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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-sixth Meeting
Montreal, 2-6 November 2020
Postponed to 8-12 March 2021[1]

PROJECT PROPOSAL: BRUNEI DARUSSALAM

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

Phase-out

- HCFC phase-out management plan (stage II, first tranche) — UNEP and UNDP

[1] Due to coronavirus disease (COVID-19)

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

BRUNEI DARUSSALAM

(I) PROJECT TITLE	**AGENCY**
HCFC phase-out plan (stage II)	UNEP (lead), UNDP

(II) LATEST ARTICLE 7 DATA (Annex C Group l)	Year: 2019	3.33 (ODP tonnes)

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)									**Year:** 2019
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					3.33				3.33

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	6.10	Starting point for sustained aggregate reductions:	6.10
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	2.14	Remaining:	3.96

(V) BUSINESS PLAN		**2020**	**2021**	**2022**	**Total**
UNEP	ODS phase-out (ODP tonnes)	1.2	0	0	1.2
	Funding (US $)	198,023	0	0	198,023
UNDP	ODS phase-out (ODP tonnes)	0.8	0	0	0.8
	Funding (US $)	127,812	0	0	127,812

(VI) PROJECT DATA			**2020**	**2021-2023**	**2024**	**2025-2026**	**2027**	**2028-2029**	**2030**	**Total**
Montreal Protocol consumption limits			3.96	3.96	3.96	1.98	1.98	1.98	0.00	n/a
Maximum allowable consumption (ODP tonnes)			3.96	3.96	3.96	1.98	1.98	1.98	0.00	n/a
Projects costs requested in principle (US $)	UNEP	Project costs	149,100	0	76,100	0	67,300	0	58,500	351,000
		Support costs	19,383	0	9,893	0	8,749	0	7,605	45,630
	UNDP	Project costs	11,000	0	154,000	0	69,000	0	0	234,000
		Support costs	990	0	13,860	0	6,210	0	0	21,060
Total project costs requested in principle (US $)			160,100	0	230,100	0	136,300	0	58,500	585,000
Total support costs requested in principle (US $)			20,373	0	23,753	0	14,959	0	7,605	66,690
Total funds requested in principle (US $)			180,473	0	253,853	0	151,259	0	66,105	651,690

(VII) Request for approval of funding for the first tranche (2020)		
Agency	**Funds requested (US $)**	**Support costs (US $)**
UNEP	149,100	19,383
UNDP	11,000	990
Total	160,100	20,373

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

Background

1. On behalf of the Government of Brunei Darussalam, UNEP as the lead implementing agency has submitted a request for stage II of the HCFC phase-out management plan (HPMP), at a total cost of US $651,690, consisting of US $351,000, plus agency support costs of US $45,630 for UNEP, and US $234,000, plus agency support costs of US $21,060 for UNDP, as originally submitted.[2] The implementation of stage II of the HPMP will phase out the remaining consumption of HCFCs by 2030.

2. The first tranche of stage II of the HPMP being requested at this meeting amounts to US $324,973, consisting of US $175,500, plus agency support costs of US $22,815 for UNEP, and US $116,200, plus agency support costs of US $10,458 for UNDP, as originally submitted.

Status of implementation of stage I of the HPMP

3. Stage I of the HPMP for Brunei Darussalam was originally approved at the 66th meeting[3] to meet the 35 per cent reduction from the baseline by 2020, at a total cost of US $315,000, plus agency support costs to phase out 2.14 ODP tonnes of HCFCs used in the refrigeration and air-conditioning (RAC) servicing sector. The fourth and final tranche of stage I of the HPMP was approved under the intersessional approval process (IAP) for the 85th meeting in May 2020; stage I will be completed by December 2021.

<u>HCFC consumption</u>

4. The Government of Brunei Darussalam reported consumption of 3.33 ODP tonnes of HCFC in 2019, which is 45 per cent below the HCFC baseline for compliance. The 2015-2019 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Brunei Darussalam (2015-2019 Article 7 data)

HCFC-22	2015	2016	2017	2018	2019	Baseline
Metric tonnes (mt)	64.89	68.13	62.69	61.34	60.52	110.91
ODP tonnes	3.57	3.75	3.45	3.37	3.33	6.10

5. Brunei Darussalam only consumes HCFC-22 in the servicing sector. The increase in consumption between 2015 and 2016 is attributed to one large importer that did not import HCFCs in 2015, but imported in 2016. Since then, the reduction in HCFC consumption is due to annual reductions in the import quotas issued by the Government, strict implementation of the licensing system, and the activities implemented under stage I of the HPMP, including the training in good servicing practices for RAC technicians, technical assistance to the refrigeration servicing sector and increased awareness of alternatives to HCFCs. Also, the introduction of alternative technology into the local market has reduced consumption of HCFC-22.

CP implementation report

6. The Government of Brunei Darussalam reported HCFC sector consumption data under the 2019 CP implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

<u>Status of progress and disbursement</u>

Legal framework

7. Under stage I of the HPMP, Brunei Darussalam has continued to implement its licensing system to

[2] As per the letter of 7 July 2020 from the Ministry of Sustainable Development of Brunei Darussalam to UNEP.
[3] UNEP/OzL.Pro/ExCom/66/31 and Annex XVII of document UNEP/OzL.Pro/ExCom/66/54.

control the import and export of ODS through an online declaration and permit application system following a Customs Order established in 2005; the HCFC quota system was introduced in 2013. The Government has been implementing mandatory inspection and labelling for HCFC-22 containers since 2013. The Customs Department has included the ODS licensing system in the customs training curriculum. A total of 36 customs officers were trained under stage I.

8. A regulation to control the import and export of HFCs under an amendment to the current Customs Act of Prohibition and Restriction on ODS is awaiting the gazetting process to be enacted. Import of low-global-warming potential (GWP) flammable refrigerants (e.g., HFC-32 and R-290) is currently not allowed due to safety concerns. The Director of Environment, Parks and Recreation (DEPR) is liaising with the Fire and Rescue Department and the Department of Mechanical and Electrical Service to revise the licensing authority for the import, storage, transportation and use of flammable refrigerants, which is regulated under Fire Safety Order 2016. It has been agreed that DEPR will manage the issuance of permits and monitoring of flammable refrigerants in the same way as other refrigerant gases through the permit application system.

Refrigeration servicing sector

9. A total of 257 technicians were trained in good refrigeration servicing practices, including one master trainer and a resource person who received training on flammable refrigerants in China. Ten sets of recovery equipment were procured for the recovery, recycling, and re-use programme, five of which were distributed to selected RAC enterprises after the completion of training in good practices. The remaining five sets are planned for distribution in 2020; and an agreement was signed to set up a reclamation centre which has received one mini-reclamation unit and associated tools.

10. The funding for the pilot incentive programme to replace HCFC-22-based residential air-conditioners and five commercial RAC units was reallocated to provide equipment and tools to the Institute of Brunei Technical Education (IBTE), the main refrigeration training centre, for training in the safe handling of alternative technologies. The reallocation was approved through the IAP for the 85th meeting.

Level of fund disbursement

11. As of July 2020, of the total funds of US $315,000 approved (US $183,000 for UNEP and US $132,000 for UNDP), US $239,459 had been disbursed (US $147,325 for UNEP and US $92,134 for UNDP). The balance of US $75,541, including US $32,100 approved for the fourth and final tranche,[4] will be disbursed in 2020 and 2021.

Stage II of the HPMP

Remaining consumption eligible for funding

12. After deducting 2.14 ODP tonnes of HCFCs associated with stage I of the HPMP, the remaining consumption eligible for funding amounts to 3.96 ODP tonnes of HCFC-22.

Sector distribution of HCFCs

13. There are approximately 300 RAC technicians working in 57 workshops and approximately 120 freelance RAC technicians servicing: unitary and split air-conditioning systems, packaged and variable

[4] UNEP submitted for review by the Government, a draft small-scale funding agreement for the implementation of the fourth and final tranche of stage I of the HPMP; the first cash advance amounting to US $12,750 (50 per cent) is expected to be released by UNEP on 30 October 2020.

refrigerant volume (VRF)[5] systems, chillers, commercial refrigeration (standalone freezer, supermarket display cabinets) and cold stores as shown in Table 2.

Table 2. Sectoral distribution of HCFC-22 in Brunei Darussalam in 2019

Sector/Applications	Equipment inventory	Average charge (kg)	Leakage rate (%)	Consumption (mt)
Room air-conditioner	224,000	1.2	10	26.88
Packaged and VRF system	7,250	10	20	14.50
Chillers	108	320	10	3.46
Commercial refrigeration	280	2.4	33	0.22
Cold storage	132	20	20	0.53
Total	**231,770**	**n/a**	**n/a**	**45.59**

14. HCFC-22 represents 32 per cent of the refrigerants used in the servicing sector, while HFC-134a represents 38.5 per cent and others (R-410A, R-407C, R-404A) represent 29.5 per cent.

Phase-out strategy in stage II of the HPMP

15. Stage II of the HPMP has been designed based on the experience gained during the implementation of stage I; it proposes implementation and enforcement of the policies and regulations in place as well as additional measures; technical assistance, training and capacity building; activities related to awareness and education; and monitoring. Stage II will also promote the sustainable introduction of lower-GWP options in the RAC sector.

Proposed activities in stage II of the HPMP

16. Stage II proposes the following activities:

(a) *ODS policy and regulation*: A policy review to explore a ban on HCFC-based RAC equipment; to restrict the sale of HCFCs to certified RAC technicians and to require a certified RAC technician in any servicing shops; development of regulations imposing conditions for the operation of freelance RAC servicing technicians in the country; 10 consultation meetings on the various proposals and amendments to the existing regulations; continuation of mandatory labelling requirements and production of stickers for HCFC containers inspected by DEPR (UNEP) (US $10,000);

(b) *Training of customs and enforcement officers*: Training of 40 to 60 customs and enforcement officers through four, two-day refresher trainings on new policy/regulation and information on ODS-based technology; and three induction workshops for new customs officers on control of ODSs and RAC equipment; two specific workshops for 40 customs officers at land border locations to establish dialogue with enforcement officers from neighbouring countries; five, one-day workshops for a total of 150 customs brokers and importers to improve data collection and reporting and to raise awareness of government regulations on all refrigerants and RAC equipment (UNEP) (US $33,000);

(c) *Strengthening customs operation to control import/export of HCFCs*: Technical assistance to strengthen ODS risk profiling to monitor imports and the provision of five multi-refrigerant identifiers (including consumables) (UNEP) (US $10,000) and (UNDP) (US $30,000);

[5] VRF is a large-scale ductless heating, ventilation and air-conditioning system that can perform at a high capacity; its specific design varies based on application. VRF systems could be a heat pump system or a heat recovery system, which provides simultaneous heating and cooling.

(d) *Training in good servicing practices*: Periodic updates of the training of master trainers (one in 2021 and another in 2026); training of 160 RAC technicians in good servicing practices and flammable alternative technologies particularly HFC-32-based equipment; three workshops to train 112 freelance RAC technicians on good service practices including handling flammable refrigerants; and two training workshops for large commercial refrigeration/cold storage servicing (UNEP) (US $65,000);

(e) *Certification of RAC technicians*: Development and implementation of a stand-alone certification system for good servicing practices for all RAC technicians including: two consultation meetings; a consultant to design and develop the scheme; technical assistance to relevant Government departments to explore implementation options; training of a competency assessor; and awareness raising among relevant stakeholders (UNEP) (US $56,000);

(f) *Acquisition of training equipment*: Procurement of equipment for training centres after conducting needs assessment and servicing tools for RAC servicing shops selected through eligibility criteria to be established (the list for acquisition of equipment and tools to be determined); and technical assistance and consultation meetings (UNDP) (US $204,000); and

(g) *Public awareness and outreach*: Design and production of awareness materials and media campaign for targeted groups (e.g., RAC service technicians, end-users, importers, consumers, technical schools, and Governmental agencies) to gain their full cooperation and support to implement the various components of the HPMP. The UNEP OzonAction tools and materials will also be adapted and disseminated as appropriate (UNEP) (US $60,000).

Project implementation and monitoring

17. The monitoring mechanism established under stage I of the HPMP will continue into stage II, where the national ozone unit (NOU) will monitor activities, report progress, and work with stakeholders to phase out HCFCs. The cost of those activities amounts to US $117,000 for UNEP (i.e., staff and consultants (US $100,000), and for monitoring-related travels and meetings (US $17,000)).

Gender policy implementation

18. The Government of Brunei Darussalam has adopted a regulatory framework for women's human rights, and is aware of the gender mainstreaming policies of UNEP and decision 84/92(d).[6] The NOU will inform relevant stakeholders of the gender policy of the Fund and will encourage women to participate in the events/activities organized under stage II of the HPMP. The NOU will collect sex-disaggregated data, including for RAC technicians and customs officers, where possible, for reporting in tranche implementation progress reports and/or the project completion report.

[6] Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

Total cost of stage II of the HPMP

19. The total cost of stage II of the HPMP for Brunei Darussalam amounts to US $585,000 (plus agency support costs), as originally submitted, to achieve 100 per cent reduction from its HCFC baseline consumption by 2030, which is in accordance with decision 74/50(c)(xii).

Activities planned for the first tranche of stage II

20. The first funding tranche of stage II of the HPMP, in the amount of US $291,700, will be implemented between January 2021 and December 2024 and will include the following activities:

(a) *ODS policy and regulation*: Strengthening of the country's institutional capacity and measures to reduce HCFC consumption and sustain HCFC phase-out through the review and update of the ODS regulations in order to restrict the sale of HCFCs only to certified RAC technicians and to establish a regulatory structure for freelance servicing technicians; and continuation of the mandatory labelling requirement and production of stickers for HCFC containers (UNEP) (US $6,000);

(b) *Training of customs and enforcement officers*: A two-day refresher workshop to train 12 trainers, with the support of an international expert; a one-day induction workshop for 20 new customs officers on ODS trade controls and the Montreal Protocol; two, one-day workshops for 60 customs brokers and importers providing an update on the Government's policy and regulations as well as an overview of the licensing and quota system (e.g., revised harmonized system (HS) codes, customs clearance process, mandatory reporting of actual imports to DEPR, and mandatory labelling requirement); and a training workshop for 20 customs officers stationed at the land border with the neighbouring country to support dialogues and share experience among them of monitoring ODS trade and preventing illegal trade (UNEP) (US $ 18,000);

(c) *Strengthening customs operation to control import/export of HCFCs*: Technical assistance to strengthen ODS risk-profile analysis to monitor imports, and provision of one multi-refrigerant identifier and consumables (UNEP) (US $10,000) and (UNDP) (US $10,000);

(d) *Training in good servicing practices*: Organizing one national workshop with international resource persons to enhance the knowledge of 10 master trainers on good RAC servicing practices (including emerging alternative technologies, recovery of refrigerants, and maintaining energy efficiency) and participation of four master trainers in a regional workshop on the latest developments for alternative technology to be organized by UNEP with international resource persons; a workshop on good servicing practices and flammable alternative technologies particularly HFC-32-based air-conditioning for 16 freelance technicians; and a training workshop focusing on large commercial refrigeration/cold storage sector for 16 technicians servicing those types of equipment (UNEP) (US $21,000);

(e) *Certification of RAC technicians*: Consultation meetings and technical assistance on certification systems set-up; training of assessors to strengthen their capacity to conduct competency assessment for RAC technicians; and support the costs to implement the certification of RAC technicians (UNEP) (US $33,500);

(f) *Acquisition of training equipment*: Needs assessment and technical assistance for the operation and maintenance of RAC servicing tools, and acquisition of tools to strengthen the capacity of the existing training centres. The tentative list of tools includes *inter alia* two-stage rotary vacuum pump, electronic weighing scale, digital multi-refrigerant gauge manifold, leak detector, refrigerant piping tools, and measurement tools and related tools; to ensure that the training centres can deliver the updated training modules, particularly regarding the handling and servicing of flammable refrigerants. (UNDP) (US $106,200);

(g) *Public awareness and outreach*: Design and production of awareness materials and media campaign for targeted groups (e.g., RAC service technicians, end-users, importers, consumers, technical schools, and Governmental agencies) to gain their full cooperation and support to implement the projects up to the end of the first tranche (UNEP) (US $28,500); and

(h) *Project implementation and monitoring*: (UNEP) (US $58,500): For staff, consultants and other personnel costs (US $50,000); and for monitoring-related travels and meetings (US $8,500).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

21. The Secretariat reviewed stage II of the HPMP in light of stage I, the policies and guidelines of the Multilateral Fund, including the criteria for funding HCFC phase-out in the consumption sector for stage II of HPMPs (decision 74/50), and the 2020-2022 business plan of the Multilateral Fund.

Overarching strategy for stage II

22. The Government of Brunei Darussalam proposed to meet the 100 per cent reduction of its HCFC baseline consumption by 2030, on the understanding that Brunei Darussalam's consumption between 2030 and 2040 (i.e., the servicing tail) will follow the Montreal Protocol provisions.[7] The Government further commits to ensure that where consumption for the servicing tail may be required, it will do its utmost to establish strict criteria within its existing licensing system to limit and monitor the amounts used to those allowed by the Protocol.

Legal framework

23. The Government of Brunei Darussalam has already issued HCFC import quotas for 2020 at 3.89 ODP tonnes, which is lower than the Montreal Protocol targets of 3.96 ODP tonnes.

Technical and cost-related issues

24. In responding to a question about the potential overlap between activities under the last tranche of stage I of the HPMP approved in May 2020 and the first tranche of stage II, UNEP clarified that the activities for stage II would not commence until early 2021; the completion of HCFC-based equipment restrictions (ban on HCFC-based air conditioners (up to 2.5 HP) is included in the last tranche of stage I, while the inclusion of HFCs in the 2005 Customs Order, and the management of imports of low-GWP flammable refrigerants (determining the licensing authority that will handle flammable refrigerants) are under current implementation. New measures, like restricting the sale of HCFCs only to certified technicians, and the management and registration of freelance technicians, will be implemented in stage II.

[7] Article 5, paragraph 8 ter (e)(i) of the Montreal Protocol. Other applications where HCFCs can be used include the servicing of fire suppression and fire protection equipment existing on 1 January 2030; solvent applications in rocket engine manufacturing; and topical medical aerosol applications for the specialized treatment of burns.

25. The Secretariat also sought confirmation about when the importation of all HCFC-based equipment would be banned to support the phase-out strategy in stage II. UNEP clarified that HCFC-based equipment acquisition has been prohibited in all government tenders as of 1 January 2015. The proposed regulation to ban HCFC-based air-conditioners (up to 2.5 HP) is expected by the end of December 2021 and the DEPR will work with other Government authorities on banning the import of all types of HCFC-based RAC equipment by 1 January 2026. The Government will encourage imports of equipment using low-GWP refrigerants as much as possible and consistent with the country's policies and regulations.

26. The Secretariat discussed with UNEP the proposed tranche distribution for stage II noting the importance of ensuring a balanced distribution according to the needs of the country to sustain activities up to 2030 and to recuperate some delays carried from the country lockdown in 2020. Based on these consultations, a revised tranche distribution was agreed as shown in Table 3.

Table 3. Original and revised tranche distribution for stage II of the HPMP for Brunei Darussalam

Funding (US $)	2020	2021-2023	2024	2025	2026	2027	2028-2029	2030
As submitted								
Lead IA (UNEP)	175,000	0	0	140,300	0	0		35,200
Cooperating IA (UNDP)	116,200	0	0	94,400	0	0		23,400
Total as submitted	**291,700**	**0**		**234,700**	**0**			**58,600**
Revised								
Lead IA (UNEP)	149,100	0	76,100	0	0	67,300		58,500
Cooperating IA (UNDP)	11,000	0	154,000	0	0	69,000		0
Total as revised	**160,100**	**0**	**230,100**	**0**	**0**	**136,300**		**58,500**

Activities planned for the first tranche

27. The funding for the first tranche of stage I and associated activities were revised as follows: ODS policy and regulation (UNEP) (US $4,000); training of customs and enforcement officers (UNEP) (US $15,000); strengthening customs operation to control import/export of HCFCs (UNEP) (US $10,000) and (UNDP) (US $6,000); training in good servicing practices (UNEP) (US $19,000); certification of RAC technicians (UNEP) (US $46,000); acquisition of training equipment (UNDP) (US $5,000); public awareness and outreach (UNEP) (US $20,000); and project implementation and monitoring (UNEP) (US $35,100).

Impact of the COVID-19 pandemic on HPMP implementation

28. Brunei Darussalam has been severely affected by the COVID-19 pandemic; lockdown measures and other restrictions have delayed activities related to meetings, workshops, and training. Despite this situation, the Government has maintained essential work, such as the operation of the online system for the import of HCFCs, the mandatory labelling of HCFC cylinders, and the customs control on imports. Negotiations are also in progress under different Government bodies to finalize the proposed regulation for a ban on HCFC-based air-conditioners and the import/export licensing competency to import low-GWP alternative technology. Awareness and information dissemination activities continued through electronic media. Similar contingency measures will be adopted if restrictions on travel and in-person meetings are extended through to 2021.

29. The Government of Brunei Darussalam appreciates the support of the HPMP for the country's post-pandemic recovery, and particularly its contribution to maintaining food safety and the health of the population. The activities under the HPMP have substantial co-benefits for developing technical capacities, providing new tools and equipment to the service sector, enabling the adoption of alternative and more efficient technologies, creating additional employment opportunities, and cushioning the losses suffered by the hospitality sector.

Impact on the climate

30. The proposed activities in the servicing sector, which include better containment of refrigerants through training and the provision of equipment, will reduce the amount of HCFC-22 used for RAC servicing. Each kilogram of HCFC-22 not emitted due to better refrigeration practices results in savings of approximately 1.8 CO_2-equivalent tonnes. Although a detailed calculation of the impact on the climate was not included in the HPMP, the activities planned by Brunei Darussalam, including its efforts in authorizing and promoting low-GWP alternative technologies and adopting good servicing practices to optimize the performance of RAC equipment, indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

Co-financing

31. The Government of Brunei Darussalam will provide in-kind contribution of approximately US $160,000, covering the salary of management-level officers who oversee the NOU; administration of the project funds; and office space, telecommunications and transportation for the implementation of HPMP activities during the 10-year project period.

2020-2022 business plan of the Multilateral Fund

32. UNEP and UNDP are requesting US $585,000, plus agency support costs, for the implementation of stage II of the HPMP for Brunei Darussalam. The total requested value of US $180,473, including agency support costs for the period from 2020 to 2022, is US $145,362 below the amount in the business plan.

Draft Agreement

33. A draft Agreement between the Government of Brunei Darussalam and the Executive Committee for the phase-out of HCFCs in stage II of the HPMP is contained in Annex I to the present document.

RECOMMENDATION

34. The Executive Committee may wish to consider:

(a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Brunei Darussalam for the period from 2020 to 2030 for the complete phase-out of HCFC consumption, in the amount of US $651,690, consisting of US $351,000, plus agency support costs of US $45,630 for UNEP, and US $234,000, plus agency support costs of US $21,060 for UNDP, on the understanding that no more funding would be provided from the Multilateral Fund for the phase-out of HCFCs;

(b) Noting the commitment of the Government of Brunei Darussalam:

(i) To establish regulatory measures to ban the import of all types of HCFC-based refrigeration and air-conditioning equipment by 1 January 2026;

(ii) To completely phase out HCFCs by 1 January 2030, and that HCFC would not be imported after that date, except for the allowance for a servicing tail between

2030-2040 where required, and consistent with the provisions of the Montreal Protocol;

(c) Deducting 3.96 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;

(d) Approving the draft Agreement between the Government of Brunei Darussalam and the Executive Committee for the reduction in consumption of HCFCs, in accordance with stage II of the HPMP, contained in Annex I to the present document; and

(e) Approving the first tranche of stage II of the HPMP for Brunei Darussalam, and the corresponding tranche implementation plans, in the amount of US $180,473, consisting of US $149,100, plus agency support costs of US $19,383 for UNEP, and US $11,000, plus agency support costs of US $990 for UNDP.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF BRUNEI DARUSSALAM AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS IN ACCORDANCE WITH STAGE II OF THE HCFC PHASE-OUT MANAGEMENT PLAN

Purpose

1. This Agreement represents the understanding of the Government of Brunei Darussalam, (the "Country") and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODS) set out in Appendix 1-A ("The Substances") to a sustained level of zero ODP tonnes by 1 January 2030 in compliance with Montreal Protocol schedule.

2. The Country agrees to meet the annual consumption limits of the 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 all 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 the Substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the 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 the stage II of the HCFC phase-out management plan (HPMP) approved ("the Plan"). In accordance with sub-paragraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as 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 eight 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 the form of 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 the form of Appendix 4-A covering each calendar year until and including the year for which the funding 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 of the approved funds, according to the evolving circumstances to achieve the smoothest reduction of consumption and phase-out of the Substances specified in Appendix 1-A:

(a) Reallocations categorized as major changes must be documented in advance either in a Tranche Implementation Plan as foreseen in sub-paragraph 5(d) above, or as a revision to an existing Tranche Implementation Plan to be submitted eight 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 which would modify any clause of this Agreement;

(iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches; and

(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;

(b) Reallocations not categorized as major changes may be incorporated in the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the subsequent Tranche Implementation Report; and

(c) 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.

Considerations for the refrigeration servicing sector

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

(a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and

(b) The Country and relevant bilateral and/or implementing agencies would take into consideration relevant decisions on the refrigeration servicing sector during the implementation of the Plan.

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. United Nations Environment Programme (UNEP) has agreed to be the lead implementing agency (the "Lead IA") and United Nations Development Programme (UNDP) has agreed to be the cooperating implementing agency (the "Cooperating IA") 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 monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of the Lead IA taking part in this Agreement.

10. The Lead IA will be responsible for ensuring co-ordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per sub-paragraph 5(b). The Cooperating IA will support the Lead IA by implementing the Plan under the overall co-ordination of the Lead IA. The roles of the Lead IA and Cooperating IA 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 IA with the fees set out in rows 2.2 and 2.4 of Appendix 2-A.

Non-compliance with the Agreement

11. Should the Country, for any reason, not meet the Targets for the elimination of the 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 of its obligations that were due to be met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amount set out in Appendix 7-A ("Reductions in Funding for Failure to Comply") in respect of each ODP 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 IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA and the Cooperating IA 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 sub-paragraph 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 sub-paragraphs 1(a), 1(b), 1(d), and 1(e) 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 of the 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

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	6.10

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2020	2021-2023	2024	2025-2026	2027	2028-2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	3.96	3.96	3.96	1.98	1.98	1.98	0.00	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	3.96	3.96	3.96	1.98	1.98	1.98	0.00	n/a
2.1	Lead IA (UNEP) agreed funding (US $)	149,100	0	76,100	0	67,300	0	58,500	351,000
2.2	Support costs for Lead IA (US $)	19,383	0	9,893	0	8,749	0	7,605	45,630
2.3	Cooperating IA (UNDP) agreed funding (US $)	11,000	0	154,000	0	69,000	0		234,000
2.4	Support costs for Cooperating IA (US $)	990	0	13,860	0	6,210	0		21,060
3.1	Total agreed funding (US $)	160,100	0	230,100	0	136,300	0	58,500	585,000
3.2	Total support cost (US $)	20,373	0	23,753	0	14,959	0	7,605	66,690
3.3	Total agreed costs (US $)	180,473	0	253,853	0	151,259	0	66,105	651,690
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)								3.96
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)								2.14
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								0.00

*Date of completion of stage I as per stage I Agreement: 31 December 2021

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 TRANCHE IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Tranche Implementation Report and Plans for each tranche request will consist of five 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 out of the Substances, how the different activities contribute to it, and how they relate to each other. The report should include the amount of ODS phased out as a direct result from the implementation of activities, by substance, and the alternative technology used and the related phase-in of alternatives, to allow the Secretariat to provide to the Executive Committee information about the resulting change in climate relevant emissions. The report should further highlight 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, uses of the flexibility for 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 of the Plan results and the consumption of the Substances, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;

(c) A written description of the activities to be undertaken during the period covered by the requested tranche, 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 also 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 sub-paragraph (b) above;

(d) A set of quantitative information for all Tranche Implementation Reports and Plans, submitted through an online database; and

(e) An Executive Summary of about five paragraphs, summarizing the information of the above sub-paragraphs 1(a) to 1(d).

2. In the event that in a particular year two stages of the HPMP are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:

(a) The Tranche Implementation Reports and Plans referred to as part of this Agreement, will exclusively refer to activities and funds covered by this Agreement; and

(b) If the stages under implementation have different HCFC consumption targets under Appendix 2-A of each Agreement in a particular year, the lower HCFC consumption target will be used as reference for compliance with these Agreements and will be the basis for the independent verification.

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The Department of Environment, Park and Recreation (DEPR) of the Ministry of Development will be responsible for the overall project monitoring of all activities under stage II of the HPMP. The national ozone unit (NOU) will be responsible for the planning, coordination, implementation of daily work of the project implementation. It will also assist the Government and non-Government organizations, to streamline their activities for smooth implementation of the projects. The NOU will submit annual progress reports on the status of the implementation to the Lead IA and the Cooperating IA to monitor implementation progress of stage II of the HPMP.

2. Annual consumption of HCFCs and other ODSs will be monitored through DEPR in collaboration with the Royal Customs and Excise Department (RCED). DEPR is a licensing authority to issue import and export permit, while the RCED will control and monitor the import and export of HCFCs and other ODSs at the point of entry. The NOU will liaise with importers of HCFCs and other ODSs to obtain necessary data for reconciliation of statistics on the periodically basis.

3. The NOU will undertake regular inspection to refrigeration and air-conditioning (RAC) training centres and RAC servicing workshops to monitor conditions of RAC servicing tools distributed under stage II of the HPMP. It will also undertake regular inspection to monitor the implementation of labelling requirement for HCFC cylinders.

4. The NOU will further undertake market survey to gauge the penetration of non-HCFC substitutes and alternative technologies in the RAC sector and will monitor the implementation of capacity building activities with relevant IAs e.g., RAC technician training and customs and enforcement officers training.

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 HPMP;

(b) Assisting the Country in 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 is reflected in updates of the overall plan and in future Tranche Implementation Plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;

(e) Fulfilling the reporting requirements for the Tranche Implementation Reports and Plans and the overall plan as specified in Appendix 4-A for submission to the Executive Committee, and should include the activities implemented by the Cooperating IA;

(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 HCFC consumption targets had been met;

(g) Ensuring that appropriate independent technical experts carry out the technical reviews;

(h) Carrying out required supervision missions;

(i) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;

(j) Co-ordinating the activities of the Cooperating IA, and ensuring 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 IA, the allocation of the reductions to the different budget items and to the funding of the Lead IA and Cooperating IA;

(l) Ensuring that disbursements made to the Country are based on the use of the indicators;

(m) Providing assistance with policy, management and technical support when required;

(n) Reaching consensus with the Cooperating IA on any planning, co-ordination 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 HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement and sub-paragraph 1(b) of Appendix 4-A.

APPENDIX 6-B: ROLE OF THE COOPERATING IMPLEMENTING AGENCIES

1. The Cooperating IA 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 IA, and refer to the Lead IA to ensure a co-ordinated sequence in the 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, co-ordination and reporting arrangements required to facilitate the implementation of the Plan.

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

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US $180 per ODP kg 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.

2. In the event that the penalty needs to be applied for a year in which there are two Agreements in force (two stages of the HPMP being implemented in parallel) with different penalty levels, the application of the penalty will be determined on a case-by-case basis taking into consideration the specific sectors that lead to the non-compliance. If it is not possible to determine a sector, or both stages are addressing the same sector, the penalty level to be applied would be the largest.