



**United Nations
Environment
Programme**

Distr.
GENERAL



UNEP/OzL.Pro/ExCom/98/39
18 May 2026

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninety-eighth Meeting
Montreal, 22–26 June 2026
Items 8(c) and 8(d) of the provisional agenda¹

PROJECT PROPOSALS: MEXICO

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

Phase-out

- | | | |
|--|--------------|-------------------------|
| <ul style="list-style-type: none"> Control and phase-out of HFC-23 emissions in the production of HCFC-22 at Quimobásicos (fifth tranche) | <p>UNIDO</p> | <p>Blanket approval</p> |
|--|--------------|-------------------------|

Phase-down

- | | | |
|--|---------------------------------|-------------------------------------|
| <ul style="list-style-type: none"> Kigali HFC implementation plan (stage I, second tranche) | <p>UNIDO, UNDP
and UNEP</p> | <p>Individual
consideration</p> |
|--|---------------------------------|-------------------------------------|

¹ UNEP/OzL.Pro/ExCom/98/1

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Mexico

PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
Control and phase-out of HFC-23 emissions in the production of HCFC-22 at Quimobásicos	UNIDO (lead)	86 th	Phase-out to the extent practicable by 1 January 2022*

* The project was approved on the understanding that the Government of Mexico would ensure that, by 1 January 2022 and thereafter, emissions of HFC-23 by-product from HCFC-22 production lines were destroyed in compliance with the Montreal Protocol, such that emissions for both lines were at or below 0.1 kg of HFC-23 per 100 kg of HCFC-22 produced.

LATEST ARTICLE 7 DATA (Annex C, Group I)	Year: 2024	165.78 ODP tonnes
---	------------	-------------------

VERIFIED PRODUCTION DATA (mt)		Year: 2025
HCFC-22 production*		2,220.23
HFC-23 generation		22.58
HFC-23 emissions		0.00**

* Includes production for controlled and feedstock uses.

** Amount emitted is 0.0003451 mt.

ENDORSED BUSINESS PLAN		2026	2027	2028	Total
UNIDO	Funding (US \$)	463,450	443,388	400,588	1,307,426

PROJECT DATA			2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Maximum allowable emissions of Annex F, Group II substances per 100 kg of Annex C, Group I substances produced (kg)			n/a	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	n/a
Amounts approved in principle (US \$)	UNIDO	Project costs	483,058	0	492,160	374,381	473,131	433,131	414,381	374,381	414,381	374,380	3,833,384
		Support costs	33,814	0	34,451	26,207	33,119	30,319	29,007	26,207	29,007	26,206	268,337
Funds approved by ExCom (US \$)		Project costs	483,058	0	387,561	270,050	317,500	0	0	0	0	0	1,458,169
		Support costs	33,814	0	27,129	18,904	22,225	0	0	0	0	0	102,072
Total funds recommended for approval at this meeting (US \$)		Project costs						215,109					215,109
		Support costs						15,058					15,058

Secretariat's recommendation:	Blanket approval
--------------------------------------	------------------

PROJECT DESCRIPTION

1. On behalf of the Government of Mexico, UNIDO as the designated implementing agency has submitted a request for funding for the fifth tranche of the project for the control and phase-out of HFC-23 emissions in the production of HCFC-22 at Quimobásicos, Mexico in the amount of US \$383,798, plus agency support costs of US \$26,866.² The submission includes a progress report on the implementation of the fourth tranche, the verification report on HCFC-22 production and HFC-23 by-product emissions for 2025, and the tranche implementation plan for 2026 to 2027.

Report on HCFC-22 production and HFC-23 by-product generated and emitted

2. As confirmed by the verification report, the Government of Mexico reported a total of 2,220.23 metric tonnes (mt) of HCFC-22 produced in 2025,³ with 22.58 mt of HFC-23 by-product generated and 0.0003 mt of HFC-23 by-product emitted, as shown in table 1.

Table 1. Total HCFC-22 production for all uses and HFC-23 generated, destroyed, and emitted at Quimobásicos in 2025

Component	Quantity (mt)
HCFC-22 produced	2,220.2330
HFC-23 generated	22.5832
HFC-23 destroyed	22.5829
HFC-23 emitted	0.0003

3. Production of HCFC-22 in 2025 decreased from the previous year and was lower than had been anticipated at the 96th meeting due to a reduction of export sales for feedstock uses. The HFC-23 by-product generation rate in 2025 was 1.02 per cent. The control and destruction of HFC-23 at the Quimobásicos plant continued to be carried out using one of the enterprise's on-site plasma-arc destruction units (PDUs).

Verification report

4. The verification report confirmed that the reported figures for 2025 shown in table 1 above are a reliable and accurate representation of the total HCFC-22 production and HFC-23 by-product generation and destruction that occurred at Quimobásicos in 2025. The verification concluded that the enterprise was in compliance with the Agreement between the country and the Executive Committee for HFC-23 by-product emissions released to the atmosphere as a result of HCFC-22 production. The verification was carried out and report prepared in line with the updated guidelines and the standard format used for the verification of ODS production phase-out (decision 93/102(c)), and confirmed that the enterprise's HCFC-22 production for controlled uses was below the quota allocated to the enterprise and within the Montreal Protocol control limits for HCFC production.

Progress report on the implementation of the fourth tranche

Destruction of HFC-23 by-product

5. Quimobásicos continued using PDU-2 to destroy HFC-23 by-product generated from the production of HCFC-22 in 2025; total production of HCFC-22 for all uses was 2,220.23 mt for 2025, with 22.58 mt of HFC-23 by-product generated and subsequently destroyed.

6. The plant continued to operate the PDU at a lower capacity than the design capacity, which extends the PDU torch's useful lifetime and ensures optimal operational continuity. Process variations remained within normal limits, and plant operations were generally stable. Due to the reduced demand for HCFC-22,

² As per the letter of 7 April 2026 from the Secretariat of Environment and Natural Resources of Mexico to UNIDO.

³ The reported production is the total production of HCFC-22 for both feedstock and controlled uses.

the plant operated only 8 to 10 days per month in 2025; however, the frequency of stoppages did not negatively affect the PDU's destruction and removal efficiency.

Policy assistance

7. Under the fourth tranche, funding was allocated for a study and analysis of national policies and regulations to ensure that HFC-23 by-product emissions would continue to be controlled to the extent practicable after the completion of the project; the terms of reference have been drafted, and the bidding process is expected to be initiated in May 2026, with the activity expected to conclude by end of 2026.

Project implementation and monitoring

8. Under the fourth tranche, US \$3,869 was disbursed for project monitoring, leakage monitoring, and the verification of destruction. The verification process comprised a desk review of production and destruction data as well as in-situ verification, producing an independent verification report of the amounts of HCFC-22 produced, the amounts of HFC-23 by-product generated, and the amounts of HFC-23 that were destroyed, stored, sold, and/or vented.

Level of fund disbursement

9. As of April 2026, of the US \$1,458,169 approved so far, US \$1,391,619 (95 per cent) had been disbursed, as shown in table 2. The balance of US \$66,550 is expected to be disbursed in 2026.

Table 2. Financial report of the project to control HFC-23 emissions at Quimobásicos (US \$)

Funding tranche	Funds approved	Funds disbursed	Disb. rate (%)	Fund balance
First	483,058	483,058	100	0
Second	387,561	387,561	100	0
Third	270,050	268,562	99	1,488
Fourth	317,500	252,438	80	65,062
Total	1,458,169	1,391,619	95	66,550

Implementation plan for the fifth tranche

10. The following activities will be implemented between July 2026 and December 2027:

- (a) Continued destruction of HFC-23 by-product from the production of HCFC-22 at Quimobásicos; total production of HCFC-22 for all uses is anticipated to be 2,698.00 mt for 2026, with 37.768 mt of HFC-23 by-product generated and subsequently destroyed (US \$358,798); and
- (b) Monitoring and verification of destruction, including an independent verification report (US \$25,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Verification report

11. In line with decision XXXVI/3, Quimobásicos provided information to the Government on its methodology for estimating and reporting HFC-23 emissions from HCFC-22 production, and best practice technologies Quimobásicos have adopted to reduce HFC-23 emissions. The verification report further noted that the data collection system database is tamper-proof and encrypted, as it has been designed to ensure

data integrity. Access to the database is restricted to the local network, and data can only be queried using specialized software.

Progress report on the implementation of the fourth tranche

12. Quimobásicos continued to manage its production of HCFC-22 in such a manner as to ensure the by-product generation rate in 2025 was 1.02 per cent, down from 1.18 per cent in 2024. While these rates can fluctuate based on process variations,⁴ the 2025 rate was well below the enterprise's historic by-product generation rate of 1.57 per cent as well as those experienced in many other countries, reflecting the continued excellent controls and operations of the enterprise.

13. UNIDO confirmed that, in line with decision 86/96(b)(vi), no additional funding from other sources, including HFC-23 credits or offsets, for the control of HFC-23 by-product emissions from Quimobásicos have been requested or were received.

Implementation plan for the fifth tranche

Funding requested

14. In line with paragraph 6 of the Agreement between the Government of Mexico and the Executive Committee, the funding for the fifth tranche was adjusted to US \$215,109 based on the 2025 by-product generation rate (1.02 per cent), the amount of HCFC-22 produced in that year (2,220.23 mt), and the maximum eligible incremental operating costs for each year of US \$332,355 as specified in the Agreement. The calculation of eligible costs is presented in annex I to the present document.

15. The total funding for the project agreed at the 86th meeting had included funding for policy assistance to ensure that HFC-23 by-product emissions would continue to be controlled to the extent practicable after the completion of the project. Accordingly, the fourth tranche included a study and analysis of national policies and regulations on the matter, and the fifth tranche plans to include the development of the legal instrument to ensure the sustained destruction of HFC-23.

16. Based on the above, activities and funding for the fifth tranche were agreed at US \$215,109 with the following breakdown:

- (a) Continued destruction of HFC-23 by-product from the production of HCFC-22 at Quimobásicos; total production of HCFC-22 for all uses is anticipated to be 2,698.00 mt for 2026, with 37.768 mt of HFC-23 by-product generated and subsequently destroyed (US \$175,171);
- (b) Policy assistance to ensure that HFC-23 by-product emissions would continue to be controlled to the extent practicable after the completion of the project, including a study and analysis of national policies and regulations, and the development of the legal instrument to ensure the sustained destruction of HFC-23 (US \$14,938, plus US \$65,062 in funds remaining from the fourth tranche); and
- (c) Monitoring and verification of destruction, including an independent verification report (US \$25,000, plus US \$1,488 in funds remaining from the third tranche).

⁴ As explained by UNIDO at the 94th meeting, process variations are an inevitable aspect of chemical manufacturing, and may include changes in raw material quality, adjustments in production rates to meet demand, small variations in process conditions such as temperature and pressure, and the lifespan and conditioning of the catalyst.

Sustainability of the HCFC phase-out and assessment of risks

17. The sustainability of HFC-23 emission controls will be ensured inter alia through the commitment by Quimobásicos to suspend production of HCFC-22 for up to two weeks to allow for the repair of the PDU; the refurbished second PDU (PDU-1) that is able to provide destruction services to third parties; and the commitment by the Government of Mexico to ensure that emissions of HFC-23 by-product from HCFC-22 production by Quimobásicos would continue to be controlled and verified in the same manner after the completion of the project, including through the development of a legal instrument to ensure the sustained destruction that is being developed under the fifth tranche. The steps taken by the enterprise to ensure the optimal operation of the PDU and to minimize the HFC-23 by-product generation rate, including its proactive approach to maintenance and leak prevention, reduce the risk of HFC-23 emissions.

Conclusion

18. Quimobásicos, with the support of the Government of Mexico and UNIDO, continued its outstanding efforts to ensure the destruction of HFC-23 by-product generated during the production of HCFC-22, in line with the Agreement between the Government of Mexico and the Executive Committee. Emissions of HFC-23 by-product from the production of HCFC-22 in 2025 have been insignificant. The disbursement rate is at 95 per cent.

RECOMMENDATION

19. The Fund Secretariat recommends that the Executive Committee note the progress report on the implementation of the fourth tranche for the project to control and phase-out HFC-23 emissions at Quimobásicos, Mexico, and further recommends blanket approval of the fifth tranche of the project and the corresponding 2026–2027 tranche implementation plan for Mexico at the funding level shown in the table below.

	Project title	Project funding (US \$)	Support costs (US \$)	Implementing agency
(a)	Control and phase-out of HFC-23 emissions in the production of HCFC-22 at Quimobásicos (fifth tranche)	215,109	15,058	UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Mexico

PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
Kigali HFC implementation plan (stage I)	UNIDO (lead), UNDP and UNEP	93rd	10% phase-out by 2029

ARTICLE 7 DATA (Annex F)	Year: 2024	38,992 mt	43,614,902 CO ₂ -eq tonnes
--------------------------	------------	-----------	---------------------------------------

COUNTRY PROGRAMME SECTORAL DATA (CO ₂ -eq tonnes)							Year: 2025		
Substance	Aerosol	Foam	Fire-fighting	Air-conditioning (AC) and refrigeration			Servicing	Solvent	Other*
				Manufacturing					
				Refrigeration	AC	Other			
HFCs	1,532,496	848,346	709,197	1,339,826	10,142,072	0	19,883,521	23,703	6,027,787

* Local blending for use in the refrigeration and AC sectors

CONSUMPTION DATA (CO ₂ -eq tonnes)			
HFC baseline:	76,982,664	Starting point for sustained aggregate reductions:	TBD
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	7,698,266	Remaining:	TBD

ENDORSED BUSINESS PLAN		2026	2027	2028	Total
UNIDO	HFC phase-down (mt)	715.84	697.56	0.0	1,413.40
	Funding (US \$)	4,054,820	3,951,257	0	8,006,077
UNDP	HFC phase-down (mt)	387.86	227.82	0.0	615.68
	Funding (US \$)	2,196,994	1,290,474	0	3,487,468
UNEP	HFC phase-down (mt)	43.03	44.03	0.0	87.06
	Funding (US \$)	256,037	261,990	0	518,027

PROJECT DATA			2023	2024	2025	2026*	2027	2028	2029	Total
Consumption (CO ₂ -eq tonnes)	Montreal Protocol limits		n/a	76,982,664	76,982,664	76,982,664	76,982,664	76,982,664	69,284,397	n/a
	Maximum allowable		n/a	76,982,664	76,982,664	76,982,664	71,054,999	63,356,732	55,667,579	n/a
	Reduction from baseline (%)		n/a	0	0	0	7.7	17.7	27.7	n/a
Amounts approved in principle (US \$)	UNIDO	Project costs	5,085,390	0	3,789,551	0	3,692,764	0	1,593,351	14,161,056
		Support costs	355,977	0	265,269	0	258,493	0	111,535	991,274
	UNDP	Project costs	1,433,738	0	2,053,265	0	1,206,050	0	63,541	4,756,594
		Support costs	100,362	0	143,729	0	84,424	0	4,448	332,962
	UNEP	Project costs	227,795	0	227,795	0	233,091	0	26,476	715,157
		Support costs	28,243	0	28,242	0	28,899	0	3,283	88,667
Funds approved by ExCom (US \$)		Project costs	6,746,923	0	0	0	0	0	0	6,746,923
		Support costs	484,582	0	0	0	0	0	0	484,582
Total funds recommended for approval at this meeting (US \$)		Project costs				6,070,611				6,070,611
		Support costs				437,240				437,240

*Tranche initially submitted in 2025, deferred to 2026 by decision 97/62(b), and recommended for approval at this meeting

Secretariat's recommendation	Individual consideration
------------------------------	--------------------------

Note by the Secretariat

20. The Executive Committee considered the funding request for the second tranche of stage I of the Kigali HFC implementation plan (KIP) for Mexico at its 97th meeting and deferred it to the 98th meeting.⁵ The present note provides background on the Committee's consideration of the request at the 97th meeting, as well as additional information submitted with the resubmission of the proposal in response to the Executive Committee's request, together with the Secretariat's comments and recommendation, and the draft Agreement between the Government and the Executive Committee, including adjusted HFC reduction targets, contained in annex II to the present document. The original tranche request submitted at the 97th meeting is contained in document [UNEP/OzL.Pro/ExCom/97/60](#).

Background

21. In considering stage I of the KIP for Mexico at its 93rd meeting, the Executive Committee noted a significant increase in the 2022 HFC import levels, attributed mainly to two new importers becoming active in the market. Since the spike in HFC imports could not be contrasted with actual demand, the Committee could not determine whether the 2022 consumption reflected Mexico's regular manufacturing and servicing needs. Accordingly, the Government was requested to continue monitoring national HFC consumption levels in order to understand the extent to which consumption reported in the baseline years was representative of the local market's needs and to assess future HFC demand, and to provide the results of this analysis when submitting the second tranche of the KIP.⁶

22. At the 97th meeting, the Executive Committee considered the request for the second tranche of stage I of the KIP for Mexico, including an independent verification report with a comprehensive analysis of the 2022 consumption spike, concluding that the consumption levels reported for 2022 did not reflect the actual market dynamics or demand in the country. This was also the case for the previous two years, due to COVID-19. Data analysis from subsequent years showed that the 2023 HFC consumption was distorted by exceptionally high exports (over three times the annual average), possibly from the 2022 stocks, and that 2024 consumption was unusually low due to administrative issues related to quota allocation. On this basis, the Government of Mexico considered it necessary to also analyze the 2025 import data to determine whether the maximum allowable consumption limits for the remaining years of stage I of the KIP needed to be adjusted, in line with decision 93/68(c)(vii).

23. In considering the tranche request in light of the information presented above, several Executive Committee members considered that 2025 data would be required to assess whether HFC consumption reported during the baseline years was representative of actual market demand. Differing views were expressed as to whether the tranche request should be approved at the 97th meeting, with one member highlighting that the maximum allowable consumption level was considerably higher than the actual market need, making it difficult to determine if the financing provided was making any positive impact. Furthermore, there seemed to be limited justification for the immediate approval of an additional tranche, as approximately 80 per cent of the first tranche funding remained unspent.

24. The Executive Committee, therefore, decided to defer consideration of the second tranche to the 98th meeting for further discussion in light of additional consumption data, particularly for the year 2025.

⁵ Decision 97/62(b)

⁶ Decision 93/68(c)(vi)

Resubmission of the second tranche of stage I of the Kigali HFC implementation plan

PROJECT DESCRIPTION

25. On behalf of the Government of Mexico, UNIDO as the lead implementing agency has resubmitted to the 98th meeting the funding request for the second tranche of stage I of the KIP, at a total cost of US \$6,507,851, consisting of US \$3,789,551, plus agency support costs of US \$265,269, for UNIDO, US \$2,053,265, plus agency support costs of US \$143,729, for UNDP and US \$227,795, plus agency support costs of US \$28,242, for UNEP.⁷ The submission includes a progress report on the implementation of the first tranche, the verification report on HFC consumption for 2025, and the tranche implementation plan for 2026 to 2027.

Updated report on HFC consumption

26. The Government of Mexico reported a consumption of 43,614,902 CO₂-equivalent (CO₂-eq) tonnes of HFCs in 2024, which is 43 per cent below the country's HFC baseline for compliance. The 2025 country programme (CP) data report was submitted on 15 April 2026, indicating a consumption of 40,497,374 CO₂-eq tonnes. The 2020–2025 HFC consumption is shown in table 1.

Table 1. 2020–2025 HFC consumption and HFC baseline for Mexico (Article 7 data)

HFC	GWP	2020	2021	2022	2023	2024	2025*	Share of HFC cons. in 2025 (%)
Metric tonnes (mt)								
HFC-32	675	6.77	221.42	1,947.39	-1,945.11	4,015.84	2,012.89	5.5
HFC-125	3,500	22.54	535.48	854.31	-228.28	14.75	685.81	1.9
HFC-134a	1,430	6,889.56	7,208.21	9,188.44	8,546.60	7,821.49	7,462.95	20.4
HFC-143a	4,470	0.00	0.00	1,207.18	-925.30	0.00	918.00	2.5
HFC-152a	124	3,350.36	4,053.50	5,660.76	6,423.28	9,848.69	8,916.23	24.5
HFC-227ea	3,220	47.84	27.44	43.11	22.34	15.89	26.36	0.1
HFC-245fa	1,030	99.34	155.09	244.68	256.47	302.14	480.55	1.3
HFC-365mfc	794	192.00	240.00	275.82	233.60	0.00	0.00	-
HFC-23	14,800	0.25	2.68	-78.87	0.58	1.18	0.16	0.0
R-404A	3,921.6	1,629.57	2,019.90	6,112.96	1,313.49	1,199.45	2,003.23	5.5
R-407C	1,773.85	147.14	170.50	350.33	419.75	297.41	151.45	0.4
R-410A	2,087.5	13,942.86	11,592.27	20,815.48	17,360.99	8,356.32	1,919.24	5.3
R-410B	2,228.75	0.00	0.00	0.00	-800.00	0.00	0.00	-
R-449A	1,396.035	12.95	51.39	139.53	234.10	226.83	207.80	0.6
R-454B	465.075	0.04	0.00	0.37	421.89	4,967.76	9,495.21	26.0
R-507A	3,985	252.69	316.94	830.16	466.54	298.69	465.41	1.3
R-513A	629.2	15.14	12.47	33.39	44.09	760.02	951.09	2.6
HFC-365mfc/ HFC-227ea	963.82	164.64	233.76	209.28	0.00	0.00	0.00	-
Others**	n/a	359.95	470.20	613.34	855.23	865.46	837.39	2.3
Total (mt)		27,133.64	27,311.25	48,447.66	32,700.26	38,991.92	36,533.76	100
CO₂-eq tonnes								
HFC-32	675	4,570	149,459	1,314,488	-1,312,949	2,710,695	1,358,699	3.4
HFC-125	3,500	78,890	1,874,180	2,990,096	-798,983	51,625	2,400,322	5.9
HFC-134a	1,430	9,852,072	10,307,739	13,139,463	12,221,640	11,184,731	10,672,019	26.4
HFC-143a	4,470	0	0	5,396,095	-4,136,091	0	4,103,460	10.1
HFC-152a	124	415,445	502,634	701,934	796,486	1,221,238	1,105,613	2.7
HFC-227ea	3,220	154,045	88,357	138,817	71,944	51,166	84,887	0.2
HFC-245fa	1,030	102,320	159,743	252,021	264,163	311,204	494,967	1.2
HFC-365mfc	794	152,448	190,560	219,001	185,478	0	0	-

⁷ As per the letter of 26 March 2026 from the Secretariat of Environment and Natural Resources of Mexico to UNIDO.

HFC	GWP	2020	2021	2022	2023	2024	2025*	Share of HFC cons. in 2025 (%)
HFC-23	14,800	3,700	39,605	-1,167,276	8,647	17,464	2,294	0.0
R-404A	3,921.6	6,390,522	7,921,240	23,972,592	5,150,988	4,703,763	7,855,883	19.4
R-407C	1,773.85	261,004	302,441	621,435	744,571	527,561	268,657	0.7
R-410A	2,087.5	29,105,720	24,198,864	43,452,308	36,241,069	17,443,818	4,006,414	9.9
R-410B	2,228.75	0	0	0	-1,783,000	0	0	0.0
R-449A	1,396.035	18,079	71,738	194,786	326,817	316,663	290,096	0.7
R-454B	465.075	19	0	171	196,210	2,310,381	4,415,985	10.9
R-507A	3,985	1,006,970	1,263,006	3,308,200	1,859,151	1,190,280	1,854,659	4.6
R-513A	629.2	9,526	7,846	21,007	27,738	478,205	598,424	1.5
HFC-365mfc/ HFC-227ea	963.82	158,683	225,303	201,708	0	0	0	-
Others**	n/a	497,021	691,740	887,296	190,866	1,096,110	984,995	2.4
Total (CO₂-eq tonnes)		48,211,034	47,994,455	95,644,142	50,254,745	43,614,902	40,497,374	100
Maximum allowable		n/a	n/a	n/a	n/a	76,982,644	76,982,664	n/a
HFC baseline calculation (CO₂-eq tonnes)								
HFC average consumption in 2020–2022							63,949,877	
HCFC baseline (65%)							13,032,787	
HFC baseline							76,982,664	

* CP data

** Including HFC-236fa, HFC-43-10mee, R-407A, R-407F, R-417A, R-422A, R-422D, R-427A, R-434A, R-437A, R-438A, R-442A, R-448A, R-449C, R-452A, R-453A, R-454A, R-454C, R-507C, R-508B, R-515B, R-516A, and other blends (custom mixes 111, 134, 135, 137, 140, 166, 174, 261, 316, 344, 383, 407, 408, 409, 410 and 411).

27. Following a peak in 2022, HFC consumption decreased over the 2023–2025 period. In 2023, even though HFC imports were at 74.27 million CO₂-eq tonnes (around the level of the country's HFC baseline), Mexico exported close to 23 million CO₂-eq tonnes (around three times the volume of exports recorded in previous years), leaving a reported consumption of 50.25 million CO₂-eq tonnes. In 2024, consumption declined further to 43.6 million CO₂-eq tonnes, mainly due to a significant drop in imports (by 50 million CO₂-eq tonnes), attributed to delays associated with the regulatory and administrative processes for the implementation of the new quota system.

28. In 2025, HFC consumption continued to decrease despite improvements in quota administration, owing to additional regulatory hurdles affecting import procedures, cautious importer behavior amid global market uncertainty, reduced demand linked to lower-than-average temperatures during the year, and the transition toward alternatives with lower global-warming potential (GWP), such as R-454B and HFC-32 in air-conditioning (AC) applications.

29. HFC consumption is expected to stabilize in 2026 as administrative processes improve, though levels will continue to be influenced by economic conditions, regulatory implementation, and demand recovery. In addition, a new customs law that entered into force on 1 January 2026 introduces stricter compliance, increased oversight, and higher penalties, which may further affect importer behavior during the year.

Verification report for 2025

30. The verification report confirmed that the Government continued to apply the licensing and quota system for HFC imports and that the total consumption for 2025 was 40,495,867.22 CO₂-eq tonnes⁸, which is 47.4 per cent below the baseline and maximum allowable consumption level for the year. The market

⁸ The slight difference from the value reported in the CP data in table 1 (40,497,374 CO₂-eq tonnes) is attributable to minor variations in GWP values arising from differences in decimal precision.

remained highly concentrated among a relatively small number of importing enterprises; the year-to-year consumption analysis confirmed a continued transition in some sectors toward lower-GWP alternatives, especially in AC applications. The verification further confirmed that the procedures used by the national ozone unit (NOU) to compile and validate the national HFC consumption data were consistent with the requirements established under the Montreal Protocol. With few minor exceptions, all importers exercised their quotas within the assigned limits. While significantly less than 1 per cent of cases were identified where imports slightly exceeded the allocated quota, these cases were addressed through the procedures established by the NOU in coordination with the Federal Attorney for Environmental Protection.

Updated assessment of HFC consumption trends and market demand in Mexico (decision 93/68(c)(vi))

31. In response to decisions 93/68(c)(vi) to (viii) and 97/62(b), the tranche request included an updated assessment of HFC consumption trends and market demand in Mexico, adding the 2025 consumption level to the analysis completed for the 97th meeting and proposing an adjustment to the maximum allowable consumption limits for the remaining years of stage I.

32. The updated analysis confirmed that the 2022 consumption spike was exceptional and was driven by temporary market distortions such as over-importation and inventory accumulation by new market entrants, rather than by a structural increase in domestic demand.

33. Accordingly, for the purpose of assessing actual market demand, the Government of Mexico considered the years 2020, 2021 and 2023 as the best reflection of market conditions before and after the temporary distortion observed in 2022. Consumption in 2020–2021 was reduced by the COVID-19 economic slowdown, while demand began to stabilize as the market recovered in 2022–2023. With the distortion in 2022, it was determined that levels observed in 2023 provided a more reliable indication of the underlying market demand during the post-pandemic recovery period.

34. The Government of Mexico does not propose to modify the HFC baseline established under the Kigali Amendment as the imports took place. Instead, in line with decision 93/68(c)(vii), the Government proposes to revise the maximum allowable consumption limits for the remaining years of stage I to better reflect actual market conditions while preserving a prudent transition margin and avoiding disruption to the national market. Table 2 shows the comparison between the established baseline based on reported consumption and the indicative market demand based on the average consumption in 2020, 2021 and 2023.

Table 2. Comparison between the established baseline and indicative market demand

Parameter	CO ₂ -eq tonnes	Parameter	CO ₂ -eq tonnes
Average HFC consumption in 2020, 2021 and 2022	63,949,877	Average HFC consumption in 2020, 2021 and 2023	48,820,078
HCFC component	13,032,787	HCFC component	13,032,787
Established baseline	76,982,664	Reference figure based on market demand	61,852,865
Reduction of 10 per cent	7,698,266	Reduction of 10 per cent	6,185,286
Maximum allowable consumption for 2029	69,284,397	Maximum allowable consumption for 2029	55,667,579
Reduction from established baseline	10.0%	Reduction from established baseline	27.7%

35. In addition to the 27.7 per cent reduction from the HFC baseline planned for 2029, the Government also proposed interim targets of 71,054,999 CO₂-eq tonnes for 2027 (7.7 per cent below the baseline) and 63,356,732 CO₂-eq tonnes for 2028 (17.7 per cent below the baseline).

36. The Government of Mexico considers that this proposal reflects its commitment to a more ambitious reduction pathway while ensuring an orderly transition for the refrigeration and air-conditioning (RAC) sector. It also provides a basis for adjusting quota and regulatory measures from 2027 onward,

supported by continued strengthening of the HFC quota system, improved monitoring, and better alignment of imports with market demand to prevent excess inventories.

37. The Government of Mexico also underlined that the proposed approach responds to the specific circumstances of the national market and is presented to facilitate the continued implementation of stage I of the KIP and the approval of the second tranche. This proposal should therefore not be interpreted as establishing a precedent for other countries.

Progress report on the implementation of the first tranche of stage I of the Kigali HFC implementation plan (additional progress achieved since the 97th meeting)

38. In addition to progress achieved under the first tranche that was reported in paragraphs 8 to 10 of document UNEP/OzL.Pro/ExCom/97/60, the following activities have been accomplished since the 97th meeting:

- (a) *Capacity building for RAC and mobile air-conditioning (MAC) servicing technicians:* Seventy-four toolkits were purchased and are being delivered to training and evaluation centres; four previously developed labour competency standards for RAC servicing were approved and published in January 2026; and contracts were signed with four evaluation and certification centres for the evaluation and certification of 100 technicians; and
- (b) *Projects and activities in the local installation and assembly subsector:* A public call for proposals was launched to select eight local installation and assembly enterprises to receive refrigerant-handling toolkits, and to select eight end users under the demonstration project promoting the adoption of low-GWP refrigerants in cold room installations in the food supply chain through replacement of old condensing units with cascade and secondary-loop refrigeration systems based on ammonia (NH₃) and carbon dioxide (CO₂). One beneficiary selected so far under a co-financing arrangement (with 60 per cent of investment contributed by the beneficiary and 40 per cent supplied by the Fund) is a high-capacity slaughterhouse operating 41 refrigeration units; the project, expected to generate energy savings of 5 to 8 per cent, will entail the replacement of 20 R-404A-based condensing units (28 per cent of installed capacity) with an R-290-based system comprising a chiller and a secondary glycol loop. The selection process for remaining beneficiaries is ongoing.

Level of fund disbursement

39. As of March 2026, of the US \$6,746,923 approved so far (US \$5,085,390 for UNIDO, US \$1,433,738 for UNDP and US \$227,795 for UNEP), US \$2,742,100 (41 per cent) had been disbursed (US \$2,509,864 by UNIDO, US \$142,789 by UNDP and US \$89,447 by UNEP). The balance of US \$4,004,832 will be disbursed in 2026–2027.

Implementation plan for the second tranche of stage I of the Kigali HFC implementation plan

40. The activities to be implemented between July 2026 and May 2027 are presented in table 3.

Table 3. Activities planned under the second tranche of the KIP and their costs (US \$)

Item	Activity description	Agency	Cost
<i>Polyurethane (PU) foam sector plan</i>			
	Signing of agreements with all systems houses included in the project; testing of selected alternative formulations with downstream users; provision of technical support for the total conversion of systems houses and their customers; and implementation of a legal framework to institutionalize the use of low-GWP substances in the sector	UNDP	1,332,750
Total for the PU foam sector			1,332,750

Item	Activity description	Agency	Cost
<i>Refrigeration servicing sector, policy measures, awareness building, and gender mainstreaming</i>			
<i>I. Policies, regulations, and strategic planning for the reduction of HFC supply and demand</i>			
Legislative strengthening	Annual market study on HFC prices and national trends in refrigerant consumption and demand	UNIDO	50,000
	Finalization of guidelines for the adoption of low-GWP refrigerants in commercial buildings such as, <i>inter alia</i> , supermarkets, stores, and distribution centres, and finalization of a district cooling proposal to reduce refrigerant needs at commercial and institutional spaces	UNDP	*
Quotas and licensing	Programming and development of the digital HFC import quota allocation process on the Electronic Environmental Window platform, and ongoing technical and legal evaluation of HFC blends entering the market	UNIDO	*
Customs strengthening	Induction and on-the-job training for newly assigned officers and refresher training and targeted workshops on, <i>inter alia</i> , risk profiling, harmonized codes, substance identification and classification, regulations, safety measures and use of enforcement tools for customs officials (60 attending in person and 113 remotely)	UNEP	87,100
	Provision of personal protection equipment to customs officers	UNIDO	24,347
<i>Subtotal for I</i>			<i>161,447</i>
<i>II. National HFC phase-down plan implementation (servicing sector only)</i>			
Capacity building for the RAC and MAC servicing technicians	RAC: Development of a national standard for refrigerant management and 2 labour competency standards for servicing technicians; accreditation of 10 training centres; evaluation and certification of 7 instructors/evaluators; evaluation, certification and distribution of equipment ⁹ to 233 technicians; virtual training, technical support material, evaluation and certification provided to 13 instructors; and training of 1,716 technicians (1,500 in person and 216 remotely)	UNIDO	2,531,785
	MAC: Development of a national standard on regulating refrigerants for motor vehicles and electric vehicles, and of a labour competency standard; accreditation of 2 training centres; training, evaluation and certification of 3 instructors/evaluators; evaluation and certification of 100 technicians; provision of equipment ¹⁰ to 66 certified technicians; updates to the training platform; virtual training offered to 13 trainers; evaluation and certification of 8 instructors; and training of 306 technicians (293 attending in person and 13 remotely)	UNIDO	822,219
Strengthening of refrigerant recovery, recycle, and recharge (RRR)	Continuation of enabling activities and selection of key beneficiaries to receive equipment	UNDP	650,516
Projects and activities in the local installation and assembly subsector	Continuation of the pilot project to reduce HFC use in the assembly of commercial refrigeration equipment in small and medium-sized enterprises	UNIDO	*
	Continuation of the demonstration project on NH ₃ and CO ₂ used in cascade and secondary loop refrigeration systems at supermarkets	UNIDO	*
	Promotion of low-GWP refrigerants in the installation of new cold rooms in the food chain (addition of the second beneficiary, continued installation of refrigeration units and preparation of a strategy for result dissemination and replicability)	UNIDO	150,000
<i>Subtotal for II</i>			<i>4,154,520</i>

⁹ Including recovery unit and cylinders, vacuum pump, leak detectors, manifolds, scale, ATEX fan, welding equipment, thermometer, tube kit, and multimeter.

¹⁰ Including recovery and recycling unit and cylinders, vacuum pump, leak detectors, manifold, scales, welding equipment, thermometer, tube kit, and multimeter.

Item	Activity description	Agency	Cost
III. Public awareness for refrigeration sector stakeholders			
	Public awareness campaigns for key refrigeration sector stakeholders on issues related to the Kigali Amendment and HFC phase-down and dissemination of results achieved so far under the KIP (US \$78,000); and outreach campaign to promote women's enrollment and professional development in the RAC sector (US \$50,000)	UNEP	128,000
Subtotal for III			128,000
Total for activities in the refrigeration servicing sector, policy measures, and awareness-building			4,443,967
Total for activities in the PU foam and servicing sectors			5,776,717
Project coordination, monitoring, reporting, and verification			
	Coordination and monitoring of the quota and licensing system, customs strengthening programme, and activities in the servicing and local installation and assembly subsectors, including a coordinator (US \$114,240), local experts (US \$94,459) and monitoring travel (US \$2,500)	UNIDO	**211,199
	Coordination and monitoring of the PU foam sector plan and RRR network activities including personnel	UNDP	70,000
	Coordination and monitoring of the customs strengthening programme and public awareness activities	UNEP	12,695
Subtotal for project coordination, monitoring, reporting, and verification			293,894
Grand total			6,070,611
UNIDO			3,789,551
UNDP			2,053,265
UNEP			227,795

*Fund balances from the first tranche

** Originally requested at US \$283,418 at the 97th meeting to cover anticipated legal support for the quota allocation process. Subsequently, this additional legal capacity was deemed unnecessary for 2026 and US \$72,219 were reallocated to technician training under component II.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Compliance with decision 93/68(c)(vi) to (viii)

Assessment of HFC imports in 2022 in light of additional data from 2025

41. The Secretariat noted the proposal from the Government of Mexico to replace the HFC consumption figure reported in 2022 with that reported in 2023 for estimating HFC market needs during the baseline years. This adjustment provides a more representative picture of the domestic market demand during the baseline years, as it removes the one-off large imports from 2022. It is also noted that the three years used had relatively low levels of consumption due to the impact of COVID-19 (2020 and 2021) and large exports and use of 2022 stocks (2023).

42. The proposed final target of 27.7 per cent reduction from the HFC baseline consumption corresponds to a 10 per cent reduction of what the baseline would have been without the 2022 import distortion. This approach is consistent with that followed by other Article 5 countries where the HCFC component of the baseline allows some flexibility for growth especially due to partial replacement of HCFCs by HFCs taking place in the market.

43. The Secretariat also noted the commitment of the Government of Mexico to achieve intermediate reductions of 7.7 per cent in 2027 and 17.7 per cent in 2028. UNIDO explained that these reductions reflected Mexico's gradual transition towards low-GWP alternatives, supported by regulatory measures, capacity-building activities and pilot projects under the KIP. UNIDO also clarified that the HFC quota system became fully operational in 2024 and that the period up to 2026 was critical to ensure its

consolidation. A progressive reduction pathway from 2027 will help prevent supply constraints, price volatility, or unintended shifts towards non-compliant practices.

44. Regarding the assessment of future demand, UNIDO indicated that following the recent decline, HFC consumption was expected to stabilize to normal market needs level in 2026 and then increase in subsequent years, driven by the continued growth of the RAC sector—particularly residential AC, MAC, commercial refrigeration, and cold-chain infrastructure. In the absence of targeted interventions, new installations and equipment replacements would likely continue relying largely on the established HFC-based technologies, with a proportional rise in servicing requirements. In addition, a significant portion of HCFC-22 currently used for servicing, especially in commercial RAC applications in the short term, is expected to transition to HFC alternatives.¹¹ As a result, under a business-as-usual scenario, HFC consumption in Mexico would continue to increase in line with underlying market demand. The proposed KIP establishes a maximum allowable consumption of approximately 55.7 million CO₂-eq tonnes, thereby constraining this growth.

45. Upon request, UNIDO reported that in 2024 and 2025, despite high demand for import quotas set at 72,095,261.55 and 72,675,356.59 CO₂-eq tonnes, respectively, some importers ultimately did not proceed with imports due to lengthy administrative procedures. These procedures have since been streamlined. As of 31 March 2026, quotas allocated so far to importers amounted to 57,389,683 CO₂-eq tonnes, a figure expected to rise during the year as additional allocations are issued under the current system.

46. It was also noted from the verification report that a sharp decline in R-410A use and a corresponding increase in R-454B was mainly driven by the manufacturing of residential AC equipment for export to the United States of America, where regulations effective 1 January 2025 limit the GWP of refrigerants in new systems to 700. While R-454B is now required for new residential AC equipment destined for export, UNIDO informed that R-410A continues to be used in Mexico for the manufacturing of equipment for the local market and for servicing of existing systems. It is also noted that while HFC consumption in terms of CO₂-eq tonnes has decreased between 2023 and 2025, consumption expressed in metric tonnes has increased, possibly related to increased demand.

47. With respect to commercial refrigeration, UNIDO reported that in 2024 servicing demand was partly met through inventories accumulated since 2022, while consumption of R-404A and R-507 increased in 2025 as imports began to better reflect actual market needs. Mexico continues to have a large installed base of commercial and industrial refrigeration equipment operating with these refrigerants, sustaining ongoing servicing demand. The uptake of alternatives in large commercial refrigeration remains limited due to cost constraints, restricted availability, and low familiarity. Pilot projects under the KIP are intended to support the gradual adoption of low-GWP technologies in this sector.

48. The Secretariat notes that the proposed 27.7 per cent reduction from the HFC baseline by 2029, with interim reductions in 2027 and 2028, is substantially larger than the initially envisaged 10 per cent. It is based on estimated local market conditions during the baseline years by correcting for the distortion created by the unusually high level of imports in 2022. The reduction proposed for 2029 represents 21,315,086 CO₂-eq tonnes, which is 13,616,819 tonnes more than the 7,698,266 CO₂-eq tonnes initially proposed, at no additional cost to the Fund. The Executive Committee may wish to consider the revised HFC reduction targets in light of the information provided.

¹¹ There are an estimated 2.28 million RAC systems with a refrigerant charge of 6,715 mt (12,155,000 CO₂-eq tonnes) still operating with HCFC-22 in the country. In 2025, 2,432 mt (4,401,920 CO₂-eq tonnes) of HCFC-22 were used for servicing installed equipment.

Progress report

49. The Secretariat noted additional progress in most activities since the 97th meeting, as described in paragraph 38 above, and that the level of fund disbursement increased from 20 to 41 per cent.

50. Regarding the polyurethane (PU) foam sector plan, while noting progress on the discussions with systems houses and the collection of information from downstream users (DSUs), as the contracts with the systems houses have not been signed, the Secretariat suggests maintaining the language in the recommendation proposed at the 97th meeting, allowing the approval of UNDP's component for the second tranche of stage I of the KIP for Mexico, on the understanding that the Treasurer would only transfer the funds to UNDP upon confirmation by the Secretariat that UNDP had signed the contracts with the systems houses involved in the project and submitted the first list of eligible DSUs included in the project, along with their HFC consumption.

Exports of HFCs contained in pre-blended polyols

51. The discussion of this matter is included in paragraphs 30 to 32 of document UNEP/OzL.Pro/ExCom/97/60. UNIDO reported that at the time of the present submission, the Government was still working on the analysis of import and export data for HFCs contained in pre-blended polyols in 2022–2024, and reiterated the Government's commitment to finalize the collection of this information. Accordingly, the Secretariat suggests maintaining the recommendation proposed at the 97th meeting, requesting that the Government of Mexico provide information on the best available data on exports of HFCs contained in pre-blended polyols for the years 2022–2024 along with the submission of the next tranche request, in line with decision 96/52(d).

Draft Agreement for stage I of the Kigali HFC implementation plan for Mexico

52. In approving stage I of the KIP at its 93rd meeting, the Executive Committee requested the Government of Mexico, UNIDO, UNDP, UNEP and the Secretariat to finalize the draft Agreement between the Government of Mexico and the Executive Committee for stage I of the KIP, and to submit it to a future meeting once the KIP Agreement template had been approved by the Executive Committee.¹² Following the template approval at the 95th meeting,¹³ a draft Agreement between the Government of Mexico and the Executive Committee for stage I of the KIP was prepared, as contained in annex II to the present document.

Conclusion

53. Mexico is in compliance with the Montreal Protocol control targets and the maximum allowable consumption level for 2024 and 2025. The disbursement of funds approved in the previous tranche is at 41 per cent, with sufficient progress achieved during tranche implementation despite delays in the PU foam sector plan. In line with decision 93/68(c)(vi), the submission included information on the monitoring of HFC consumption to understand the extent to which consumption reported in the baseline years was representative of the local market's needs and to assess future HFC demand. Based on this information, the Government proposes to revise the maximum allowable consumption limits for the remaining years of stage I with a reduction of 27.2 per cent from the baseline in 2029, including two intermediate reductions of 7.7 per cent in 2027 and 17.7 per cent in 2028. The draft Agreement has been prepared to reflect these reductions. The Executive Committee may wish to consider the tranche request in light of this information.

¹² Decision 93/68

¹³ Decision 95/90

RECOMMENDATION

54. The Executive Committee may wish:

- (a) To note:
 - (i) The progress report on the implementation of the first tranche of stage I of the Kigali HFC implementation plan (KIP) for Mexico, including the information provided by the Government of Mexico in line with decision 93/68(c)(vi) on the monitoring of HFC consumption to understand the extent to which consumption reported in the baseline years was representative of the local market's needs assessment of future demand;
 - (ii) The commitment of the Government of Mexico to reduce HFC consumption by 7.7 per cent of the country's baseline by 2027, 17.7 per cent by 2028 and 27.7 per cent by 2029;
- (b) In light of the information referred to in subparagraph (a) above, to consider:
 - (i) Approving the draft Agreement between the Government of Mexico and the Executive Committee for the reduction in consumption of HFCs in accordance with stage I of the KIP, contained in annex II to the present document;
 - (ii) Approving the second tranche of stage I of the KIP for Mexico, and the corresponding 2026–2027 tranche implementation plan, in the amount of US \$6,507,851, consisting of US \$3,789,551, plus agency support costs of US \$265,269, for UNIDO, US \$2,053,265, plus agency support costs of US \$143,729, for UNDP and US \$227,795, plus agency support cost of US \$28,242, for UNEP, on the understanding that the Treasurer would only transfer the approved funds associated with the UNDP tranche upon confirmation by the Secretariat that UNDP had signed the contracts with the two systems houses involved in the project and had submitted the first list of eligible downstream users included in the project, along with their HFC consumption; and
- (c) Requesting the Government of Mexico and UNDP, in line with decision 96/52(d), to provide the best available data on exports of HFCs contained in pre-blended polyols for the years 2022–2024 along with the submission of the next tranche request.

Annex I

CALCULATION OF ELIGIBLE COSTS

Summary of calculations

1. Paragraph 6 of the Agreement between the Government of Mexico and the Executive Committee, approved at the 87th meeting, states that the funding specified in row 2.1 of Appendix 1-A in 2023 and in any given year thereafter will be reduced according to the following table:

	$x_{w,i} \geq 1.57$	$x_{w,i} < 1.57$
$P_{HCFC-22,i} \leq 6,454$	$IOC_{max,i} - \min(1000 \times P_{HCFC-22,i} \times 0.0157, D_{HFC-23,i}) \times 3.28$	$IOC_{max,i} - \max(1000 \times P_{HCFC-22,i} \times 0.0157, D_{HFC-23,i}) \times 3.28$
$P_{HCFC-22,i} > 6,454$	$IOC_{max,i} - \min(1000 \times 6,454 \times 0.0157, D_{HFC-23,i}) \times 3.28$	0

Where:

$P_{HCFC-22,i}$ = production of HCFC-22 in year i (mt)

$Q_{HFC-23,i}$ = quantity of HFC-23 by-product generated in year i (kg)

$D_{HFC-23,i}$ = quantity of HFC-23 by-product destroyed in year i (kg)

$x_{w,i} = \frac{Q_{HFC-23,i}}{P_{HCFC-22,i}}$ (%)

$IOC_{max,i}$ = the agreed maximum IOCs in year $i = 6,454 \times 0.0157 \times 3.28 \times 1,000 = \text{US } \$332,355$

2. Paragraphs 7 and 8 of the Agreement do not apply to the requested funding for 2026, as there was no increase in the $x_{w,i}$ that were due to circumstances beyond the control of Quimobásicos in 2025 and Quimobásicos did not have HFC-23 by-product generated from production of HCFC-22 above 6,454 mt in 2025.

3. Therefore, as the 2025 by-product generation rate is 1.02 per cent ($x_{w,i} < 1.57$), and the 2025 production of HCFC-22 is 2,220.23 mt ($P_{HCFC-22,i} \leq 6,454$), the following calculation is used:

$$IOC_{max,i} - \max(1000 \times P_{HCFC-22,i} \times 0.0157, D_{HFC-23,i}) \times 3.28$$

4. Row 2.1 of Appendix 1-A specifies a maximum level of funding of US \$433,131 for the year 2026. Using the above equation, the reduction in funding from this maximum funding level would be US \$218,022, calculated as follows:

$$\text{US } \$332,355 - [\max(1,000 \times 2,220.23 \times 0.0157) \text{ or } (22,582.90)] \times 3.28$$

$$= \text{US } \$332,355 - [\max(34,857.61 \text{ or } 22,582.90)] \times 3.28$$

$$= \text{US } \$332,355 - 114,333$$

$$= \text{US } \$218,022$$

5. Removing the reduction amount (US \$218,022) from the maximum funding level (US \$433,131) results in the country being eligible for US \$215,109, plus agency support costs of US \$15,058, for UNIDO.

Annex II

**DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF MEXICO
AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE REDUCTION IN CONSUMPTION OF HYDROFLUOROCARBONS
IN ACCORDANCE WITH STAGE I OF THE KIGALI HFC IMPLEMENTATION PLAN**

(Period: 2023–2029)

Purpose

1. This Agreement represents the understanding of the Government of Mexico (“the Country”) and the Executive Committee with respect to the reduction of controlled use of Annex F substances set out in Appendix 1-A (“The Substances”) to a sustained level of 55,667,579 CO₂-equivalent (CO₂-eq) tonnes by 1 January 2029 in compliance with the Montreal Protocol schedule and the terms of this Agreement.
2. The Country agrees to meet the annual consumption limits of Annex F substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for Annex F substances mentioned in Appendix 1-A. 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 any consumption of Annex F substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for Annex F substances specified in Appendix 1-A, and in respect to any consumption of Annex F substances that exceeds the level defined in row 4.1.3 (remaining consumption eligible for funding).
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 3.1 of Appendix 2-A to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (“Funding Approval Schedule”).
4. The Country agrees to implement this Agreement in accordance with stage I of the Kigali HFC implementation plan (“the Plan”) as approved. In accordance with subparagraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of Annex F substances set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.

Conditions for funding release

5. The Executive Committee will only provide the Funding, in accordance with the Funding Approval Schedule, when the Country satisfies the following conditions at least 12 weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years since the year in which this Agreement was approved. Years for which there are no due country programme implementation reports at the date of the Executive Committee meeting at which the funding request is being presented are exempted;
 - (b) That the meeting of these Targets has been independently verified for all relevant years, unless the Executive Committee decided that such verification would not be required;

- (c) That the Country had submitted a Tranche Implementation Report in accordance with Appendix 4-A (“Format of Tranche Implementation Reports and Plans”) covering each previous calendar year; that it had achieved a significant level of implementation of activities initiated with previously approved tranches; and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and
- (d) That the Country has submitted a Tranche Implementation Plan in accordance with Appendix 4-A covering each calendar year until and including the year for which the Funding Approval Schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen.

Monitoring

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (“Monitoring Institutions and Roles”) will monitor and report on implementation of the activities in the previous Tranche Implementation Plans in accordance with their roles and responsibilities set out in the same appendix.

Flexibility in the reallocation of funds

7. The Executive Committee agrees that the Country may have the flexibility to reallocate part or all approved funds, according to the evolving circumstances, to achieve the smoothest reduction of consumption and phase-down of Annex F substances specified in Appendix 1-A, in accordance with the following considerations:

- (a) Reallocations categorized as major changes must be documented in advance, either in a Tranche Implementation Plan as foreseen in subparagraph 5(d) above, or as a revision to an existing Tranche Implementation Plan to be submitted 12 weeks prior to any meeting of the Executive Committee, for its approval. Major changes would relate to:
 - (i) Issues potentially concerning the rules and policies of the Multilateral Fund;
 - (ii) Changes that would modify any clause of this Agreement;
 - (iii) Changes in the annual levels of funding allocated to the individual bilateral or implementing agencies for the different tranches;
 - (iv) Provision of funding for activities not included in the current endorsed Tranche Implementation Plan, or removal of an activity in the Tranche Implementation Plan, with a cost greater than 30 per cent of the total cost of the last approved tranche;
 - (v) Changes in alternative technologies, on the understanding that any submission for such a request would identify the associated incremental costs, the potential impact on the climate, and any differences in CO₂-eq tonnes to be phased down if applicable, as well as confirm that the Country agrees that potential savings related to the change of technology would accordingly decrease the overall funding level under this Agreement;
- (b) Reallocations not categorized as major changes may be incorporated into the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the subsequent Tranche Implementation Report;
- (c) Any enterprise included in the Plan that would be found to be ineligible under the policies of the Multilateral Fund (i.e., due to foreign ownership or establishment after the applicable

cut-off date) would not receive financial assistance. This information would be reported as part of the Tranche Implementation Plan; and

- (d) Any remaining funds held by the bilateral or implementing agencies or the Country under the Plan will be returned to the Multilateral Fund upon completion of the last tranche foreseen under this Agreement.

8. Specific attention will be paid to the execution of activities in the refrigeration servicing sector included in the Plan, in particular that the Country may use the flexibility available under this Agreement to address specific needs that might arise during project implementation.

Bilateral and implementing agencies

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 fulfil the obligations under this Agreement. UNIDO has agreed to be the lead implementing agency (the “Lead IA”) and UNDP and UNEP have agreed to be the cooperating implementing agencies (the “Cooperating IAs”) under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Country agrees to evaluations, which might be carried out under the evaluation work programme of the Multilateral Fund or under the evaluation programme of the Lead IA and/or Cooperating IAs taking part in this Agreement.

10. The Lead IA will be responsible for ensuring coordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to the independent verification as per subparagraph 5(b). The Cooperating IAs will support the Lead IA by implementing the Plan under the overall coordination of the Lead IA. The roles of the Lead IA and Cooperating IAs are contained in Appendix 6-A and Appendix 6-B, respectively. The Executive Committee agrees, in principle, to provide the Lead IA and the Cooperating IAs with the fees set out in rows 2.2, 2.4 and 2.6 of Appendix 2-A.

Non-compliance with the Targets in the Agreement

11. Should the Country, for any reason, not meet the Targets for the elimination of Annex F substances set out in row 1.2 of Appendix 2-A 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 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 amount set out in Appendix 7-A (“Reductions in Funding for Failure to Comply”) in respect of each CO₂-eq kg of reductions in consumption not achieved in any one year. The Executive Committee will discuss each specific case in which the Country did not comply with this Agreement and take related decisions. Once decisions are taken, the specific case of non-compliance with this Agreement will not be an impediment for the provision of funding for future tranches as per paragraph 5 above.

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

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

Date of completion

14. The completion of the Plan and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption level has been specified in Appendix 2-A. Should at that time there still be activities that are outstanding, and which were foreseen in the last Tranche Implementation Plan and its subsequent revisions as per subparagraph 5(d) and paragraph 7, the completion of the Plan will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per subparagraphs 1(a), 1(b), and 1(d) of Appendix 4.A will continue until the time of the completion of the Plan unless otherwise specified by the Executive Committee.

Validity

15. All conditions 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 Montreal Protocol unless otherwise defined herein.

16. This Agreement may be modified or terminated only by mutual written agreement of the Country and the Executive Committee of the Multilateral Fund.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substances	Starting point for aggregate reductions in consumption
HFCs	To be determined (TBD)

APPENDIX 2-A: THE TARGETS, AND FUNDING*

Row	Particulars		2023	2024	2025	2026	2027	2028	2029	Total
1.1	Montreal Protocol reduction schedule of Annex F substances	%	n/a	freeze	freeze	freeze	freeze	freeze	10	n/a
		CO ₂ -eq tonnes	n/a	76,982,664	76,982,664	76,982,664	76,982,664	76,982,664	69,284,397	n/a
1.2	Maximum allowable total consumption of Annex F substances	%	n/a	0.0	0.0	0.0	7.7	17.7	27.7	n/a
		CO ₂ -eq tonnes	n/a	76,982,664	76,982,664	76,982,664	71,054,999	63,356,732	55,667,579	n/a
2.1	Lead IA (UNIDO) agreed funding (US \$)		5,085,390	0	3,789,551	0	3,692,764	0	1,593,351	14,161,056
2.2	Support costs for Lead IA (US \$)		355,977	0	265,269	0	258,493	0	111,535	991,274
2.3	Cooperating IA (UNDP) agreed funding (US \$)		1,433,738	0	2,053,265	0	1,206,050	0	63,541	4,756,594
2.4	Support costs for Cooperating IA (US \$)		100,362	0	143,729	0	84,424	0	4,448	332,962
2.5	Cooperating IA (UNEP) agreed funding (US \$)		227,795	0	227,795	0	233,091	0	26,476	715,157
2.6	Support costs for Cooperating IA (US \$)		28,243	0	28,242	0	28,899	0	3,283	88,667
3.1	Total agreed funding (US \$)		6,746,923	0	6,070,611	0	5,131,905	0	1,683,368	19,632,807
3.2	Total support costs (US \$)		484,582	0	437,240	0	371,816	0	119,265	1,412,903
3.3	Total agreed costs (US \$)		7,231,505	0	6,507,851	0	5,503,721	0	1,802,633	21,045,710
4.1.1	Deduction of HFCs under this Agreement (CO ₂ -eq tonnes)								21,315,086	
4.1.2	Deduction of HFCs from previously approved projects (CO ₂ -eq tonnes)								*415,204	
4.1.3	Remaining eligible consumption for HFCs (CO ₂ -eq tonnes)								TBD	

* Including reductions of 70.96 mt (101,470 CO₂-eq tonnes) of HFC-134a and 5.91 mt (23,187 CO₂-eq tonnes) of R-404A from the conversion of commercial refrigeration manufacturing at two facilities of the enterprise Imbera (US \$1,018,123, plus agency support costs of US \$71,268 for UNIDO, by decision 81/64); 198 mt (283,140 CO₂-eq tonnes) of HFC-134a from the conversion of a domestic refrigeration manufacturing facility and a compressor manufacturing facility at the enterprise Mabe (US \$2,992,400, consisting of US \$2,115,012, plus agency support costs of US \$148,051 for UNDP and US \$584,988, plus agency support costs of US \$74,349 for the Government of Canada, by decision 81/65); 5.18 mt (7,407 CO₂-eq tonnes) of HFC-134a from the conversion of the manufacturing of commercial refrigerators at the enterprise Friocima (US \$136,500, plus agency support costs of US \$12,285 for UNDP, by decision 92/35).

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the second meeting of the year specified in Appendix 2-A.

APPENDIX 4-A: FORMAT OF THE TRANCHE IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Tranche Implementation Report and Plans for each tranche request will consist of four parts:
 - (a) A narrative report, with data provided by tranche, describing the progress achieved since the previous report, reflecting the situation of the Country in regard to phase-down of Annex F substances, how the different activities contribute to it, and how they relate to each other, including, where applicable, activities related to energy efficiency approved in the context of HFC phase-down pursuant to decision 91/65. The report should include the amount of Annex F substances consumption reduced as a direct result of the implementation of activities, by substance, the alternative technology used and the related phase-in of alternatives, to allow the Secretariat to inform the Executive Committee on the resulting change in climate-relevant emissions. The report should also include quantitative information on the activities implemented and further highlight the successes, experiences, and challenges related to the different activities included in the Plan, reflecting any changes in the circumstances in the Country, and providing other relevant information. The report should also include information on and justification for any changes vis-à-vis the previously submitted Tranche Implementation Plan(s), such as delays, use of flexibility for the reallocation of funds during implementation of a tranche as provided for in paragraph 7 of this Agreement, or other changes;
 - (b) An independent verification report on the Plan's results and the consumption of Annex F substances, as per subparagraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification of consumption data must be provided with each tranche request, covering all relevant years for which a verification report has not yet been acknowledged by the Committee, as specified in subparagraph 5(a) of the Agreement;
 - (c) A written description of the activities to be undertaken during the period covered by the requested tranche including quantitative information, highlighting implementation milestones, the time of completion and the interdependence of the activities, and taking into account experiences made and progress achieved in the implementation of earlier tranches; the data in the Plan will be provided by calendar year. The description should include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall Plan that are foreseen. The description should also specify and explain in detail such changes to the overall Plan. This description of future activities can be submitted as a part of the same document as the narrative report under subparagraph 1(a) above; and
 - (d) An Executive Summary of about five paragraphs, summarizing the information contained in subparagraphs 1(a) to 1(c) above.

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The Country, through the Secretariat of Environment and Natural Resources (SEMARNAT), shall ensure the monitoring of progress and sustainability of HFC consumption reductions through an established institutional and regulatory framework, supported by inter-institutional coordination mechanisms, in accordance with its national legislation and international commitments.

2. The Country, through SEMARNAT, will be responsible for the overall coordination, monitoring, and reporting of the implementation of activities under this Agreement. SEMARNAT will oversee compliance with established targets and ensure alignment with national regulatory frameworks and international commitments, in line with its authority to formulate and conduct national policy on climate change and ozone layer protection.
3. Within SEMARNAT, the General Directorate of Industry, Clean Energies and Air Quality Management (DGIELGCA) is responsible for implementing regulatory measures related to ozone layer protection, including the allocation of import quotas for controlled substances and the collection of information on their use. In carrying out these functions, DGIELGCA is supported by the national ozone unit, which is responsible for the operational implementation of Montreal Protocol activities, including data collection, verification, stakeholder coordination, and facilitation of compliance and control measures.
4. The implementation of the Montreal Protocol is further supported by the Inter-secretarial Commission for the Control of the Process and Use of Pesticides, Fertilizers and Toxic Substances, which coordinates actions among relevant federal authorities in accordance with applicable national legislation. Among its members, the Ministry of Health, through the Federal Commission for the Protection against Sanitary Risks, regulates the import of hazardous substances pursuant to the General Health Law. The General Directorate of Integral Management of Hazardous Materials and Activities, within the SEMARNAT, issues authorizations for the import and export of hazardous materials and waste in accordance with international agreements.
5. Additional institutions supporting implementation include the National Customs Agency of Mexico, responsible for customs control and enforcement of import and export regulations, and the Ministry of Economy, which establishes trade-related policies and import/export restrictions.
6. Enforcement and compliance verification will be conducted by the Federal Attorney for Environmental Protection (PROFEPA), responsible for ensuring adherence to non-tariff regulations within SEMARNAT's mandate. PROFEPA may carry out inspections and apply administrative sanctions in cases of non-compliance. Environmental enforcement is further supported by the Office of the Attorney General which, through its Specialized Prosecutor's Office, is responsible for the investigation and prosecution of acts defined by law as environmental crimes.
7. The Lead IA will support the Country in monitoring progress, verifying reported data, and ensuring that implementation is consistent with the requirements of the Multilateral Fund.
8. Progress monitoring shall be carried out through the national HFC licensing and quota allocation system, which enables the timely and verifiable tracking of import volumes. This system shall be complemented by data from customs authorities and other relevant governmental entities to ensure the consistency and accuracy of reported consumption.
9. The sustainability of achieved reductions shall be ensured through the continued enforcement of the licensing and quota system, the progressive strengthening of the regulatory framework, inter-institutional coordination, and ongoing capacity-building efforts for stakeholders. This integrated approach shall support long-term compliance and the sustained reduction of HFC consumption in line with the country's commitments.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities, including at least the following:
 - (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 Plan;

- (b) Assisting the Country in the preparation of the Tranche Implementation Reports and Plans as per Appendix 4-A;
- (c) Providing independent verification to the Executive Committee that the Targets have been met and associated tranche activities have been completed as indicated in the Tranche Implementation Plan, consistent with Appendix 4-A;
- (d) Ensuring that the experiences and progress are reflected in the updates to the overall Plan and in the future Tranche Implementation Plans, consistent with subparagraph 1(c) of Appendix 4-A;
- (e) Fulfilling the reporting requirements of the Tranche Implementation Reports and Plans and of the overall Plan as specified in Appendix 4-A for submission to the Executive Committee, including the activities implemented by the Cooperating IAs;
- (f) In the event that the last funding tranche is requested one or more years prior to the last year for which a consumption target had been established, annual Tranche Implementation Reports and, where applicable, verification reports on the current stage of the Plan should be submitted until all activities foreseen had been completed and HFC consumption targets had been met;
- (g) Ensuring that appropriate independent technical experts carry out the technical reviews;
- (h) Carrying out the required supervision missions;
- (i) Ensuring the presence of an operating mechanism to allow for an effective and transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (j) Coordinating the activities of the Cooperating IAs and ensuring the appropriate sequence of activities;
- (k) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country and the Cooperating IAs, the allocation of the reductions to the different budget items and to the funding of the Lead IA and each Cooperating IA;
- (l) Ensuring that disbursements made to the Country are based on the use of the indicators;
- (m) Providing assistance with the policy, management and technical support when required;
- (n) Reaching consensus with the Cooperating IAs on any planning, coordination and reporting arrangements required to facilitate the implementation of the Plan; and
- (o) Timely releasing funds to the Country/participating enterprises for completing the activities related to the project.

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent entity to carry out the verification of the Plan's results and of the consumption of Annex F substances mentioned in Appendix 1-A, as per subparagraph 5(b) of the Agreement and subparagraph 1(b) of Appendix 4-A.

APPENDIX 6-B: ROLE OF THE COOPERATING IMPLEMENTING AGENCIES

1. The Cooperating IAs will be responsible for a range of activities. These activities are specified in the Plan, including at least the following:

- (a) Providing assistance for policy development when required;
- (b) Assisting the Country in the implementation and assessment of the activities funded by the Cooperating IAs, and referring to the Lead IA to ensure a coordinated sequence of activities;
- (c) Providing reports to the Lead IA on these activities, for inclusion in the consolidated reports as per Appendix 4-A; and
- (d) Reaching consensus with the Lead IA on any planning, coordination and reporting arrangements required to facilitate the implementation of the Plan.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY WITH THE TARGETS IN THE AGREEMENT

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$2.19 per CO₂-eq tonne of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the Target specified in row 1.2 of Appendix 2-A has not been met, on the understanding that the maximum funding reduction would not exceed the funding level of the tranche being requested. Additional measures might be considered in cases where non-compliance extends for two consecutive years. Where the country has failed to comply with the Agreement due to illegal trade, the reduction in funding would not be applied if the illegally traded controlled substances are seized and subsequently confiscated, destroyed, exported, or returned to the country of origin.