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Executive Committee of the
Interim Multilateral Fund for the
Implementation of the Montreal Protocol

Seventh Meeting
Montreal, 23-26 June 1992

Addendum

PROJECT PROPOSAL: VENEZUELA

PROJECT EVALUATION SHEET

COUNTRY OR REGION: Venezuela

PROJECT TITLE: Conversion of an Expanded Polystyrene Sheet Facility to use Hydrocarbons as Blowing Agent

BUDGET: US $1,595,000

INCREMENTAL COSTS: US $1,300,000

*COST EFFECTIVENESS: $ 5.00 per Kg. ODP Saved Annually

PROJECT TIMEFRAME: START 1992 END 1993

TECHNICAL REVIEW COMPLETED: YES X NO ___

SECRETARIAT'S COMMENTS

The Government of Venezuela officially submitted the above project for consideration by the seventh meeting of the Executive Committee. Plásticos Molanca, located in the State of Carabobo, Venezuela, produces extruded polystyrene foam sheets with an installed capacity of 2,590 ton/year. An average 10 per cent of the weight of total product manufacture (or about 259 ton), is CFC-12 which is use as the blowing agent.

The project is designed to replace 259 ton of CFC-12 by butane using technology provided under a licence agreement by Keyes Fibre Company (USA) and Sekisui Plastics Ltd (Japan). Hydrocarbons have been use for many years as a blowing agent in the manufacture of extruded polystyrene sheets, in several developed countries.

Construction of a butane receiving and storage facility and installation of equipment, such as fire detector and preventing explosion systems, ventilation and isolation of electrical equipment, are needed to protect the facility for explosion due to the use of a flammable substance. Training of operational staff in Japan is also considered.

The technical review of the project concludes that the project is based on sound engineering and safety standards and that the cost estimates are realistic. The project will contribute to a net income stream over the estimated seven year life of the project (the calculated initial investment which would produce a 10% rate of return for the incremental net profit stream is about US $300,000).

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* Determined as the ratio of incremental costs to the estimated annual saving of ODP ($/ODP $_{Kg.}$).

The Government of Venezuela, through the Ad hoc Inter-ministerial Group, is requesting the Executive Committee to give Plásticos Molanca a grant for the total cost of the project, i.e, US $1.595 million, taking into account the late recovery of the investment, the relatively moderate profitability rate, the short-period for obsolescence in the sector, and the high volume of ozone depleting substances that will be phased-out.

SECRETARIAT'S RECOMMENDATION

The Secretariat recommends this project for approval by the Executive Committee with a funding level of the estimated net incremental cost of US $1.3 million (this is being in compliance with paragraph 1(c) in the Indicative List of Categories of Incremental Costs which states "*Savings or benefits that will be gained at both the strategic and project levels during the transition process should be taken into account on a case-by-case basis, according to criteria decided by the Parties and elaborated in the guidelines of the Executive Committee*").