according to a revised funding approval schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of

the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of reductions in consumption not achieved in any one year.

11. The funding components of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption sector projects or any other related activities in the Country.

12. The Country will comply with any reasonable request of the Executive Committee and the Lead IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA with access to information necessary to verify compliance with this Agreement.

13. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Annex A:	Group I	CFC-11, CFC-12, CFC-115
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APPENDIX 2-A: THE TARGETS, AND FUNDING

		2008	2009	2010	Total
1	Montreal Protocol reduction schedule of Annex A, Group I substances (ODP tonnes)	124.3	124.3	0.0	
2	Max. allowable total consumption of Annex A, Group I substances (ODP tonnes)	124.3	124.3	0.0	
3	Reduction from on-going projects (ODP tonnes)		91.4	0.0	91.4
4	New reduction under plan (ODP tonnes)		32.9	0.0	32.9
5	Total annual reduction (ODP tonnes)		124.3	0.0	124.3
6	Lead IA agreed funding (US \$)	176,000	261,500	0	437,500
7	Lead IA support costs (US \$)	22,880	33,995	0	56,875
8	Grand total agreed funding (US \$)	198,880	295,495	0	494,375

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Following approval of the first tranche in 2008, funding for the second tranche will be considered for approval not later than the second meeting of 2009.

APPENDIX 4-A: FORMAT OF THE ANNUAL IMPLEMENTATION PROGRAMME

1. Data

Country _____
 Year of plan _____
 # of years completed _____
 # of years remaining under the plan _____
 Target ODS consumption of the preceding year _____
 Target ODS consumption of the year of plan _____
 Level of funding requested _____
 Lead implementing agency _____
 Cooperating agency(ies) _____

2. Targets

Indicators		Preceding year	Year of plan	Reduction
Supply of ODS	Import			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

3. Industry Action

Sector	Consumption preceding year (1)	Consumption year of plan (2)	Reduction within year of plan (1) – (2)	Number of projects completed	Number of servicing related activities	ODS phase-out (in ODP tonnes)
Manufacturing						
Total						
Refrigeration						
Total						
Grand total						

4. Technical Assistance

Proposed Activity:
 Objective:
 Target Group:
 Impact:

5. Government Action

Policy/Activity planned	Schedule of implementation
Type of policy control on ODS import: servicing, etc.	
Public awareness	
Others	

6. **Annual Budget**

Activity	Planned expenditures (US \$)
Total	

7. **Administrative Fees**

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The Lead IA will have a particularly prominent role in the monitoring arrangements because of its mandate to monitor ODS imports, the records of which will be used as a crosschecking reference in all the monitoring programmes for the different projects within the servicing sector terminal CFC phase-out plan. The success of the monitoring programme will be based on well designed forms for data collection, evaluation and reporting; a regular programme of monitoring visits; and appropriate cross-checking of information from different sources.

Verification and reporting

2. The outcome of the different elements of the servicing sector terminal CFC phase-out plan and of the monitoring activities will be verified independently by an external organization. Based on discussions with the Lead IA, the Government and the independent organization will jointly design the verification procedures as part of the design phase of the monitoring programme. The monitoring reports will be produced and verified each year. These reports will produce the input for the yearly implementation reports required by the Executive Committee.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities to be specified in the project document as follows:

- (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;
- (b) Assisting Chile in preparation of the Annual Implementation Programme;
- (c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Annual Implementation Programme consistent with Appendix 5-A;
- (d) Ensuring that the achievements in previous annual implementation programmes are reflected in the future annual implementation programme;
- (e) Reporting on the implementation of the Annual Implementation Programme of 2008 and preparing for annual implementation programme for 2009 for submission to the Executive Committee;

- (f) Ensuring that appropriate independent technical experts carry out the technical reviews undertaken by the Lead IA;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Providing verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Targets;
- (j) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (k) Providing assistance with policy, management and technical support when required.

APPENDIX 6-B: ROLE OF THE COOPERATING IMPLEMENTING AGENCY

Not applicable.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US \$10,000 per ODP tonne of reductions in consumption not achieved in the year.
