

## **Annex XVI**

### **AGREEMENT BETWEEN MEXICO AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE PHASE-OUT OF OZONE DEPLETING SUBSTANCES**

1. This Agreement represents the understanding of Mexico (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone depleting substances set out in Appendix 1-A (the “Substances”) prior to 1 January 2010, in compliance with Protocol schedules.
2. The Country agrees to phase out the controlled use of the Substances in accordance with the annual phase-out targets set out in row 1 of Appendix 2-A and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. 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 the Substances.
3. Subject to compliance with the following paragraphs 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 11 of Appendix 2-A (the “Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Disbursement Schedule”).
4. The Country will meet the consumption limits for each Substance as indicated in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 9 of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Disbursement Schedule unless the Country satisfies the following conditions at least 30 days prior to the applicable Executive Committee meeting set out in the Funding Disbursement Schedule:
  - (a) That the Country has met the Target for the applicable year;
  - (b) That the meeting of the Target has been independently verified as described in paragraph 9;
  - (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme;

- (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (the “Annual Implementation Programmes”) in respect of the year for which funding is being requested.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9.

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may use the Funding for other purposes that can be demonstrated to facilitate the smoothest possible phase-out, consistent with this Agreement, whether or not that use of funds was contemplated in determining the amount of funding under this Agreement. Any changes in the use of the Funding must, however, be documented in advance in the Country’s Annual Implementation Programme, endorsed by the Executive Committee as described in sub-paragraph 5(d) and be subject to independent verification as described in paragraph 9.

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

- (a) The Country would use the flexibility available under this agreement to address specific needs that might arise during project implementation;
- (b) The recovery and recycling programme for the refrigeration service sector would be implemented in stages so that resources can be diverted to other activities, such as additional training or procurement of service tools, if the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this agreement.

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 (the “Lead IA”) has agreed to be the lead implementing agency and the World Bank (“Co-operating IA”) has agreed to be a co-operating Implementing Agency under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to independent verification. The Country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Co-operating IA will be responsible for carrying out the activities listed in Appendix 6-B. The Executive Committee agrees, in principle, to provide the Lead IA and the Co-operating IA with the fees set out in rows 8 and 10 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Target(s) for the elimination of the Substances in all the Sectors 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 Disbursement Schedule. In the discretion of the Executive Committee, funding will be reinstated

according to a revised Funding Disbursement 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 instalment of Funding under the Funding Disbursement Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of the reductions in consumption<sup>1</sup> not achieved in any one year.

11. The funding components of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption or production sector projects or any other related activities in the Country.

12. The Country will comply with any reasonable request of the Executive Committee and the Lead IA and the Co-operating IA to facilitate implementation of this Agreement. In particular, it will provide access to the Lead IA and the Co-operating IA to information necessary to verify compliance with this Agreement.

13. All of the agreements 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 Protocol unless otherwise defined herein.

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<sup>1</sup> As measured according to Article 7 of the Protocol.

## Appendix 1-A: THE SUBSTANCES

- The ozone-depleting substances to be phased out under the Agreement are as follows.

|          |         |                                              |
|----------|---------|----------------------------------------------|
| Annex A: | Group I | CFC-11, CFC-12, CFC-113, CFC-114 and CFC-115 |
|----------|---------|----------------------------------------------|

## Appendix 2-A THE TARGETS, AND FUNDING

|                                                                      | 2004      | 2005      | 2006    | 2007  | 2008  | 2009  | 2010             |
|----------------------------------------------------------------------|-----------|-----------|---------|-------|-------|-------|------------------|
| Montreal Protocol Reduction Schedule (ODP tonnes)                    | 4,625     | 2,312     | 2,312   | 694   | 694   | 694   | 0                |
| 1. Max allowable total consumption of CFCs <sup>2</sup> (ODP tonnes) | 4,403     | 2,205     | 150     | 50    | 50    | 50    | 0                |
| 2. Total demand of CFCs (ODP tonnes) <sup>1</sup>                    | 1,932     | 1,667     | 1,190   | 725   | 425   | 195   | 140 <sup>3</sup> |
| 3. Reduction from on-going projects (ODP tonnes)                     | 40        | 165       | 77      | 15    | 0     | 0     | 0                |
| 4. New reduction under plan <sup>4</sup> (ODP tonnes)                | 0         | 100       | 400     | 450   | 300   | 230   | 55               |
| 5. Total annual reduction (ODP tonnes)                               | 40        | 265       | 477     | 465   | 300   | 230   | 55               |
| 6. Stockpile <sup>5</sup> (ODP tonnes)                               | 2,815     | 3,353     | 2,314   | 1,639 | 1,264 | 1,119 | 979              |
| 7. Lead I.A. agreed funding (US \$)                                  | 3,517,000 | 4,478,000 | 299,500 | 0     | 0     | 0     | 0                |
| 8. Lead I.A. support costs (US \$)                                   | 263,775   | 335,850   | 22,463  | 0     | 0     | 0     | 0                |
| 9. Co-operating I.A. agreed funding (US \$)                          | 0         | 500,000   | 0       | 0     | 0     | 0     | 0                |
| 10. Co-operating I.A. support costs (US \$)                          | 0         | 37,500    | 0       | 0     | 0     | 0     | 0                |
| 11. Total agreed funding (US \$)                                     | 3,517,000 | 4,978,000 | 299,500 | 0     | 0     | 0     | 0                |
| 12. Total agency support costs (US \$)                               | 263,775   | 373,350   | 22,463  | 0     | 0     | 0     | 0                |
| 13. Total agreed grant for tranche (US\$)                            | 3,780,775 | 5,351,350 | 321,963 | 0     | 0     | 0     | 0                |

<sup>1</sup> Estimated.

<sup>2</sup> Article 7 data (production – export + import) constitute the target under this Agreement.

<sup>3</sup> Save for essential uses.

<sup>4</sup> Reduction of the demand for virgin CFCs in all consumption sectors from the estimated CFC total demand.

<sup>5</sup> For information purposes.

## Appendix 3-A: FUNDING DISBURSEMENT SCHEDULE

- Funding will be considered for approval at the first meeting of the year of the annual plan.

## Appendix 4-A: FORMAT OF ANNUAL IMPLEMENTATION PROGRAMME

### 1. Data

Country

Year of plan

# of years completed

# of years remaining under the plan

Target ODS consumption of the preceding year

Target ODS consumption of the year of plan

Level of funding requested

Lead implementing agency

Co-operating agency

### 2. Targets

| <b>Target:</b>    |                  |                       |                     |                  |
|-------------------|------------------|-----------------------|---------------------|------------------|
| <b>Indicators</b> |                  | <b>Preceding Year</b> | <b>Year of Plan</b> | <b>Reduction</b> |
| Supply of ODS     | Import           |                       |                     |                  |
|                   | Production*      |                       |                     |                  |
|                   | <b>Total (1)</b> |                       |                     |                  |
| Demand of ODS     | Manufacturing    |                       |                     |                  |
|                   | Servicing        |                       |                     |                  |
|                   | Stockpiling      |                       |                     |                  |
|                   | <b>Total (2)</b> |                       |                     |                  |

\* For ODS-producing countries

### 3. Industry Action

| Sector                 | Consumption<br>Preceding<br>Year<br>(1) | Consumption<br>Year of Plan<br>(2) | Reduction<br>within<br>Year of<br>Plan<br>(1)-(2) | Number of<br>Projects<br>Completed | Number of<br>Servicing<br>Related<br>Activities | ODS<br>Phase-<br>out<br>(in ODP<br>tonnes) |
|------------------------|-----------------------------------------|------------------------------------|---------------------------------------------------|------------------------------------|-------------------------------------------------|--------------------------------------------|
| <b>Manufacturing</b>   |                                         |                                    |                                                   |                                    |                                                 |                                            |
| Aerosol                |                                         |                                    |                                                   |                                    |                                                 |                                            |
| Foam                   |                                         |                                    |                                                   |                                    |                                                 |                                            |
| Refrigeration          |                                         |                                    |                                                   |                                    |                                                 |                                            |
| Solvents               |                                         |                                    |                                                   |                                    |                                                 |                                            |
| Other                  |                                         |                                    |                                                   |                                    |                                                 |                                            |
| <b>Total</b>           |                                         |                                    |                                                   |                                    |                                                 |                                            |
| <b>Servicing</b>       |                                         |                                    |                                                   |                                    |                                                 |                                            |
| Refrigeration          |                                         |                                    |                                                   |                                    |                                                 |                                            |
| <b>Total</b>           |                                         |                                    |                                                   |                                    |                                                 |                                            |
| <b>GRAND<br/>TOTAL</b> |                                         |                                    |                                                   |                                    |                                                 |                                            |

### 4. Technical Assistance

Proposed Activity: \_\_\_\_\_  
 Objective: \_\_\_\_\_  
 Target Group: \_\_\_\_\_  
 Impact: \_\_\_\_\_

### 5. Government Action

| Policy/Activity Planned      | Schedule of Implementation |
|------------------------------|----------------------------|
| Policy control on ODS import |                            |
| Public awareness             |                            |
| Others                       |                            |

### 6. Annual Budget

| Activity     | Planned Expenditures (US \$) |
|--------------|------------------------------|
|              |                              |
|              |                              |
|              |                              |
|              |                              |
| <b>TOTAL</b> |                              |

### 7. Administrative Fees

## **Appendix 5-A: MONITORING INSTITUTIONS AND ROLES**

1. The National Ozone Unit (SEMARNAT) monitors the consumption data of all Substances through regional teams. Inspections at reconverted companies are foreseen to ensure the non uses of Substances after project completion. The licensing System will be a tool to monitor and ensure compliance of control measures.
2. The Government has offered and intends to offer continuity of activities and endorsement for the projects through the institutional support over the next years. This will guarantee the success of any activity approved for Mexico.
3. After the establishment of the countrywide scheme of refrigerant recovery and recycling, the monitoring activity will be initiated to know whether the project is successfully implemented and the target CFC phase out is achieved.
4. Monitoring activity will be done by:
  - (a) Establishing a system to ensure that every recycling and reclamation centre and substantive size service workshop is encouraged or obliged to report data and give information to the recovery and recycling scheme. This may be enabled through forms to be filled by recycling centres and service workshops.
  - (b) Setting up adequate office facilities including a computer system to collect and analyse the data.
  - (c) Regular communication with the regional environmental and industry departments, customs offices, education and training institutions and industry associations.
  - (d) Occasional visits to service workshops, recycling and reclamation centres.
5. Following information will have to be supplied by the recycling and reclamation centres and substantive size service workshops.

### CFC quantity

- Number of appliances subjected to refrigerant recovery and type (commercial. MAC, domestic etc.) of these appliances at every service workshop;
- Amount of recovered CFC refrigerants at every workshop;
- Amount of recovered CFC refrigerants sent to the recycling centres at every workshop;
- Amount of recovered CFC refrigerants stored at every workshop;
- Amount of recovered CFC refrigerants received from service workshops at every

recycling centre;

- Amount of recycled/reclaimed CFC refrigerants at recycling/reclaim centres;
- Amount of recycled/reclaimed CFC refrigerants returned (sold) to workshops;
- Amount of recycled/reclaimed CFC refrigerants used in workshops and its application;
- Amount of virgin refrigerant by type consumed in workshops and its application;
- Amount of CFC refrigerants, which can not be recycled and are subject to further treatment (e.g., sent to reclaiming plants, or decomposition plants abroad);
- Other data relevant for monitoring the scheme (amount of imported CFC refrigerants etc.).

#### Cost information

- Cost of recovery at every service workshop and parties who bear the cost;
- Cost of recycling at every recycling centre and parties who bear the cost;
- Price of recycled CFC refrigerants;
- Cost of reclaiming at every reclamation centre and parties who bear the cost;
- Price of reclaimed CFC refrigerants;
- Other financial information relevant to monitoring the recovery recycling and reclamation scheme.

6. Data and information collected will be analysed to check the adequate operations of the scheme.

7. In the manufacturing sector the implementation process and the achievement of the phase-out will be monitored through site visits at enterprise level.

8. UNIDO will perform regular monitoring, verification and auditing of the implementation of the National Phase-out Plan in line with the established procedures of both the Multilateral Fund and UNIDO.

## **Appendix 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY**

1. The Lead IA will be responsible for:
  - (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 phase-out plan;
  - (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the annual implementation programme;
  - (c) Assisting the Country in preparation of the Annual Implementation Programme;
  - (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;
  - (e) Report on the implementation of the Annual Implementation Programme of the preceding year and the Annual Implementation Programme for the year are to be prepared and submitted to the first meeting of the Executive Committee of the year;
  - (f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate technical experts;
  - (g) Carrying out required supervision missions;
  - (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
  - (i) Verification for the Executive Committee that consumption of the Substances has been in accordance with the Target;
  - (j) Ensuring that disbursements are made to the Country in a timely and effective manner;
  - (k) Providing assistance with policy, management and technical support when required.

## **Appendix 6-B: ROLE OF THE CO-OPERATING IMPLEMENTING AGENCY**

1. The Co-operating IA will be responsible for executing the second stage of the programme of substitution of cooling air systems (chillers). The responsibility will include:
  - (a) Selection and final quotation from the suppliers of efficient equipment;

- (b) Compilation of administrative and financial information for the formalization of the financing and to make the corresponding evaluations;
- (c) Authorization process of the projects;
- (d) Elaboration and signature of the agreement and contracts;
- (e) Payment process of advance payment of 50% to the supplier for the initiation of the projects;
- (f) Requisition of the efficient equipment;
- (g) Retirement of the inefficient cooling units to proceed with the extraction of the cooling gas R-11 and oil for its recycling;
- (h) Physical destruction of the inefficient units;
- (i) Rise and signature of corresponding acts;
- (j) Supply, starting and putting in operation of the efficient equipment;
- (k) Payment process of advance of project by 35%;
- (l) Verification of the obtained savings of electrical energy;
- (m) Payment process of settlement of project by the last 15%;
- (n) Elaboration of the corresponding reports;
- (o) Ensuring that disbursements are made to the Country in a timely and effective manner;
- (p) Reporting to the Lead IA on these activities and
- (q) Providing assistance relating to the activities being undertaken when required.

#### **Appendix 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY**

1. In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US \$11,440 per ODP tonne of reductions in consumption<sup>2</sup> not achieved in the year.

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<sup>2</sup> As measured according to Article 7 of the Protocol.