



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/60/28
10 March 2010

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixtieth Meeting
Montreal, 12-15 April 2010

PROJECT PROPOSAL: EGYPT

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

Phase-out

- National CFC phase-out plan (fourth and fifth tranches)

UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Egypt

(I) PROJECT TITLE	AGENCY
CFC phase out plan	UNIDO

(II) LATEST ARTICLE 7 DATA (ODP Tonnes)				Year: 2008	
CFC: 187.8	CTC: 0	Halons: 0	MB: 186	TCA: 0	

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP Tonnes)										Year: 2008			
Substances	Aerosol	Foam	Halon	Refrigeration		Solvent	Process Agent	MDI	Lab Use	Methyl Bromide		Tobacco fluffina	Total Sector Consumption
				Manufacturing	Servicing					QPS	Non QPS		
CFC					70.7			178.					248.7
CTC													0
Halons													0
Methyl Bromide									187.2	186.			373.2
Others													0
TCA													0

(IV) PROJECT DATA			2004	2005	2006	2007	2008	2009	2010	Total
Montreal Protocol Consumption Limits		CFC	1,668.	834.	834.	250.2	250.2	250.2	0.	
Maximum Allowable Consumption (ODP Tonnes)		CFC	1,047.	822.	595.	240.	113.	49.	0.	
Project Costs (US\$)	UNIDO	Project Costs		1,000,000.	1,200,000.	600,000.	200,000.	100,000.		3,100,000.
		Support Costs		75,000.	90,000.	45,000.	15,000.	7,500.		232,500.
Total Funds Approved in Principle (US\$)		Project Costs		1,000,000.	1,200,000.	600,000.	200,000.	100,000.		3,100,000.
		Support Costs		75,000.	90,000.	45,000.	15,000.	7,500.		232,500.
Total Funds Released by the ExCom (US\$)		Project Costs		1,000,000.	1,200,000.	0.	600,000.	0.		2,800,000.
		Support Costs		75,000.	90,000.	0.	45,000.	0.		210,000.
Total Funds Requested for Current Year (US\$)		Project Costs							300,000.	300,000.
		Support Costs							22,500.	22,500.

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

1. On behalf of the Government of Egypt, UNIDO has submitted to the 60th Meeting of the Executive Committee a request for funding for the fourth and fifth (final) tranches of the national CFC phase-out plan (NPP) for Egypt at a cost of US \$300,000 plus agency support costs of US \$22,500. The submission also includes a progress report on the implementation of the NPP during 2008 and 2009, the verification report required by the Agreement and the implementation programme for 2010.

Background

2. The NPP for Egypt was approved at the 46th Meeting of the Executive Committee at a total cost of US \$3,100,000 to completely phase out CFC consumption by the end of 2009, in accordance with an agreement between the Government of Egypt and the Executive Committee. Since the approval of the NPP, the Executive Committee has approved three funding tranches at a total amount of US \$2,800,000 plus agency support costs of US \$210,000.

Progress report on the implementation of the third tranche of the NPP

3. The following activities were implemented during the third work programme of the NPP for Egypt: in March 2009, the Government issued a new environment law which, *inter alia*, banned and penalized illegal trade in ODS; a retrofit incentive scheme for industrial and commercial refrigeration applications was established, and training of 1,200 technicians in the informal sector was conducted. Since 2008, all 61 CFC-based enterprises manufacturing commercial refrigeration equipment were converted to non-CFC technology (HCFC-141b foam and HFC-134a refrigerant). With regard to the recovery and recycling scheme, 240 additional machines were distributed among refrigeration and MAC service workshops; about 178 ODP tonnes of CFCs were recovered and recycled in 2008. Through the incentive programme, technical assistance, engineering services and training was provided, and several refrigeration systems of the National Egyptian Railway, a hospital, public markets and agricultural processing factory were retrofitted to non-CFC refrigerants. A number of awareness-raising activities were also implemented.

4. As of December 2009, of the US \$2,800,000 approved for the first three tranches, US \$2,560,000 had been disbursed or committed. The balance of US \$240,000 will be disbursed during 2010.

5. The verification report identified that Egypt implemented an import licensing and quota system in 2000, supported by a number of legal instruments and ministerial decrees. The auditor verified the list of importers and distributors. In 2009, import quotas were issued to two CFC-authorized importers for the import of 210 ODP tonnes of CFCs. The actual quantity imported in 2009 was 202.7 ODP tonnes.

Work programme for the fourth and fifth tranches of the NPP

6. The following activities are included in the work programme for the fourth and fifth tranches of Egypt's NPP: Additional training of 125 customs and policy enforcement authorities and the provision of 25 ODS identification kits and laboratory equipment for customs authorities; continued implementation of the retrofit incentive programme for large end-users, including three workshops on good practices for retrofitting commercial refrigeration equipment and chillers. Technical assistance through international consultants, awareness and information dissemination campaigns, and project management and monitoring will also be implemented.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

Levels of CFC consumption

7. As presented in the NPP cover sheet, since 2004 the Government of Egypt has committed to maintaining CFC consumption levels below those allowed under the Montreal Protocol, through the implementation of the NPP (i.e., 537 ODP tonnes of CFCs mainly used in the refrigeration servicing sector and 227 ODP tonnes through institutional measures), and other investment projects that were under implementation (with a total CFC phase-out of 129 ODP tonnes). About 154 ODP tonnes of CFCs that were used for the manufacturing MDIs were excluded from the NPP. The MDI project was approved at the 50th Meeting to phase-out 160 ODP tonnes of CFCs by end of 2009.

(in ODP tonnes)	2004	2005	2006	2007	2008	2009	Total
Montreal Protocol reduction schedule	1,668.0	834.0	834.0	250.0	250.0	250.0	.
Max allowable total consumption of CFCs	1,047.0	822.0	595.0	240.0	113.0	49.0	.
Reduction from on-going projects	-	35.0	19.0	27.0	23.0	25.0	129.0
New reduction under plan	40.0	150.0	182.0	100.0	41.0	24.0	537.0
Reduction through institutional measures	185.0	42.0	-	-	-	-	227.0
Unfunded phase out (MDI)	-	-	154.0	-	-	-	154.0
Total annual reduction	225.0	227.0	355.0	127.0	64.0	49.0	1,047.0
Reported Article 7 consumption levels		821.2	593.6	241.6	187.8	207.7*	

(*) Preliminary consumption data as reported in the verification report.

8. In analyzing the figures presented in the above table, it was noted that the levels of CFC consumption between 2007 and 2009 were above those allowed under the Agreement between the Government and the Executive Committee. The reason for the higher level of consumption was that the reduction of the 154 ODP tonnes of CFCs used for the manufacturing of MDIs was assumed to be phased out in 2006. However, since the approval of the MDI phase-out project, CFCs used for manufacturing of MDIs have increased due to increased patient demand. The verification report submitted to the 60th Meeting included a table with the verified consumption of CFCs in the MDI sector between 2003 and 2009 as shown in the table below. When the verified level of consumption in MDIs against Article 7 data was analyzed, it was noted that the amount of CFCs used in all other sectors had been reduced from 445 ODP tonnes to 78 ODP tonnes between 2006 and 2007 and to 9.8 ODP tonnes in 2008. At their 21st Meeting, the Parties to the Montreal Protocol authorized the consumption of 227.4 ODP tonnes of CFCs to satisfy essential uses for the manufacture of MDIs in Egypt in 2010.

(in ODP tonnes)	2004	2005	2006	2007	2008	2009	2010
Article 7	1,047.6	821.2	593.6	241.6	187.8	202.7	
MDI	151.0	151.0*	148.7	164.0	178.0	202.7	227.4**
Balance	896.6	670.2	444.9	77.6	9.8	-	

(*) This CFC consumption, which was not included in the report, was assumed to be similar to that for 2004.

(**) CFCs for essential uses for the manufacture of MDIs in Egypt in 2010 authorized by the Parties.

9. Furthermore, in the 2009 progress report for the implementation of Egypt's country programme, the Government reported the use of 60.9 ODP tonnes of CFCs from stocks (about 29 ODP tonnes of CFC-11 and 32 ODP tonnes of CFC-12) in 2008. It was therefore concluded that CFCs were completely phased out by 2009, except for those amounts used for manufacturing MDIs.

Other issues discussed

10. A list of laws, presidential and ministerial decrees were included in the verification report, among which is a decree issued by the Minister for Environmental Affairs requiring approval from the Egyptian Environmental Affairs Agency for the importation of all ODS controlled by the Montreal Protocol. The Government of Egypt has stated its commitment to sustaining zero CFC consumption beyond 2009, excluding any essential uses that could be approved by the Parties for the manufacturing of MDIs.

11. Responding to a question on the reductions in CFC consumption achieved so far in the refrigeration servicing sector in Egypt, UNIDO indicated that the sector relies on CFCs that are recovered and also on CFCs that are stockpiled at various maintenance centres. These reductions have been sustained through the strict import controls in place and the implementation of the incentive programme for large end-users. Furthermore, refrigeration servicing workshops are currently using R-406a when servicing small CFC-based refrigeration equipment.

12. With regard to the 178 ODP tonnes of CFCs that were recovered and recycled in 2008, UNIDO reported that those figures were provided by the Ozone Unit and were also checked during the verification of the 2009 CFC consumption in the country. UNIDO also reported that, of the 743 recovery and recycling machines available, around 500 machines are in full operation.

13. Considering the number of refrigeration technicians and customs officers that have been trained through the RMP and the NPP; the recovery and recycling programme under implementation; the small number of CFC-based equipment feasible to be retrofitted; and the fact that funding for the preparation of the HPMP has been approved, the Secretariat suggested that UNIDO examine the merits of focusing the final two tranches of the NPP on activities that will sustain zero consumption of CFCs and facilitate the phase-out of HCFCs in Egypt. UNIDO indicated that there is an urgent need to continue the implementation of the retrofit incentive programme, which would sustain the phase-out of CFCs and avoid economic disruptions in the future. UNIDO is also considering developing a computerized customs control and data management system for ODS, including HCFCs, linking the Ozone Unit with enforcement bodies.

RECOMMENDATION

14. The NPP for Egypt is submitted for individual consideration, given that the levels of CFCs consumption under Article 7 are above the maximum levels of consumption allowable under the Agreement between the Government of Egypt and the Executive Committee. The higher levels of consumption are associated with the CFCs used for manufacturing MDIs. The Executive Committee may wish to:

- (a) Take note of the progress report on the implementation of the third tranche of the national CFC phase-out plan (NPP) in Egypt;
- (b) Take note of the verification report of 2009 CFC consumption;
- (c) Approve the 2010 annual implementation programme associated with the fourth and fifth (final) tranches; and
- (d) Request the Government of Egypt, with the assistance of UNIDO, to submit a progress report on the implementation of the work programme associated with the fourth and fifth (final) tranches of the NPP no later than the 63rd Meeting of the Executive Committee.

15. Further, the Executive Committee may wish to approve the 2010 plan associated with the fourth and fifth (final) tranches of the NPP, taking into account that CFCs used in all sectors, except in the manufacturing of MDIs, have been completely phased out since 2009 at the cost of US \$300,000 plus agency support cost of US \$22,500 for UNIDO.
