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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninety-fifth Meeting
Montreal, 4-8 December 2024
Item 9(d) of the provisional agenda[1]

PROJECT PROPOSALS: ALGERIA

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

<u>Phase-out</u>

• HCFC phase-out management plan (stage I, third and fourth tranches)	UNIDO	Individual consideration
• HCFC phase-out management plan (stage II, first tranche)	UNIDO and UNEP	Individual consideration

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

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Algeria

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (stage I)	UNIDO (lead)	66th	10% phase-out by 2015

(II) LATEST ARTICLE 7 DATA (Annex C, Group I)	Year: 2023	39.71 ODP tonnes

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)									Year: 2023
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22				0.82	38.88				39.71

(IV) CONSUMPTION DATA (ODP tonnes)*			
2009-2010 baseline:	62.12	Starting point for sustained aggregate reductions:	67.48
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	14.48	Remaining:	53.00

* Consumption data and starting point for sustained aggregate reductions is based on the revised baseline for compliance in line with decision 66/41(b)(iii) and as approved at the 24th Meeting of the Parties to the Montreal Protocol under decision XXIV/16.

(V) ENDORSED BUSINESS PLAN		2024	2025	2026	Total
UNIDO	ODS phase-out (ODP tonnes)	1.25	0.00	0.00	1.25
	Funding (US $)	197,898	0	0	197,898

(VI) PROJECT DATA			2010-2011*	2012	2013	2014	2015	2016	2017	Total
Montreal Protocol consumption limits (ODP tonnes)**			n/a	n/a	62.12	62.12	55.91	55.91	55.91	n/a
Maximum allowable consumption (ODP tonnes)**			n/a	n/a	62.12	62.12	55.91	55.91	55.91	n/a
Funding agreed in principle (US $)	UNIDO	Project costs	215,380	1,593,860	0	0***	0	0	0***	1,809,240
		Support costs	19,384	119,540	0	0***	0	0	0***	138,924
Funds approved by ExCom (US $)		Project costs	215,380	1,593,860	0	0	0	0	0	1,809,240
		Support costs	19,384	119,540	0	0	0	0	0	138,924
Total funds recommended for approval at this meeting (US $)		Project costs								0
		Support costs								0

* Approved at the 62nd meeting for the conversion of Cristor and subsequently included under stage I of the HPMP.
** Revised at the present meeting, in line with decision XXIV/16.
*** Revised at the present meeting.

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of Algeria, UNIDO as the designated implementing agency has submitted a request for the cancellation of the third and fourth tranches of stage I of the HCFC phase-out management plan (HPMP).[2] The submission includes a progress report on the implementation of the first and second tranches and the verification report on HCFC consumption for 2013 through 2023.

Report on HCFC consumption

2. The Government of Algeria reported a consumption of 39.71 ODP tonnes of HCFCs in 2023, which is 36 per cent below the HCFC baseline for compliance. The 2019-2023 HCFC consumption is shown in table 1.

Table 1. HCFC consumption in Algeria (2019-2023 Article 7 data)

HCFC	2019	2020	2021	2022	2023	Baseline*
Metric tonnes (mt)						
HCFC-22	843.07	715.14	696.40	702.09	721.93	1,054.70
Total (mt)	**843.07**	**715.14**	**696.40**	**702.09**	**721.93**	**1,092.05****
HCFC-141b in imported pre-blended polyols***	46.00	46.00	46.00	46.00	0.00	48.76****
ODP tonnes						
HCFC-22	46.37	39.33	38.30	38.61	39.71	58.01
Total (ODP tonnes)	**46.37**	**39.33**	**38.30**	**38.61**	**39.71**	**62.12****
HCFC-141b in imported pre-blended polyols***	5.06	5.06	5.06	5.06	0.00	5.36****

* Revised baseline as described in paragraph 6.
** Total baseline includes 37.35 mt (4.11 ODP tonnes) of HCFC-141b pure, which has not been consumed since 2015.
*** Country programme (CP) data.
**** Starting point established in the Agreement with the Executive Committee.

3. Following a significant increase in consumption in 2019 (up from 547.83 mt in 2018), restrictions and decreased economic activity as a result of the COVID-19 pandemic caused imports of HCFC-22 to decrease in 2020, after which they remained fairly steady. Polyurethane (PU) foam manufacturing enterprises consuming HCFC-141b contained in imported pre-blended polyols converted to non-ODS alternatives using their own resources by 2023. HCFC-22-based manufacturing of refrigeration and air-conditioning (RAC) equipment steadily decreased with the conversion of the enterprise Spa Condor Electronics (Condor) under the HPMP and as enterprises converted to non-HCFC alternatives with their own resources; HCFC-based RAC manufacturing ceased in 2024. The import of HCFC-141b in bulk has not been reported since 2015 following its ban on 1 January 2016.

Country programme implementation report

4. The Government of Algeria reported HCFC sector consumption data under the 2023 CP implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

Verification report

5. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports, and that the total consumption of HCFCs reported under Article 7 of the Montreal Protocol for 2019 through 2023 was correct (as shown in table 1 above). The verification concluded that Algeria has complied with the maximum permitted consumption for 2013 through 2023 of all Group I, Annex C substances in accordance with the targets specified under the Montreal Protocol and recommends implementation of an electronic licensing (e-licensing) system to simplify the importation

[2] As per the letter of 15 April 2024 from the Ministry of Environment and Renewable Energy of Algeria to UNIDO.

process and provide greater transparency of remaining quotas; that recommendation will be implemented in stage II of the HPMP.

Revision of starting point

6. The Parties to the Montreal Protocol approved the request of the country to revise its baseline for compliance,[3] resulting in a revised starting point for sustained reductions of 67.48 ODP tonnes (i.e., 62.12 ODP tonnes as the revised baseline for compliance plus 5.36 ODP tonnes of HCFC-141b contained in imported pre-blended polyols), in line with decision 66/41(b)(iii).

<u>Status of implementation of stage I of the HCFC phase-out management plan</u>

7. Stage I of the HPMP was to be completed by December 2018 as stipulated in the Agreement between the Government of Algeria and the Executive Committee. The second tranche[4] of stage I is ongoing; due to project implementation delays, and in line with decision 94/16(b), the Government is requesting cancellation of the third and fourth (final) tranche and associated funding, agreed in principle, in the amount of US $184,091, plus agency support costs.

<u>Progress report on the implementation of the first and second tranches of stage I of the HCFC phase-out management plan</u>

Legal framework

8. The Government implemented a ban on the import of HCFC-141b in bulk as of 1 January 2016, and the licensing and quota system for HCFC imports has been operational since 2013. Algeria has not yet ratified the Kigali Amendment; a draft regulatory text has been prepared and submitted to authorities for approval.

Manufacturing sector

9. The enterprise manufacturing PU rigid insulation foam for domestic refrigerators, Cristor, completed its conversion to cyclopentane under the first tranche, phasing out 21.82 mt (2.40 ODP tonnes) of HCFC-141b.

10. Twelve enterprises consuming 76.55 mt (8.42 ODP tonnes) of HCFC-141b contained in imported pre-blended polyols in the manufacture of insulation foam and sandwich panels converted to non-ODS alternative technologies using their own resources, and the umbrella project to convert those enterprises that had been planned for a future stage of the HPMP[5] is no longer needed; there was no reported consumption of HCFC-141b contained in imported pre-blended polyols in 2023.

11. At the enterprise manufacturing residential AC units and domestic refrigerators, Condor, the line manufacturing residential split-system room AC units was converted to HFC-32 in 2018, resulting in the phase-out of 150.20 mt (8.26 ODP tonnes) of HCFC-22. From 2019 to 2022, the manufacture of the HFC-32-based units was delayed; however, the enterprise remains committed to manufacturing HFC-32-based units: 40,000 HFC-32-based units were manufactured in 2023, an additional 42,000 had been manufactured between January and August 2024, and it was expected that a further 52,000 units would be manufactured through the end of 2024.

12. As of 2024, HCFC-22 is consumed at Condor only for servicing and maintenance activities and HCFCs are no longer consumed in the RAC manufacturing sector.

[3] Decision XXIV/16

[4] The first tranche of the Agreement corresponds to the previously approved project for the conversion at Cristor.

[5] Paragraph 28 of document UNEP/OzL.Pro/ExCom/66/26.

Solvent sector

13. Activities under the HPMP were not implemented in the solvent sector, as the ban on imports of HCFC-141b was implemented before the demonstration project to phase out 14.30 mt (1.57 ODP tonnes) of HCFC-141b at four end-users could be implemented. The end-users phased out their use of HCFC-141b with their own resources, resulting in remaining balances of US $64,400 for the project.

Refrigeration servicing sector

14. Activities in the servicing sector were to be implemented under the third and fourth tranches and, therefore, did not take place.

Project implementation and monitoring

15. Of the US $150,000 allocated to the project management unit (PMU), US $143,053 was disbursed for customs training (US $32,500), staff and consultants (US $80,553), and travel (US $30,000), and a further US $6,947 is in obligated funds. Training for customs was included under the PMU budget and covered two workshops in 2013 and 2014 to train 20 customs officers on the Montreal Protocol and use of refrigerant identifiers supplied under previous programmes.

Level of fund disbursement

16. As of August 2024, of the US $1,809,240 approved so far, US $1,239,770 (69 per cent) had been disbursed, as shown in table 2. The obligated funds of US $6,947 associated with the PMU will be disbursed in 2024; the disposition of the remaining balances associated with the conversion at Condor and the solvent sector is discussed in paragraphs 20 and 21 below.

Table 2. Financial report of stage I of the HPMP for Algeria by activity (US $)

Activity	Funds approved	Funds disbursed	Disbursement rate (%)	Fund balance
Conversion at Cristor	215,380	215,380	100	0
Conversion at Condor	1,379,460	881,337	64	498,123
Solvent sector	64,400	0	0	64,400
PMU	150,000	143,053	95	6,947*
Total	**1,809,240**	**1,239,770**	**69**	**569,470**

* Obligated funds to be disbursed in 2024.

Implementation plan for the third and fourth tranches of stage I of the HCFC phase-out management plan

17. Due to project delays and the request to cancel the remaining tranches, no further funding for stage I of the HPMP is being requested.

SECRETARIAT’S COMMENTS AND RECOMMENDATION

COMMENTS

Progress report on the implementation of the first and second tranches of stage I of the HCFC phase-out management plan

Legal framework

18. The Government of Algeria has already issued HCFC import quotas for 2024 at 40.37 ODP tonnes, which is lower than the Montreal Protocol control targets.

Manufacturing sector

19. The Secretariat sought to better understand the status of manufacturing at the enterprise Condor; in particular, whether the enterprise was manufacturing R-410A-based AC units. UNIDO clarified that the manufacturing line was converted to HFC-32 in 2018 and that a second line capable of manufacturing HFC-32- and R-410A-based AC units was established in 2019. Since the establishment of that second line, no R-410A-based AC units have been manufactured on the converted line, which is used exclusively to manufacture HFC-32-based AC units. UNIDO further emphasized that the enterprise was committed to manufacturing HFC-32-based AC units as agreed under stage I.

20. The Secretariat sought to better understand why the enterprise had decided to establish a second manufacturing line given that in 2019 less than 1 per cent of the line's capacity, estimated at 400,000 units per year, was used to manufacture HFC-32-based units. UNIDO explained that this was part of the enterprise's business strategy and that the second line had a capacity of manufacturing over 1 million AC units per year; through August of 2024, it had manufactured 688,000 R-410A-based units. The Secretariat and UNIDO had detailed discussions in light of those facts, and the activities proposed under the country's stage II of the HPMP submitted to the present meeting. Noting that the manufacturing line converted under the project was not being used to manufacture R-410A-based AC units and would only be used to manufacture HFC-32-based equipment; that a total of 95,300 HFC-32-based units had been manufactured on the converted line;[6] and that the enterprise was neither able to commit to manufacturing exclusively with HFC-32 given the second line it had established and the country's market needs nor was such a commitment required under stage I of the HPMP, it was agreed that UNIDO would disburse the remaining US $498,123 associated with incremental operating costs to the enterprise, in line with decision 77/35(a)(vi). In addition, UNIDO confirmed that because the second manufacturing line could manufacture both R-410A- and HFC-32-based AC units, that line would not be eligible for a conversion to HFC-32 under the country's Kigali HFC implementation plan, which could be submitted once the country ratified the Kigali Amendment.

Solvent sector

21. UNIDO proposed to use the remaining balances of US $64,400 associated with the solvent sector to procure 15 refrigerant identifiers for the country. The Secretariat recommends this proposed reallocation, after confirming that this equipment would complement the refrigerant identifiers to be provided under stage II of the HPMP, and after noting that, to date, no refrigerant identifiers have been provided under the HPMP and the only refrigerant identifiers in the country were from the CFC phase-out and may no longer be functional. Based on that reallocation, an additional 0.79 ODP tonnes of HCFC-22 would be deducted from the country's remaining consumption eligible for funding.

Updated Agreement

22. UNIDO, on behalf of the country, requested to update the Agreement between the Government of Algeria and the Executive Committee. Specifically, to update Appendix 1-A in line with decision 66/41(b)(iii); to update the targets for 2013 through 2017 specified in Appendix 2-A in line with the revised baseline approved by the parties to the Montreal Protocol in decision XXIV/16, revise the funding by cancelling the third and fourth tranches, and adjust the remaining HCFC consumption eligible for funding in line with the revised starting point; and to add paragraph 16 to indicate that the updated Agreement supersedes that reached at the 66th meeting by decision 66/41, as contained in annex I to the present document. The full updated Agreement will be appended to the final report of the 95th meeting.

[6] 500 HFC-32-based units in 2018; 2,800 HFC-32-based units in 2019; 10,000 HFC-32-based units in 2020; 40,000 HFC-32-based units in 2023; and 42,000 HFC-32-based units between January and August 2024.

23. In light of the cancellation of the third and fourth tranches, a discussion of risks and sustainability of the HPMP and implementation of the Multilateral Fund's gender mainstreaming policy can be found in the description of stage II of the HPMP contained in the present document.

Completion of stage I of the HCFC phase-out management plan

24. It was agreed to extend the date of completion of stage I of the HPMP to 1 July 2025 to allow UNIDO to finalize the procurement of the 15 refrigerant identifiers.

RECOMMENDATION

25. The Executive Committee may wish to consider:

(a) Noting:

(i) The progress report on the implementation of the first and second tranches of stage I of the HCFC phase-out management plan (HPMP) for Algeria;

(ii) That the second line manufacturing air-conditioning units at Spa Condor Electronics is not eligible for funding under the Multilateral Fund for a conversion to HFC-32 in the context of HFC phase-down once the country ratifies the Kigali Amendment;

(iii) That the revised starting point for sustained aggregate reductions in HCFC consumption was 67.48 ODP tonnes, based on the revised baseline for compliance of 62.12 ODP tonnes, calculated using the actual consumption of 60.35 ODP tonnes and 63.88 ODP tonnes reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol, and approved at the Twenty-Fourth Meeting of the Parties under decision XXIV/16, plus 5.36 ODP tonnes of HCFC-141b contained in imported pre-blended polyols;

(iv) That the Fund Secretariat had updated the Agreement between the Government of Algeria and the Executive Committee, as contained in annex I to the present document, specially paragraph 1, Appendices 1-A and 2-A, based on the revised starting point for sustained aggregate reductions in HCFC consumption, the revised baseline, and removing the funding associated with the third and fourth tranches of the HPMP, and paragraph 16 that had been added to indicate that the updated Agreement superseded that reached at the 66th meeting by decision 66/41;

(b) Deducting 0.79 ODP tonnes of HCFC-22 from the remaining HCFC consumption eligible for funding; and

(c) Extending the date of completion of stage I of the HPMP for Algeria to 1 July 2025.

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Algeria

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

(II) LATEST ARTICLE 7 DATA (Annex C, Group I)	Year: 2023	39.71 ODP tonnes

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)									**Year: 2023**
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22				0.82	38.88				39.71

(IV) CONSUMPTION DATA (ODP tonnes)			
2009-2010 baseline:	62.12	Starting point for sustained aggregate reductions:	67.48
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	15.27	Remaining:	52.21

(V) ENDORSED BUSINESS PLAN		**2024**	**2025**	**2026**	**Total**
UNIDO	ODS phase-out (ODP tonnes)	9.21	0.00	0.00	9.21
	Funding (US $)	1,086,585	0	0	1,086,585
UNEP	ODS phase-out (ODP tonnes)	0.00	0.00	0.00	0.00
	Funding (US $)	197,750	0	0	197,750

(VI) PROJECT DATA			**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Total**
Montreal Protocol consumption limits (ODP tonnes)			40.38	20.19	20.19	20.19	20.19	20.19	0.00	n/a
Maximum allowable consumption (ODP tonnes)			40.38	20.19	20.19	20.19	20.19	20.19	0.00	n/a
Project costs requested in principle (US $)	UNIDO	Project costs	1,312,500	0	0	1,669,750	0	0	345,250	3,327,500
		Support costs	91,875	0	0	116,883	0	0	24,167	232,925
	UNEP	Project costs	275,000	0	0	120,000	0	0	30,000	425,000
		Support costs	35,750	0	0	15,600	0	0	3,900	55,250
Total project costs recommended in principle (US $)			1,587,500	0	0	1,789,750	0	0	375,250	3,752,500
Total support costs recommended in principle (US $)			127,625	0	0	132,483	0	0	28,067	288,175
Total funds recommended in principle (US $)			1,715,125	0	0	1,922,233	0	0	403,317	4,040,675

(VII) Request for approval of funding for the first tranche (2024)		
Implementing agency	**Funds recommended (US $)**	**Support costs (US $)**
UNIDO	1,312,500	91,875
UNEP	275,000	35,750
Total	1,587,500	127,625

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

Background

26. On behalf of the Government of Algeria, UNIDO 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 $4,057,175, consisting of US $3,335,000, plus agency support costs of US $233,450 for UNIDO and US $432,500, plus agency support costs of US $56,225 for UNEP, as originally submitted.[7] The implementation of stage II of the HPMP will phase out the remaining consumption of HCFCs by 2030.

27. The first tranche of stage II of the HPMP being requested at this meeting amounts to US $2,358,692, consisting of US $1,907,100, plus agency support costs of US $133,497 for UNIDO and US $281,500, plus agency support costs of US $36,595 for UNEP, as originally submitted.

Status of implementation of stage I of the HCFC phase-out management plan

28. Stage I of the HPMP for Algeria was approved at the 66th meeting[8] to phase out 14.48 ODP tonnes[9] of HCFCs used in the refrigeration and air-conditioning (RAC) servicing, RAC manufacturing, foam, and solvent sectors, and to meet the 10 per cent reduction from the baseline by 2015, at a total cost of US $1,993,331, plus agency support costs. An overview of the implementation of stage I, including the analysis of HCFC consumption and progress and financial reports on the implementation, is available in paragraphs 1 to 25 of the present document.

Stage II of the HCFC phase-out management plan

Remaining consumption eligible for funding

29. After deducting 14.48 ODP tonnes of HCFCs associated with stage I of the HPMP, and adding the deduction of 0.79 ODP tonnes under stage I recommended in paragraph 25 of the present document, the remaining consumption eligible for funding in stage II amounts to 52.21 ODP tonnes of HCFCs.

Sector distribution of HCFCs

30. There are approximately 13,450 technicians[10] and 1,070 formal workshops operating in the servicing sector, consuming HCFC-22 to service commercial and industrial refrigeration, and residential and commercial air-conditioning equipment, as shown in table 3. In 2022, UNIDO estimated that the most commonly consumed refrigerant in the servicing sector is R-410A (55 per cent), followed by HCFC-22 (31 per cent), HFC-134a (7 per cent), R-600a (4 per cent), R-404A (3 per cent), and R-290 (1 per cent).

Table 3. Estimation of installed RAC units and refrigerant demand in the RAC servicing sector in Algeria in 2022 (mt)

Subsector	No. units	HCFC-22	HFC-134a	R-404A	R-410A	R-600a	R-290	Total
Domestic refrigeration	not available	0	not available	0	0	85	0	**85**
Commercial refrigeration	538,000	180	151	0	0	0	8	**339**

[7] As per the letter of 14 August 2024 from the Ministry of Environment and Renewable Energy of Algeria to UNIDO.
[8] Decision 66/41
[9] Includes 2.40 ODP tonnes of HCFC-141b used in the manufacture of polyurethane rigid insulation foam for domestic refrigerators at Cristor, in the amount of US $215,380 plus agency support costs for UNIDO, which had been previously approved at the 62nd meeting and subsequently included under stage I of the HPMP.
[10] Of which approximately 4,000 (30 per cent) are in the formal sector.

Subsector	No. units	HCFC-22	HFC-134a	R-404A	R-410A	R-600a	R-290	Total
Industrial refrigeration	1,510	79	0	60	0	0	0	**139**
Residential AC	3,450,000	419	0	0	1,225		8	**1,652**
Commercial AC		24	0	0	0	0	0	**24**
Total use	**3,989,510**	**702**	**151**	**60**	**1,225**	**85**	**16**	**2,239**

31. HCFC-22-based manufacturing ceased in 2024. The AC manufacturing enterprise Spa Condor Electronics (Condor) that converted under stage I only consumes HCFC-22 for servicing and maintenance activities; the enterprise manufactures residential AC units with HFC-32 and R-410A, and domestic refrigerators and freezers with R-600a. Six other AC manufacturing enterprises manufacture R-410A-based AC equipment. While some HCFC-22-based manufacturing of commercial refrigeration equipment is believed to have existed in the country, such consumption has been phased out as enterprises shifted to alternatives, most likely HFC-134a and R-404A. Similarly, there is no longer any HCFC-141b-based polyurethane (PU) foam manufacturing in the country; this includes both HCFC-141b pure, which was banned on 1 January 2016 following the conversion of the enterprise Cristor in stage I, and HCFC-141b contained in imported pre-blended polyols. Three local enterprises use cyclopentane to manufacture PU foam.

Phase-out strategy

32. Stage II of the HPMP will focus on strengthening the HCFC licensing and quota system, promoting the transition to technologies with low global-warming potential (GWP) in the RAC sector, implementing legal instruments related to the safe use of new technologies, strengthening the capacity of the servicing sector, and establishing a pilot certification scheme for technicians.

Proposed activities

33. Proposed activities in the servicing sector include strengthening the legal framework, capacity-building of customs officers and technicians, refrigerant recovery and recycling, a residential AC demonstration project, and awareness-raising activities. A breakdown of proposed activities and costs is shown in table 4.

Table 4. Activities to be implemented in stage II of the HPMP for Algeria as submitted

Project component/activity	Agency	Cost (US $)
Legal framework and customs (US $495,000)		
Implement an electronic licensing (e-licensing) system for HCFCs and HFCs, including those contained in pre-blended polyols: assessment and planning, system development, testing, training, launch, and monitoring	UNEP	100,000
Strengthen reporting and monitoring of imports: consumption survey, study on illegal trade, workshops for importers on reporting requirements, and enforcement	UNEP	75,000
By 31 December 2029, ban the import and manufacture of HCFC-based equipment through the licensing system: implementation of ban, information workshops, assessment	UNEP	35,000
Strengthen customs record-keeping: link electronic customs system to e-licensing system, training for customs system operators, and compliance monitoring	UNEP	15,000
Two workshops to train 20 trainers and six workshops to train 120 customs officers on the new refrigerant identifiers	UNEP	75,000
Provision of 40 refrigerant identifiers for customs	UNIDO	195,000
RAC servicing (US $2,617,500)		
Establish a centre of excellence: assessment and planning, educational and reference materials, demonstration centre for flammable refrigerants, five demonstration units, launch to beneficiaries, and operation	UNIDO	200,000
Establish a recovery and recycling scheme: feasibility study, provision of tools and	UNIDO	150,000

Project component/activity	Agency	Cost (US $)
equipment to select training centres,[11] and training for beneficiaries		
Tools[12] and educational units for 22 training centres	UNIDO	370,000
Tools[14] for 235 workshops and independent technicians	UNIDO	600,000
Develop and implement code of good servicing practices, update training curricula, and 12 awareness workshops for 300 stakeholders	UNEP	30,000
Training of 200 trainers on refrigerant management and energy efficiency	UNIDO	50,000
Training of 130 trainers as certifiers according to international standards	UNIDO	200,000
Forty workshops to train 1,000 technicians on good servicing practices and the safe handling of flammable refrigerants	UNIDO	200,000
Implement pilot certification scheme: consultations, monitoring, certification of 400 technicians, and tools for 400 technicians.[13]	UNIDO	757,500
Support the RAC association through activities, meetings, training, and awareness-raising	UNEP	60,000
Demonstration project to promote HFC-32 in the manufacturing of AC equipment (US $142,500)		
Provision of 160 HFC-32-based AC units to replace those at Government offices	UNIDO	114,000
Distribution of equipment, coordination of installation, and monitoring	UNIDO	28,500
Awareness-raising (US $170,000)		
Campaign for Government institutions, importers, distributors, and end-users on updated licensing and regulations related to the Montreal Protocol	UNEP	42,500
Campaign for RAC technicians on the certification scheme	UNIDO	42,500
Campaign to promote refrigerant recovery and gain Government and public support for the centre of excellence	UNIDO	42,500
Campaign for end-users on HFC-32 technology and the demonstration project	UNIDO	42,500
Project management and coordination (US $342,500)		
Project management and coordination	UNIDO	342,500
Total		**3,767,500**

Project implementation and monitoring

34. The system established under stage I of the HPMP will continue into stage II, with the national ozone unit (NOU) and UNIDO monitoring activities, reporting on progress, and working with stakeholders to phase out HCFCs. The cost of those activities for UNIDO amounts to US $342,500, and includes national consultants and verification (US $102,000), international consultants (US $82,500), domestic travel (US $62,000), meetings and workshops (US $66,000), and miscellaneous costs (US $30,000).

Gender policy implementation

35. While no gender assessment was undertaken as part of the preparation of stage II, gender equality has been integrated into the activities of the project, and a gender expert or related organization will be recruited to advise on project activities. The participation of women will be targeted in training, certification, and RAC association support activities, and gender disaggregated data will be collected. Approximately 1 per cent of technicians in the country are women.

[11] Including 16 recovery and recycling units, four refrigerant identifiers, 100 recovery cylinders (27 L), 25 recovery cylinders (61 L), 80 leak detectors, 80 electronic scales, and miscellaneous tools.

[12] Including a recovery unit; 3 m red and blue hoses; 4 m red, blue, and yellow hoses; filter droger; refrigerant cylinder; electronic scale; vacuum pump and oil; meter set house; infrared leak detector; refrigerant IR sensor; aluminium toolbox; clamp meter; rubber hammer; metal hammer; screwdriver set; hex keys; and tube cutter and spare wheel.

[13] Including an electronic scale; vacuum pump and oil; meter set house with hose set; refrigerant IR sensor; aluminium toolbox; clamp meter; rubber hammer; metal hammer; screwdriver set; hex keys; plier set; tube cutter and spare wheel; adjustable spanner; socket wrench set; and combination wrench set.

Total cost of stage II of the HCFC phase-out management plan

36. The total cost of stage II of the HPMP for Algeria has been estimated at US $3,767,500 (plus agency support costs), as originally submitted, for achieving a 67.5 per cent reduction from its HCFC baseline consumption by 2025 and a 100 per cent reduction by 2030. The proposed activities and cost breakdown are summarized in table 5.

Table 5. Total cost of stage II of the HPMP for Algeria as submitted

Activity	Agency	Cost (US $)
Legal framework and customs	UNIDO/UNEP	495,000
RAC servicing	UNIDO/UNEP	2,617,500
Demonstration project	UNIDO	142,500
Awareness-raising	UNIDO/UNEP	170,000
Project management and coordination	UNIDO	342,500
Total		**3,767,500**

Implementation plan for the first tranche of stage II of the HCFC phase-out management plan

37. The first funding tranche of stage II of the HPMP in the total amount of US $2,188,600 will be implemented between December 2024 and December 2027. A breakdown of activities and costs for the first tranche is shown in table 6.

Table 6. Activities to be implemented in the first tranche of stage II of the HPMP for Algeria as submitted

Project component/activity	Agency	Cost (US $)
Legal framework and customs (US $307,500)		
Implement an e-licensing system for HCFCs and HFCs: assessment and planning, system development, testing, training, launch, and monitoring	UNEP	100,000
Strengthen reporting and monitoring of imports: study on illegal trade, one workshop for importers on reporting requirements, and enforcement	UNEP	45,000
By 31 December 2029, ban the import and manufacture of HCFC-based equipment through the licensing system: begin implementation of ban and provide information workshops	UNEP	30,000
Strengthen customs record-keeping: link electronic customs system to e-licensing system, training for customs system operators, and compliance monitoring	UNEP	7,500
One workshop to train 10 trainers and two workshops to train 40 customs officers on the new refrigerant identifiers	UNEP	27,500
Provision of 20 refrigerant identifiers for customs	UNIDO	97,500
RAC servicing (US $1,465,000)		
Establish a centre of excellence: assessment and planning, educational and reference materials, demonstration centre for flammable refrigerants, five demonstration units, launch to beneficiaries, and three years of operation	UNIDO	170,000
Establish a recovery and recycling scheme: feasibility study, provision of half of the tools and equipment to select training centres, and training to beneficiaries	UNIDO	85,000
Tools and educational units for 11 training centres	UNIDO	185,000
Tools for 172 workshops and independent technicians	UNIDO	300,000
Develop code of good servicing practices, assess training curricula, and eight awareness workshops for 200 stakeholders	UNEP	20,000
Training of 100 trainers on refrigerant management and energy efficiency	UNIDO	25,000
Training of 100 trainers as certifiers according to international standards	UNIDO	150,000
Sixteen workshops to train 400 technicians on good servicing practices and the safe handling of flammable refrigerants	UNIDO	80,000
Implement certification scheme: consultations, monitoring, certification of 220 technicians, and tools for 220 technicians.	UNIDO	420,000

Project component/activity	Agency	Cost (US $)
Support the RAC association through activities, meetings, training, and awareness-raising	UNEP	30,000
Demonstration project to promote HFC-32 in the manufacturing of AC equipment (US $132,500)		
Provision of 160 HFC-32-based AC units to replace those at Government offices	UNIDO	114,000
Distribution of equipment and coordination of installation	UNIDO	18,500
Awareness-raising (US $86,000)		
Campaign for Government institutions, importers, distributors, and end-users on updated licensing and regulations related to the Montreal Protocol	UNEP	21,500
Campaign for RAC technicians on the certification scheme	UNIDO	21,500
Campaign to promote refrigerant recovery and gain Government and public support for the centre of excellence	UNIDO	21,500
Campaign for end-users on HFC-32 technology and the demonstration project	UNIDO	21,500
Project management and coordination (US $197,600)		
Project management and coordination: national consultants and verification (US $58,848), international consultants (US $47,597), domestic travel (US $35,769), meetings and workshops (US $38,078), and miscellaneous costs (US $17,308)	UNIDO	197,600
Total		**2,188,600**

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

38. The Secretariat reviewed stage II of the HPMP in light of the status of implementation of stage I, including the changes proposed at the present meeting, 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 (decisions 74/50 and 90/31), and the 2024-2026 business plan of the Multilateral Fund.

<u>Overarching strategy</u>

39. The Government of Algeria proposes to meet the 67.5 per cent reduction from its HCFC baseline consumption by 2025, the 100 per cent reduction of its HCFC baseline consumption by 2030, and to maintain a maximum annual consumption of HCFCs in the period of 2030 to 2040 at a level consistent with Article 5, paragraph 8 ter(e)(i) of the Montreal Protocol.[14]

40. In line with decision 86/51, to allow for consideration of the final tranche of its HPMP, the Government of Algeria agreed to submit a detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption is in compliance with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the period 2030–2040, and, if Algeria intends to have consumption during the period 2030–2040, in line with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol, proposed modifications to its Agreement with the Executive Committee covering the period beyond 2030.

Demonstration project to promote HFC-32 in the manufacturing of air-conditioning equipment

41. The project, as submitted, included the procurement of 160 HFC-32-based AC units that would be installed in Government offices as a demonstration project (for a total of US $142,500). The Secretariat considered it unlikely that such a project would substantially impact the uptake of HFC-32-based AC units in the country, given the status of manufacturing at Condor, including that the enterprise had established a

[14] HCFC consumption may exceed zero in any year so long as the sum of its calculated levels of consumption over the ten-year period from 1 January 2030 to 1 January 2040, divided by 10, does not exceed 2.5 per cent of the HCFC baseline.

second manufacturing line that was being used to manufacture R-410A-based units, and that only approximately 6 per cent of the AC units manufactured by the enterprise were HFC-32-based and the remaining 94 per cent were R-410A-based; that the enterprise was not in a position to commit to exclusively manufacture with HFC-32; and that the Government was not in a position to consider controls on R-410A-based AC manufacturing and imports. Instead, the Secretariat proposed the following:

(a) A limited technology demonstration project that included the procurement of 10 HFC-32-based AC units that would replace R-410A AC units in Government offices; monitoring the performance and energy efficiency of the baseline R-410A for at least six months prior to installation of the new HFC-32-based units, which would then be monitored for at least six months; and disseminating the results of the demonstration project (US $15,000); and

(b) Development and implementation of a green government procurement policy for AC equipment by 1 January 2027 establishing that no R-410A AC units would be procured under Government contract as of that date and only HFC-32 (or lower GWP-based) AC units would be procured thereafter, for US $25,000.

42. Noting the limited activities that had been undertaken under stage I, including the need to train RAC technicians, the Secretariat further proposed that the savings of US $102,500 be used for technicians training, and training and certification of additional trainers. As further detailed below, those changes were agreed, except that the date of implementation for the green government procurement policy that, as explained in paragraph 44 below, was agreed would be implemented by 31 December 2029, noting that the Government would make best efforts to implement it before then. In addition, UNIDO had noted that Condor had not been able to take advantage of a preferential tax regime implemented in 2020,[15] which resulted in higher costs to manufacture with HFC-32 than would otherwise been possible. Accordingly, two workshops on the application of the preferential tax regime for HFC-32-based manufacturing were added to the awareness-raising activities undertaken by UNEP.

Refrigerant consumption

43. Given the length of time between the approval of the second tranche of stage I of the HPMP and the preparation of stage II, limited information could be collected on refrigerant consumption in the RAC servicing sector, and about the enterprises manufacturing RAC equipment that converted from HCFC-22 with their own resources. For example, the number of HFC-134a-based domestic refrigerators and vehicles with HFC-134a-based mobile AC units is not known. Such information will be collected during the preparation of the country’s Kigali HFC implementation plan (KIP), expected to be submitted once the country ratifies the Kigali Amendment.

Legal framework

44. The Secretariat sought to better understand the proposed timeline and scope of the ban of HCFC-based equipment proposed under the project. UNIDO explained that given the need for the NOU to coordinate with other ministries, the Government could only commit to implementing a ban on the import of HCFC-based equipment by 31 December 2029; however, the Government would strive to implement the ban before then and would report thereon when requesting the second tranche. In addition, noting that the country had banned the import of HCFC-141b on 1 January 2016, and that consumption of HCFC-141b contained in imported pre-blended polyols had been phased out in 2023, the Secretariat suggested the country may wish to consider implementing a ban on the import of HCFC-141b contained in imported

[15] The tax regime allows a reduction in customs duties from the standard 15 per cent to 5 per cent of the cost of components imported for use in manufacturing, in line with Algerian Executive Decree No. 20-313 2020.

pre-blended polyols as soon as possible to ensure the sustainability of that phase-out. UNIDO confirmed that this ban would be included in the bans to be implemented by the country by 31 December 2029.

45. The Secretariat noted that some Article 5 countries had implemented a number of regulatory measures that had been effective in strengthening the servicing sector, such as implementing regulatory measures to prevent venting of HCFCs during installation, servicing and decommissioning of RAC equipment; implementing regulations requiring leak checking for larger equipment; record-keeping practices (e.g., HCFC logbooks and HCFC equipment log-books for systems above certain charge); establishment of a code of practice for RAC technicians; and other measures. While such measures were useful, time was needed to build the capacity in the country to implement and enforce them. UNIDO emphasized that the country plans to implement regulations to prohibit the venting and flushing of controlled substances during installation, servicing and decommissioning of RAC equipment during the forthcoming stage I of the KIP.

Technical and cost-related issues

46. The Secretariat noted that the number of RAC technicians to be trained under the HPMP (1,000) was small relative to the total number of technicians in the country (approximately 13,450), particularly given that no technicians were trained under stage I. In addition, the Secretariat was concerned about the sustainability of the RAC technician training and certification. Given that this will be the last stage of the HPMP that will phase-out the country's remaining HCFC consumption, the Secretariat and UNIDO discussed opportunities to increase the number of technicians trained and to ensure sustainability of activities and achievement obtained from this last stage of the HPMP.

47. Under the legal framework, changes to activities include the addition of the development and implementation of a green government procurement policy for AC equipment (UNEP), and the removal of the consumption survey; and under RAC servicing, an increase to 500 tools (vice 235) distributed to workshops and independent technicians, 60 workshops to train 1,500 technicians (vice 1,000) on good servicing practices and the safe handling of flammable refrigerants, and the additional training of 480 technicians in the informal sector (UNIDO). Costs were adjusted throughout, including for shipping and handling for equipment being procured under the project, and notably for the demonstration project to promote HFC-32 in the manufacturing of AC equipment noted in paragraph 41 above (US $142,500 to US $15,000). Costs as agreed are shown in table 7 (changes in funding and activities are in bold font).

Table 7. Activities and cost of stage II of the HPMP for Algeria as agreed (US $)

Project component/activity	As submitted	As agreed
Legal framework and customs ***(US $490,000)***		
Implement an e-licensing system for HCFCs and HFCs	100,000	100,000
Strengthen reporting and monitoring of imports	75,000	**60,000**
Ban the import and manufacture of HCFC-based equipment (by 31 December 2029)	35,000	**20,000**
Strengthen customs record-keeping	15,000	15,000
Train 20 trainers and 120 customs officers on the new refrigerant identifiers	75,000	75,000
Provision of 40 refrigerant identifiers for customs	195,000	195,000
Implement a green procurement policy	-	**25,000**
RAC servicing ***(US $2,745,000)***		
Establish a centre of excellence	200,000	**165,000**
Establish a recovery and recycling scheme	150,000	150,000
Tools and educational units for 22 training centres	370,000	**310,000**
Tools for **500** workshops and independent technicians	600,000	**1,135,500**
Develop and implement code of good servicing practices, update training curricula, and 12 awareness workshops for 300 stakeholders	30,000	30,000
Training of 200 trainers on refrigerant management and energy efficiency	50,000	50,000

Project component/activity	As submitted	As agreed
Training of 130 trainers as certifiers according to international standards	200,000	200,000
Sixty workshops to train **1,500** technicians	200,000	**300,000**
Implement pilot certification scheme, certification and tools for **700** technicians	757,500	**200,500**
Support the RAC association	60,000	60,000
Training of 480 technicians in the informal sector (UNIDO)	-	**144,000**
Demonstration project to promote HFC-32 in the manufacturing of AC equipment ***(US $15,000)***		
Provision of **10** HFC-32-based AC units to replace those at Government offices	114,000	**8,000**
Distribution of equipment, coordination of installation, and monitoring	28,500	**7,000**
Awareness-raising ***(US $160,000)***		
Campaign on updated licensing and regulations related to the Montreal Protocol	42,500	**40,000**
Campaign on the certification scheme	42,500	**40,000**
Campaign to promote refrigerant recovery	42,500	**40,000**
Campaign on HFC-32 technology, including workshops on the preferential tax regime, and the demonstration project	42,500	**40,000**
Project management and coordination (US $342,500)		
Project management and coordination	342,500	342,500
Total	**3,767,500**	**3,752,500**

48. Activities for the first tranche have been revised as summarized in table 8 (changes in funding and activities are in bold font).

Table 8. Activities and cost for the first tranche of stage II of the HPMP for Algeria as agreed (US $)

Project component/activity	As submitted	As agreed
Legal framework and customs	307,500	307,500
RAC servicing ***(US $1,055,000)***		
Establish a centre of excellence (five demonstration units, three years of operation)	170,000	**30,000**
Establish a recovery and recycling scheme	85,000	85,000
Tools and educational units for 11 training centres	185,000	185,000
Tools for **442** workshops and independent technicians	300,000	**530,000**
Develop and implement code of good servicing practices, update training curricula, and eight awareness workshops for 200 stakeholders	20,000	20,000
Training of 200 trainers on refrigerant management and energy efficiency	25,000	25,000
Training of 130 trainers as certifiers according to international standards	150,000	**50,000**
Sixteen workshops to train 500 technicians	80,000	80,000
Implement certification scheme, certification and tools for **70** technicians	420,000	**20,000**
Support the RAC association (three years)	30,000	30,000
Demonstration project to promote HFC-32 in the manufacturing of AC equipment	132,500	**15,000**
Awareness-raising campaigns (four)	86,000	**60,000**
Project management and coordination	197,600	**150,000**
Total	**2,188,600**	**1,587,500**

49. Regarding the procurement of refrigerant identifiers, UNIDO confirmed the Government's commitment to maintain these identifiers, including co-financing for spare parts and their repair; this will be ensured through a bilateral agreement between the NOU and the General Directorate of Customs when handing over the identifiers. In addition, UNIDO confirmed that the identifiers would be capable of identifying both HCFCs and HFCs.[16]

[16] The identifiers can identify and analyze HCFC-22, HFC-32, HFC-134a, R-404A, R407C, R-410A, HFO-1234yf, R-408A, R-409A, R-417A, R-421A, R-421B, R-422A, R-422B, R-422C, R-427A and hydrocarbon refrigerants.

50. Regarding the centre of excellence, UNIDO explained that an existing training centre would be selected for strengthening, with a specific focus on recovery and recycling of refrigerants and would include setting up a business model to ensure the sustainability of the center. The demonstration centre would focus on building the capacity of manufacturers and assemblers to work with flammable refrigerants, which would both help ensure the sustainability of the HCFC phase-out in manufacturing and limit the uptake of high-GWP HFC equipment.

51. Given the challenges in implementing stage I, the Secretariat considered there was value in proceeding in a stepwise fashion, and first undertaking a pilot certification of technicians. UNIDO confirmed that the country planned to include the establishment of a mandatory, competency-based certification scheme under stage I of the country's KIP, building on the results of the pilot certification scheme undertaken under stage II of the HPMP.

Total project cost

52. The total cost for stage II of the HPMP amounts to US $3,752,500 to phase out 39.71 ODP tonnes (721.93 mt) of HCFC-22, the country's 2023 HCFC consumption; an additional 7.00 ODP tonnes (127.34 mt) of HCFC-22, 0.14 ODP (1.27 mt) of HCFC-141b, and 5.36 ODP tonnes (48.73 mt) of HCFC-141b contained in imported pre-blended polyols, representing the country's remaining HCFC consumption eligible for funding, will be deducted from the country's remaining HCFC consumption eligible for funding, resulting in an overall cost effectiveness of the project of US $4.17/kg. Agreed activities and funding for the first tranche are shown in table 8 above.

Impact on the climate

53. The activities proposed in the servicing sector, which include better containment of refrigerants through training and 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 the savings of approximately 1.8 CO_2-eq tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Algeria, including its efforts to promote low-GWP alternatives, as well as refrigerant recovery and reuse, indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

Sustainability of the HCFC phase-out and assessment of risks

54. Given the challenges experienced during the implementation of stage I of the HPMP, the Secretariat considered it prudent to proceed in a stepwise manner and have a more limited set of activities in the first tranche, which would also ensure UNIDO is able to meet the 20 per cent disbursement threshold; and to identify specific milestones that UNIDO would report on when submitting the request for the second tranche. Accordingly, and in light of the adjustments to the activities described above, the value of the first tranche was reduced from US $2,188,600, as originally submitted, to US $1,587,500. In addition, the Government committed to:

(a) By 1 January 2027, train at least 80 customs officers and 500 RAC technicians; and

(b) By 31 December 2029, implement the e-licensing system, a ban on the import of HCFC-141b contained in pre-blended polyols, a ban on the import and manufacture of HCFC-based equipment, and a green procurement policy prohibiting the purchase of R-410A-based AC units under Government contracts and only permitting AC units based on HFC-32 or lower-GWP refrigerant to be procured.

55. In discussing the timeline for the milestones identified in subparagraph (b) above, the Secretariat noted the value of faster implementation of those milestones, including strengthened control of HCFC and

HFC consumption and imports of equipment containing controlled substances; avoiding the installation of additional HCFC-based equipment, which would contribute the country's post-2030 servicing needs; and harnessing the Government's purchasing power to enhance the uptake of HFC-32-based AC units over R-410A-based AC units. While recognizing the value of those actions, UNIDO emphasized that in order to implement them, the NOU would need to coordinate with other ministries, for which time was required. The Government would do its best to accelerate the timeline for the implementation of the agreed milestones, particularly for the implementation of the e-licensing system and green procurement policy, which the NOU considered might be implemented more rapidly. UNIDO will provide a detailed report on progress toward the implementation of the agreed milestones as part of the second tranche submission, including identifying any challenges in implementation. Consideration of the second tranche would inter alia be based on that progress report.

56. While the number of technicians to be trained under the HPMP is still substantially less than the estimated number of technicians in the country, Secretariat considers the number a realistic target given the capacity-building required in the country; technician training would be augmented under the country's KIP. The training of trainers, and their certification, will both help ensure high-quality training and enable the implementation of the pilot certification scheme. The e-licensing system being developed under the project will strengthen the country's control of import of controlled substances and equipment containing controlled substances, including second-hand, energy inefficient equipment, and will help enable the country remains in compliance with the Montreal Protocol in the 2030 to 2040 period by enabling an improved control of HCFC-22 imported into the country in that period for the servicing tail.

57. The Secretariat considers there is a substantial risk to the sustainability of the conversion of the AC manufacturing at the enterprise Condor, converted to HFC-32 under stage I. In particular, while the Secretariat considers the risk to the sustainability of the phase-out of HCFC-22 at Condor to be negligible, the enterprise has been challenged in selling HFC-32-based AC units in the market. Condor accounts for approximately 55 per cent of the total AC market in the country. Manufacturing at Condor is dominated by R-410A, while HFC-32 only accounts for a small proportion (6 per cent) of the AC units manufactured by the enterprise in the first eight months of 2024. There are six other (smaller) local AC manufacturers that manufacture R-410A-based residential AC units; no enterprise in the country other than Condor manufactures with HFC-32. Similarly, imports are expected to be dominated by R-410A-based AC units. Enabling substantial manufacturing with HFC-32 by Condor will likely require comprehensive policy and regulatory measures; such measures could be implemented under the country's stage I KIP, following the country's ratification of the Kigali Amendment.

<u>2024-2026 draft business plan of the Multilateral Fund</u>

58. UNIDO and UNEP are requesting US $3,752,500, plus agency support costs, for the implementation of stage II of the HPMP for Algeria. The total requested value of US $1,715,125, including agency support costs for the period of 2024–2026, is US $23,500 below the amount in the business plan.

<u>Draft Agreement</u>

59. A draft Agreement between the Government of Algeria and the Executive Committee for stage II of the HPMP is contained in annex II to the present document.

RECOMMENDATION

60. The Executive Committee may wish to consider:

(a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Algeria for the period from 2024 to 2030 for the complete phase-out of HCFC consumption, in the amount of US $4,040,675, consisting of US $3,327,500, plus agency support costs of US $232,925, for UNIDO and US $425,000, plus agency support costs of US $55,250, for UNEP, on the understanding that no more funding from the Multilateral Fund will be provided for the phase-out of HCFCs;

(b) Noting the commitment of the Government of Algeria to:

(i) Completely phase out HCFCs by 1 January 2030, and that HCFCs will not be imported after that date except for those allowed for a servicing tail between 2030 and 2040, where required, consistent with the provisions of the Montreal Protocol;

(ii) By 1 January 2027, train at least 80 customs officers and 500 refrigeration and air-conditioning (AC) technicians;

(iii) By 31 December 2029, implement an electronic licensing system, a ban on the import of HCFC-141b contained in pre-blended polyols, a ban on the import and manufacture of HCFC-based equipment, and a green procurement policy prohibiting the purchase of R-410A-based AC units under Government contracts and only permitting AC units based on HFC-32 or with a lower-global warming potential refrigerant to be procured;

(c) Deducting 52.21 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;

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

(e) That, to allow for consideration of the final tranche of its HPMP, the Government of Algeria should submit:

(i) A detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption was in compliance with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the period 2030-2040;

(ii) If Algeria were intending to have consumption during the period 2030–2040, in line with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol, proposed modifications to its Agreement with the Executive Committee covering the period beyond 2030; and

(f) Approving the first tranche of stage II of the HPMP for Algeria, and the corresponding tranche implementation plan, in the amount of US $1,715,125, consisting of US $1,312,500, plus agency support costs of US $91,875 for UNIDO, and US $275,000, plus agency support costs of US $35,750 for UNEP.

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF ALGERIA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

(Relevant changes are in bold font for ease of reference)

1. This Agreement represents the understanding of the Government of Algeria (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 **55.91** ODP tonnes by 1 January 2017 in compliance with Montreal Protocol schedules, with the understanding that this figure is to be revised one single time, in the event that the baseline consumption for compliance is amended based on revised Article 7 data.

16. This updated Agreement supersedes the Agreement reached between the Government of Algeria and the Executive Committee at the 66th meeting of the Executive Committee.

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)*
HCFC-22	C	I	**58.01**
HCFC-141b	C	I	**4.11**
Subtotal			**62.12**
HCFC-141b in imported polyols			5.36
Total			**67.48**

*** Revised in line with decision 66/41(b)(iii).**

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2010	2012	2013	2014	2015	2016	2017	Total
1.1	Montreal Protocol reduction schedule of Annex C Group I substances (ODP tonnes)	n/a	n/a	**62.12**	**62.12**	**55.91**	**55.91**	**55.91**	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	**62.12**	**62.12**	**55.91**	**55.91**	**55.91**	n/a
2.1	Lead IA (UNIDO) agreed funding (US $)	215,380	1,593,860	0	**0**	0	0	**0**	**1,809,240**
2.2	Support costs for Lead IA (US $)	19,384	119,540	0	**0**	0	0	**0**	**138,924**
3.1	Total agreed funding (US $)	215,380	1,593,860	0	**0**	0	0	**0**	**1,809,240**
3.2	Total support costs (US $)	19,384	119,540	0	**0**	0	0	**0**	**138,924**
3.3	Total agreed costs (US $)	234,764*	1,713,400	0	**0**	0	0	**0**	**1,948,164**
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)								**11.30**
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)								0.00
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								**46.71**
4.2.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)								1.57
4.2.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)								2.40
4.2.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)								**0.14**
4.3.1	Total phase-out of HCFC-141b in imported pre-blended polyols agreed to be achieved under this agreement (ODP tonnes)								0.00
4.3.2	Phase-out of HCFC-141b in imported pre-blended polyols to be achieved in previously approved projects (ODP tonnes)								0.00
4.3.3	Remaining eligible consumption for HCFC-141b in imported pre-blended polyols (ODP tonnes)								5.36

* Approved at the 62nd meeting for the conversion of 2.40 ODP tonnes of HCFC-141b at Cristor and subsequently included under stage I of the HPMP.

Annex II

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF ALGERIA 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 Algeria (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 rows 4.1.3, 4.2.3, 4.3.3 (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 II of the HCFC phase-out management plan approved ("the Plan"). In accordance with subparagraph 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 subparagraph 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;

(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 to the climate, and any differences in ODP tonnes to be phased out if applicable, as well as confirm that the Country agrees that potential savings related to the change of technology would decrease the overall funding level under this Agreement accordingly;

(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. UNIDO has agreed to be the lead implementing agency (the "Lead IA") and UNEP 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 and/or Cooperating IA 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 independent verification as per subparagraph 5(b). The Cooperating IA 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 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 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), 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 between the Government 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	58.01
HCFC-141b	C	I	4.11
Subtotal			**62.12**
HCFC-141b contained in imported pre-blended polyols			5.36
Total			**67.48**

* Revised in line with decision 66/41(b)(iii).

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2024	2025	2026	2027	2028	2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	40.38	20.19	20.19	20.19	20.19	20.19	0.00	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	40.38	20.19	20.19	20.19	20.19	20.19	0.00	n/a
2.1	Lead IA (UNIDO) agreed funding (US $)	1,312,500	0	0	1,669,750	0	0	345,250	3,327,500
2.2	Support costs for Lead IA (US $)	91,875	0	0	116,883	0	0	24,167	232,925
2.3	Cooperating IA (UNEP) agreed funding (US $)	275,000	0	0	120,000	0	0	30,000	425,000
2.4	Support costs for Cooperating IA (US $)	35,750	0	0	15,600	0	0	3,900	55,250
3.1	Total agreed funding (US $)	1,587,500	0	0	1,789,750	0	0	375,250	3,752,500
3.2	Total support costs (US $)	127,625	0	0	132,483	0	0	28,067	288,175
3.3	Total agreed costs (US $)	1,715,125	0	0	1,922,233	0	0	403,317	4,040,675
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)								46.71
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)								11.30

Row	Particulars	2024	2025	2026	2027	2028	2029	2030	Total
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								0.00
4.2.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)								0.14
4.2.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)								3.97
4.2.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)								0.00
4.3.1	Total phase-out of HCFC-141b contained in imported pre-blended polyols agreed to be achieved under this Agreement (ODP tonnes)								5.36
4.3.2	Phase-out of HCFC-141b contained in imported pre-blended polyols to be achieved in previously approved projects (ODP tonnes)								0.00
4.3.3	Remaining eligible consumption for HCFC-141b contained in imported pre-blended polyols (ODP tonnes)								0.00

* Date of completion of stage I: 1 July 2025 in line with decision 95/XX

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the first 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 subparagraph 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 subparagraph 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 subparagraph (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 subparagraphs 1(a) to 1(d).

2. In the event that in a particular year two stages of the Plan 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 national ozone unit (NOU), under the Ministry of Environment, will be responsible for coordinating national authorities, stakeholders, and implementing agencies; monitoring activities; and reporting progress achieved with the assistance of the implementing agency and in accordance with the Agreement.

2. The lead IA, nominated by the NOU for the implementation of the Plan, is responsible for implementing the agreed activities, verifying consumption targets, and reporting progress and achievements to the Executive Committee in accordance with the Agreement.

3. The cooperating IA, nominated by the NOU for the implementation of the Plan, is responsible for implementing the agreed activities.

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 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 subparagraphs 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) Coordinating 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 the 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, 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 the consumption of the 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 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 coordinated 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, coordination 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 $144 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 Plan 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.