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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Twenty-fifth Meeting
Montreal, 29-31 July 1998

Addendum

PROJECT PROPOSALS: BRAZIL

The Secretariat concluded its discussions on the outstanding issues with UNDP. The following conclusions were reached.

Integral Skin/Flexible Slabstock projects

1. Although chemical temperature control is essential in all polyurethane processing, and should be available in the baseline, it was agreed to provide it for machines which did not have such facility to assist the companies to produce acceptable products when converting to water-blown process. Consequently the amount of US \$20,000 requested for chemical temperature control for Injebank and others was agreed as eligible incremental capital cost.

Caloi:

2. This project (for which multi-component premixer was requested) was withdrawn by UNDP to be reformulated for presentation at the 26th Meeting, since it was difficult to identify the eligible incremental costs of the project.

Cougar:

3. The cost of the requested high pressure machines is not an eligible incremental cost since the low pressure machines can continue to be used for the conversion. The two low pressure machines would be retrofitted at US \$15,000 per machine.

Gnatus:

4. The cost of the replacement of the 15 kg/min low pressure machine with a 40 kg/min high pressure machine is not an eligible incremental cost for the same reason indicated above (in Cougar). The cost of replacement of the 10 kg low pressure machine with a 40 kg low pressure machine is also not an eligible incremental cost since the capacity is suitable for the conversion. It was noted that the reason for the new low pressure machine which has already been placed on order by the company is to enable it to produce outsourced work in-house.

Panther:

5. The cost of retrofit or any modification to the two machines installed in 1997 is not an eligible incremental cost, since they were installed after July 1995. Hence only the cost of chemical temperature control for two out of the four machines installed before July 1995 was considered to be eligible i.e. US \$40,000. Based on the additional information provided by UNDP it was agreed that the cost of additional 10% density would be an eligible incremental cost. However the way in which the additional cost for higher systems was calculated resulted in double counting. Therefore the incremental operational cost was recalculated.

6. Consequently the following costs were agreed for the projects.

	Incremental Capital Cost	Contingency	IOC	Total
Caloi	Withdrawn			
Cougar	85,000	8,500	60,875	154,375
Gnatus	95,000	9,500	102,725	207,225
Injebank	58,000	5,800	22,500	86,300
Panther	101,250	10,125	164,430	275,805

Herval:

7. Based on the proposed project cost structure and considering all necessary factors, including chemical costs and incremental operational costs of the alternative options, the hexane option was found to be more cost-effective than water-blown polyester polyol option. The project cost for the shoe sole and flexible slabstock components were therefore agreed as presented. The project was to be revised to remove any implied responsibility of the Multilateral Fund for any part of the company's liquid carbon dioxide (LCD) conversion plans. The eligible project costs were agreed as follows:

Shoe sole operation: US \$547,000
Boxfoam: US \$90,335

RECOMMENDATIONS

1. The Fund Secretariat and UNDP agreed that the projects listed below and their indicated costs should be recommended for approval:

Project Title	Project Cost US \$	Support Cost US \$	Implementing Agency
Conversion to HCFC-141b, followed by water, in the Manufacture of Polyurethane Foam at Caloi.	Withdrawn		
Conversion to HCFC-141b and Water-Blown Technology in the Manufacture of Polyurethane Foam at Cougar.	154,375	20,069	UNDP
Conversion to HCFC-141b and Water-blown Technology in the Manufacture of Polyurethane Foam at Gnatus.	207,225	26,939	UNDP
Phase out of CFC-11 by Conversion to Water Technology in the Manufacture of Polyurethane Foam Panther.	275,805	35,855	UNDP
Conversion to hexane technology in the manufacture of show soles at Herval.	547,000	71,110	UNDP
Conversion to methylene chloride in the manufacture of slabstock foam (boxfoam) at Herval.	90,335	11,744	UNDP

2. UNDP may apply the eligible cost of the flexible slabstock foam project component to the cost of installation of the LCD system by the company, provided that this does not result in delay in the implementation of the entire project beyond the stipulated twenty-four months.

Rigid foam projects

RIP:

1. Having examined the options of retrofit of the existing low pressure machines and replacement of some or all of the eligible low pressure machines it was concluded that the project cost would exceed the eligible cost allowable under the threshold for any of the available options. Therefore, the project proposal and the associated incremental costs were maintained as presented.

Delta Pack:

2. The low pressure machines would be retrofitted at the cost of US \$10,000 each.
3. With regard to the in-line premixer for US \$65,000 proposed in the project the Secretariat and the implementing agencies together with industry experts and representatives of foam equipment manufacturers discussed this issue and agreed that a two-component premixer

estimated at US \$15,000 would be the appropriate solution. Thus a premixer costing US \$15,000 has been budgeted for the project.

SSM:

4. The low pressure machines for both the packaging foam and picnic cooler productions would be retrofitted at the cost of US \$15,000 each. The technology transfer and training cost was increased from US \$15,000 to US \$20,000, since UNDP indicated that retrofit of the equipment instead of replacement would require higher level of technical assistance.

5. With regard to the issue of 10% increase in density, it was agreed that this should apply only to the low density packaging foam production component which may require increase in density to ensure structural integrity of the foam. The incremental operational cost was recalculated on this basis.

RECOMMENDATION

1. The Fund Secretariat and UNDP agreed that the projects listed below and their indicated costs should be recommended for approval:

Project Title	Project Cost US \$	Support Cost US \$	Implementing Agency
Phase out of CFC-11 by conversion to water and HCFC-141b technology in the manufacture of polyurethane foam at Delta Pack	202,500	26,325	UNDP
Conversion to HCFC-141b technology in the manufacture of polyurethane foam at Refratarios Isolamentos e Pinturas (RIP)	94,000	12,220	UNDP
Conversion to water based technology in the manufacture of polyurethane foam SSM	106,500	13,845	UNDP