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THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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Montreal, 4-8 December 2024
Item 9(a) of the provisional agenda[1]

OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW

Introduction

1. This document consists of the following sections:

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- IV.3 Summary of prices of the controlled substances and alternatives

[1] UNEP/OzL.Pro/ExCom/95/1

I. Overview of projects and activities submitted by bilateral and implementing agencies

2. Table 1 presents a summary of requests that were submitted by bilateral and implementing agencies to the 95th meeting.

Table 1: Requests submitted by bilateral and implementing agencies

Project and activities	No. of countries	No. of funding requests	Amounts requested (US $)	Amounts in principle (US $)
Stage II/III of HCFC phase-out management plans (HPMPs)	8	16	11,915,101	26,159,461
Tranches of approved HPMPs	29	46	25,346,171	
Preparation of stage II/III/IV of HPMPs	8	11	413,500	
Tranche of an approved HCFC production phase-out management plan (HPPMP)	1	1	23,232,000	
Stage I of Kigali HFC implementation plans (KIPs)	16	35	15,460,398	34,618,287
Stage I of a regional KIP	12	14	1,113,898	1,858,286
HFC investment projects	2	2	11,096,333	
Enabling activities for HFC phase-down	1	1	53,500	
Preparation of KIPs and/or investment-related activities	5	7	857,460	
Renewal of institutional strengthening (IS) projects	35	35	9,778,750	
Additional activities to maintain energy efficiency in the servicing sector (decision 89/6)*	19	21	2,158,186	
Preparation of pilot projects on energy efficiency (decision 94/60)	5	5	898,800	
Pilot projects on energy efficiency (decisions 91/65 and 94/60)	11	11	12,290,375	
Preparation of national inventories of banks of waste controlled substances (decision 91/66)	30	30	2,638,600	
Compliance Assistance Programme (CAP) (2025 budget)		1	12,086,637	
Core unit costs (2025)		3	6,599,298	
Total		**239**	**135,939,007**	

* Activities for five of these countries (Bhutan, Costa Rica, Jamaica, Rwanda, Uganda) have been submitted as part of their HPMP tranche requests and activities for the 12 Pacific Island Countries (the Cook Islands, Kiribati, the Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu) have been submitted as part of a regional HPMP tranche request.

Note: Funding amounts include agency support costs.

II. Overview of projects and activities following the project review process

3. Following the project review process, eight funding request for projects and activities totalling US $7,698,983, including agency support costs, have been withdrawn, 135 requests totalling US $21,251,586, including agency support costs, have been recommended for blanket approval, and 96 requests totalling US $95,224,955, including agency support costs, have been forwarded for individual consideration. Together, the funding requests for projects and activities recommended for either blanket approval or individual consideration amount to US $116,476,541, including agency support costs.

II.1 Projects submitted and subsequently withdrawn

4. Table 2 presents a summary of the requests that were submitted by bilateral and implementing agencies to the 95th meeting, and subsequently withdrawn.

Table 2: Requests submitted and subsequently withdrawn

Projects and activities	No. of countries	No. of funding requests	Amount requested (US $)
Pilot projects on energy efficiency (decision 91/65)	2	2	6,140,465
Stage I of KIPs	2	3	1,170,955
Tranche of an approved HPMP	1	2	280,563
Additional activities to maintain energy efficiency in the servicing sector (decision 89/6)	1	1	107,000
Total		**8**	**7,698,983**

Note: Funding amounts include agency support costs

Pilot projects on energy efficiency (decision 91/65) (Jordan, the Bolivarian Republic of Venezuela - included in next section)

5. UNIDO, on behalf of the Government of Jordan, submitted a proposal for a demonstration project to phase out 18.36 metric tonnes (mt) of HCFC-22 in the commercial and industrial refrigeration subsectors by introducing R-290 in 22 cold rooms at Jordan Silos and Supply General Company (Jordan Silos) and enhancing the energy efficiency of its refrigeration systems, thus enabling the enterprise to avoid the introduction of HFCs with high global-warming potential.

6. The Secretariat noted with appreciation that Jordan wished to leapfrog from HCFC-22 to R-290 technology at Jordan Silos cold rooms, thereby avoiding a transition to R-404A or other HFCs and enabling a transition to an energy-efficient technology. However, the project is not eligible under decision 91/65 as the controlled substance that would be phased out is HCFC-22 rather than an HFC. The Secretariat noted that, should Jordan wish to consider an end-user demonstration project for this application, it could do so using eligible funding under the country's HCFC phase-out management plan (HPMP) and meeting the requirements of decision 92/36. Further to a discussion with the Secretariat, the Government of Jordan decided to withdraw the project proposal.

Stage I of the Kigali HFC implementation plan (Uganda, the Bolivarian Republic of Venezuela)

7. UNEP, on behalf of the Government of Uganda, submitted a proposal for stage I of the KIP. The Secretariat noted important inconsistencies in the submission, including calculations of three baselines which ranged from 3.5 to almost 13 times higher than that established by the Ozone Secretariat, and a proposed reduction schedule that would leave the country in non-compliance with the Montreal Protocol unless a change in the established baseline were approved by the Implementation Committee. Further discrepancies were noted in the sectoral data as submitted, indicating an HFC consumption in baseline years that was roughly 26 times higher than the HCFC consumption in baseline years. In light of the significant revisions and work required to validate the consumption data, it was agreed that the submission would be withdrawn until the 96th meeting.

8. UNIDO, on behalf of the Government of the Bolivarian Repubic of Venezuela, submitted a proposal for stage I of the KIP, including a pilot project on energy efficiency in line with decision 91/65. The Secretariat expressed concern about the country's HCFC consumption in 2023, which exceeded the allowable limit by more than double, despite remaining in compliance with the Montreal Protocol measures, indicating that the country's licensing and quota system was not enforceable and potentially preventing the country from meeting its phase-out targets. Based on the level of imports in 2023, and in line with Appendix 7-A of the HPMP Agreement, the reduction in funding for failure to comply was calculated at US $751,599. It deemed meaningful to the Secretariat to consider the request of funding for the Bolivarian Republic of Venezuela along with the next HPMP tranche request, due in 2025, with the HCFC consumption verification report, a detailed explanation of the level of imports in 2023 and 2024, and a detailed explanation of the current situation of the application and enforcement of the licensing and quota system for controlled substances in the country. The Secretariat notes that the postponement of the present submission will not represent a risk of non-compliance with the country's HFC control targets given the

low level of HFC consumption in relation to the HFC baseline. Given the country's low HFC consumption, UNIDO accepted the Secretariat's request to withdraw the current submission and to resubmit it alongside the 2025 tranche of the country's HPMP, including a detailed report on the 2023 and 2024 HCFC imports and the status of the licensing system.

Tranche of an approved HCFC phase-out management plan (El Salvador)

9. UNDP, on behalf of the Government of El Salvador, submitted a request for the second tranche of stage II of the HPMP. By the time of submission, the 20 per cent disbursement threshold for the first tranche had not been reached by the submission date. Given that almost 30 per cent of funding approved so far had been committed to acquiring equipment, the Secretariat extended, on an exceptional basis, the date for UNDP to submit an updated financial report until 24 October 2024; however, no additional disbursements were made as the equipment had not yet arrived in the country, and UNDP withdrew the proposal.

Additional activities to maintain energy efficiency in the servicing sector (decision 89/6) (Georgia)

10. UNDP, on behalf of the Government of Georgia, submitted a request for additional activities in the refrigeration servicing sector and subsequently withdrew it because the Secretariat noted that the activities proposed, such as introducing green building standards and raising related awareness, fell out of scope of decision 89/6. UNDP indicated that new discussions with the Government would be held and that the proposal would be resubmitted as a stand-alone initiative under decisions 89/6 and 92/22 at the 96th meeting.

II.2 Projects recommended for blanket approval

11. Table 3 presents a summary of requests recommended for blanket approval. Document UNEP/OzL.Pro/ExCom/95/33, considered under agenda item 9(c), includes additional information on those requests, the Secretariat's recommendation for the consideration of the Executive Committee, and an annex containing a full list of projects recommended for blanket approval.

Table 3: Requests recommended for blanket approval

Projects and activities	No. of countries	No. of funding requests	Amounts recommended (US $)
Tranches of approved HPMPs	11	18	3,521,295
Tranche of an approved regional HPMP	12	14	2,204,845
Preparation of stage II/III/IV of HPMPs	8	11	413,500
Preparation of KIPs and/or investment-related activities	4	6	589,960
Renewal of IS projects	35	35	9,778,750
Enabling activities for HFC phase-down	1	1	53,500
Additional activities to maintain energy efficiency in the servicing sector (decision 89/6)*	7	6	708,800
Additional activities to maintain energy efficiency in the servicing sector (decision 89/6) under regional HPMP**	12	14	1,342,336
Preparation of national inventories of banks of waste-controlled substances (decision 91/66)	30	30	2,638,600
Total		**135**	**21,251,586**

*Activities for five of these countries (Bhutan, Costa Rica, Jamaica, Rwanda, and Uganda) have been submitted as part of their HPMP tranche requests.

**Activities for the 12 Pacific Island Countries (the Cook Islands, Kiribati, the Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu) have been submitted as part of a regional HPMP tranche request.

Note: Funding amounts include agency support costs.

II.3 Projects recommended for individual consideration

12. Table 4 presents a summary of requests submitted for individual consideration. More details on those projects and activities are contained in document UNEP/OzL.Pro/ExCom/95/34, considered under agenda item 9(d).

Table 4: Requests recommended for individual consideration

Projects and activities	No. of countries	No. of funding requests	Amounts recommended (US $)	Amounts in principle (US $)
Stage II/III of HPMPs	8	16	10,364,398	24,413,428
Tranches of approved HPMPs	6	12	17,886,608	
Stage I of KIPs	14	32	11,396,832	26,876,754
Stage I of a regional KIP	12	14	1,105,140	1,841,900
HFC investment projects	2	2	6,474,119	
Preparation of KIPs and/or investment-related activities	1	1	267,500	
Preparation of pilot projects on energy efficiency (decision 94/60)	5	5	725,460	
Pilot projects on energy efficiency (decisions 91/65 and 94/60)	9	9	5,086,963	
CAP (2025 budget)		1	12,086,637	
Core unit costs (2025)		3	6,599,298	
Tranche of an approved HPPMP	1	1	23,232,000	
Total		**96**	**95,224,955**	

Note: Funding amounts include agency support costs.

III. Issues identified during the project review process

III.1 Consistency of HFC consumption data

13. The Secretariat has raised on many occasions the importance of data consistency among Article 7 data, the country programme (CP) implementation data and the project phase-out data. Article 5 countries, implementing and bilateral agencies and the Secretariat all face challenges with the complexity of HFC data. However, as the receiving end of the projects, funding of which is based on consumption data, the issue of data discrepancies become more apparent to the Secretariat. The extended time required to reconcile data in different datasets, to discuss with the agencies the results of the data reconciliation, and to ensure Article 5 countries resubmit both the CP and Article 7 data reports, results in delays in the project review process and in the preparation of the meeting documents.

14. In order to showcase the importance of data consistency in the review process, the Secretariat has held a webinar with all colleagues from the implementing agencies and a side event in the margins of the 46th Open-Ended Working Group on the preparation of KIPs. While the situation has improved, the Secretariat is still receiving project proposals with data inconsistencies that are neither explained, nor addressed in the proposals. The Secretariat will continue to undertake its utmost efforts to ensure that all Article 5 countries receive assistance to phase down HFCs, while respecting the existing decisions of the Executive Committee on data discrepancies.[2]

[2] Decision 34/18(a) (to request the Secretariat and the implementing agencies not to submit project proposals which showed inconsistencies between project data and the latest reported sectoral consumption data) and decision 41/16 (to request implementing agencies to ensure that they had verified with the national ozone units the consistency of

III.2 Calculation of the climate impact of activities in Kigali HFC implementation plans

15. At the 93rd meeting, the Secretariat informed the Executive Committee that it was in the process of updating the Multilateral Fund Climate Impact Indicator (MCII) model to enable the calculation of climate impact of HFC phase-down investment projects in the refrigeration and air-conditioning (RAC) manufacturing sectors.

16. At the 94th meeting, the Secretariat informed the Executive Committee that it was testing the updated version of the Multilateral Fund Climate Impact Indicator (MCII) model. Updates to the model include the incorporation of HFCs and HFC blends, the linking of the model to a commercially available thermodynamic database to enable more accurate and flexible model use; the updating of the heat-transfer correction factors; and options to reflect energy efficiency improvements. The original purpose of the MCII model was to compare the relative climate impact of different refrigerant options within a manufacturing enterprise. Those benefits are calculated based on the unit manufacturing at the enterprise in one year and take into account the lifetime of this equipment and its servicing needs. The Secretariat has finalised the testing of the MCII and has applied it to two manufacturing conversions projects that are submitted to the 95th meeting for the consideration of the Executive Committee. The Secretariat plans to incorporate the updated MCII model within an overall methodology for assessing the climate impact of HFC phase-down projects supported by the Multilateral Fund.

III.3 Preparatory funding requests for projects to be submitted under decision 94/60

17. UNIDO submitted requests for project preparation to enhance energy efficiency in the refrigeration and air-conditioning (RAC) sectors in the context of HFC phase-down in four countries (Egypt, Nigeria, Tunisia and Türkiye). The World Bank submitted a request for project preparation to enhance energy efficiency in the manufacturing of light commercial AC systems in the context of HFC phase-down in Thailand. The preparatory funding requests are for projects to be submitted under decision 94/60. The details of these requests and the issues identified while the Secretariat reviewed those requests are described in documents UNEP/OzL.Pro/ExCom/95/37 and UNEP/OzL.Pro/ExCom/95/38 respectively.

18. As these are the first requests for the preparation of energy efficiency-related projects under decision 94/60, without precedents and relevant guidelines, the Secretariat reviewed these requests following the cost guidelines for the preparation of stage I of KIPs contained in decision 87/50, which includes specific funding levels for the preparation of investment projects; agencies also confirmed that the resulting projects will be submitted/subsumed as part of stage I of the KIP in the context of HFC phase-down. The Secretariat also identified two other issues: the eligibility of certain enterprises to be part of the submission under decision 94/60 and the availability of the minimum energy performance standards in specific categories of equipment. The Secretariat is of the view that the preparatory funding recommended will allow agencies to have a comprehensive understanding of the relevant sector in the context of HFC phase-down and energy efficiency and that the two issues could be addressed when the resulting projects are submitted for project review noting also that the MEPS is a condition specified under the operational framework already adopted and that the Secretariat has included the issue of preparatory funding in document UNEP/OzL.Pro/ExCom/95/87, paragraphs 70-75 and the issue can be further considered under agenda item 11(b).[3]

Article 7 data, the country programme implementation data and the project phase-out data, prior to transmitting projects to the Secretariat for review).

[3] Further elaboration on the operational framework on energy efficiency while phasing down HFCs in relation to the elements listed under decision 94/60(h)

III.4 Calculation of the cost and reductions from the starting point in the servicing sector for the Kigali HFC implementation plans in non-low-volume-consuming countries

19. At the 93rd meeting of the Executive Committee, a methodology for calculating costs and reductions from the starting point in the servicing sector for non-low-volume-consuming countries (LVC) countries was developed. The methodology, detailed in annex I of document UNEP/OzL.Pro/ExCom/93/97, had already been used to determine reductions in HFC consumption eligible for funding, and a decision was proposed to continue its use. However, the implications of the new methodology, particularly regarding the impact on the starting point for KIPs, necessitated further discussions, which continued at the 93rd and the 94th meetings.

20. At the 94th meeting, the representative of Canada, introduced a proposed draft decision on the continued application of the approach, developed by the Secretariat and used since the 93rd meeting of the Executive Committee, to cost-effectiveness calculation in the servicing sector in Kigali HFC implementation plan for non-LVC countries. Several members said that more time was needed to consider carefully the impact of adoption of the proposed draft decision. The Executive Committee decided to consider, at the 95th meeting, the proposal by the Government of Canada,[4] set out in annex I to the present document. The Executive Committee may wish to consider the matter.

IV. Reports on the implementation of decisions and follow-up on previous discussions relating to project review

IV.1 Institutional strengthening renewal requests

21. The Secretariat reviewed the terminal reports and requests for the extension of institutional strengthening (IS) funding for 35 countries against relevant decisions, including decision 91/63(d) on the funding level for IS projects, and decision 91/63(c) on the requirement to use the revised format for terminal reports and requests for the extension of IS funding and the corresponding performance indicators. All requests were crosschecked against previous IS reports; progress reports on the implementation of CPs; data reported under Article 7 of the Montreal Protocol; the latest reports on the implementation of HPMPs; implementing agencies' progress reports submitted to the 95th meeting; and relevant decisions on compliance adopted by the Parties to the Montreal Protocol. In total, 35 countries submitted the 2023 CP implementation data as at the date of issuance of the relevant work programme documents. All countries reported that they had achieved or partially achieved all applicable IS objectives. The Secretariat observed that there was a good level of consistency in the application of the performance indicators between the countries requesting IS funding. The Secretariat recommends all IS projects submitted to the 95th meeting for blanket approval.

IV.2 Funding withheld pending submission of verification reports or meeting specific conditions

22. At the 93rd meeting, the Executive Committee approved stage II of the HPMP for Mozambique and its first tranche on the understanding that the Treasurer would transfer the approved funds to UNEP and UNDP only after the Secretariat received confirmation that the equipment to be procured under stage I of the UNIDO component had been distributed to the beneficiaries and relevant training had taken place (decision 93/44(e)(ii)). In September 2024, UNIDO confirmed completion of the pending activities and submitted the relevant progress report, the certificate of acceptance of equipment, the training concept note, and a list of training participants. The Treasurer was informed of this development and requested to disburse the approved funds to UNEP and UNDP for the implementation of the first tranche of stage II of the HPMP for Mozambique.

[4] Decision 94/18

23. At the 93rd meeting, the Executive Committee also approved the second tranche of stage II of the HPMP for Qatar on the understanding that the approved funds would only be transferred by the Treasurer to UNEP after the Secretariat confirmed that the country had implemented the commitments listed in decision 88/54(e)(i), (ii), and (iii) (decision 93/36(a)). At the time of finalization of the present document the Secretariat had not received an update on the status of implementation of those commitments.

24. On 23 September 2024 the Government of Germany submitted the 2024 verification report for Lesotho. The report confirmed that the country was in compliance with its targets and that its licensing and quota system for HCFCs was under implementation. The Government of Lesotho will follow the report's recommendations to continue strengthening its HCFC licensing and quota system during the implementation of both the HPMP and the KIP. Given that no issues were identified in the verification report and that Article 7 data reports from 2018 to 2023 were consistent with the verified consumption, the Secretariat notified the Government of Germany that the approved funds could be used for project implementation.

25. The Government of Papua New Guinea ratified the Kigali Amendment on 12 November 2024. The Treasurer was informed of this development and requested to disburse the funds approved for the Government of Germany for the preparation of stage I of the KIP as per decision 94/23.

IV.3 Summary of prices of the controlled substances and alternatives

26. In line with decision 79/4(c), the Secretariat includes in each "Overview of issues identified during project review", a summary of the prices of the controlled substances and the alternatives to be phased in, as communicated by enterprises requesting funding in any new project proposals, including clarification of any differences between those and the prices reported in the CP data report. The Secretariat received investment projects for two stand-alone HFC investment projects in Argentina and Morocco, and one investment project included as part of the KIP for Nigeria. None of the enterprises included in the proposals is requesting funding for incremental operating costs (IOCs), therefore, no discussions on the prices of controlled substances and alternatives took place.

Annex I

DRAFT DECISION ON AGENDA ITEM 9(a): OVERVIEW OF ISSUES IDENTIFIED DURING PROJECT REVIEW

(Submitted by the Government of Canada)

Clarification of Secretariat practices with regard to Kigali HFC implementation plans

1. The Executive Committee decided to note the approach used by the Secretariat since the 93rd meeting for calculating the reductions of HFC consumption eligible for funding to be deducted from the starting point and the cost of HFC phase-down in the refrigeration servicing sector in stage I of the Kigali HFC implementation plans (KIPs) of non-low-volume-consuming (non-LVC) countries and to agree that this approach should continue to be applied in stage I of the KIPs for non-LVC countries.