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Executive Committee of the
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Implementation of the Montreal Protocol

Eighth Meeting
Montreal, 19-21 October 1992

Corrigendum

PROJECT PROPOSALS: EGYPT

This Corrigendum is being issued to replace pages 1, 5, 6, 10, 11 and 12 of UNEP/OzL.Pro/ExCom/8/20/Add.2.

GENERAL COMMENTS

1. Proposals for "Conversion of Refrigerating Compressors to HFC-134a by Misr Compressor Manufacturing Company (MCMC)," "Phase-out of the Use of CFC-11 in the Manufacture of Flexible Polyurethane Foam at Misr Foam Company," and "Elimination of CFC-12 Used to Make Foams in 1991 (Al Sharif)" were first presented to the Executive Committee for consideration at its Sixth Meeting. At that meeting, the Executive Committee approved US $1.5 million "to continue work on the preparation and appraisal of [these three projects and a 'Recycling and Waste Disposal' proposal]."

2. Since the Sixth Meeting, UNDP has sent two missions to Egypt to prepare and appraise these projects.

Foam Sector

3. The foam sector in Egypt consumes 722 tonnes of CFC. The foam projects recommended for approval in this request would eliminate 31 percent of the total used in the sector over the next two years.

4. Foam projects have been approved for China. Individually, they are phasing-out more and costing less. However, these projects are not considered comparable to those in Egypt.

5. The Fund Secretariat has sent comments to UNDP and spoken with Government of Egypt officials and UNDP consultants regarding issues raised concerning the proposals. As a result of these discussions, the Al Sharif proposal was resubmitted but important questions regarding incremental costs were not properly addressed.

6. A total of US $1,436,000 is recommended in the foam sector as follows and should be applied against the US $1.5 million already approved:

- Phase-out of the Use of CFC-11 in the Manufacture of Flexible Polyurethane Foam at Misr Foam Company (US $497,000);
- Phase-out of the Use of CFC-11 in Molded Polyurethane Foam Manufacturing at TAKI-VITA (US $294,000); and
- Elimination of CFC-11 in the Manufacture of Molded Polyurethane Foams at Technopol (US $645,000).

7. The "Elimination of CFC-12 Used to Make Foams in 1991 (Al Sharif)" (US $1,785,000) is not recommended for consideration at this time.

PROJECT EVALUATION SHEET

COUNTRY OR REGION: Egypt

PROJECT TITLE: Phase-out of the Use of CFC-11 in the Manufacture of Flexible Polyurethane Foam at Misr Foam Company

BUDGET: US $415,000 - Fixed Project Costs
US $ 88,000 - Annual Operational Costs for Four Years (US $22,000 per year)
US $503,000 - Total Request

INCREMENTAL COSTS: US $497,000[1]

COST EFFECTIVENESS: US $4.15/Kg. ODP saved[2]

PROJECT DURATION: Four months for construction phase; 10-year project life.

IMPLEMENTING AGENCY: UNDP

NATIONAL COORDINATING AGENCY: Egyptian Environment Affairs Agency (EEAA)

TECHNICAL REVIEW COMPLETED: YES _X_ NO __

SECRETARIAT'S COMMENTS

1. An independent technical review (Annex II) was provided following the submission of the project document.

2. The project will result in an estimated average annual phase-out of 121 tonnes of CFC-11.[3]

3. US $73,000 of the project costs is attributable to completed actions for formulation transfer and process trials and plant transfer system for methylene chloride.

4. The cost of Customs duties is included in the price of encapsulation equipment in the amount of US $6,000 according to the company concerned. This was deducted from the request.

5. Information appended to the project document indicated the possibility that a sales tax might have been included in the request. Sales taxes are also ineligible incremental costs.

However, the company and the implementing agency later indicated that no sales taxes were included the request.

6. The technical review indicated that the incremental operational costs (US $22,000 per year) were reasonable. It also indicated that there were no net material costs included in the estimated incremental operational costs. It is assumed that operational costs will be disbursed on an annual basis over a four-year period.

7. Operational savings are not anticipated for the project.

SECRETARIAT'S RECOMMENDATIONS

8. The project is recommended for Final Approval funding in the amount of US $497,000. This amount should be credited to the US $1.5 million approved at the Sixth Meeting of the Executive Committee.

Endnotes:

1. Incremental costs include the fixed costs ($415,000), minus $11,000 for sales taxes and $6,000 for customs duties included in encapsulation equipment for a total fixed cost component of $398,000. Operational costs are estimated at $22,000 per year for four years (total = $88,000).

2. Determined as the ratio of incremental costs to the estimated annual saving of ODP. For CFC-11, ODS = ODP.

3. Average annual reduction in this case is defined as the CFC-11 reduction at year four of the project.

SECRETARIAT'S RECOMMENDATIONS

5. The project is recommended for Final Approval funding in the amount of US $645,000. This amount should be credited to the US $1.5 million approved at the Sixth Meeting of the Executive Committee.

Endnotes:

1. Determined as the ratio of incremental costs to the estimated annual saving of ODP. For CFC-11, ODS = ODP.

2. Average annual reduction in this case is defined as the CFC-11 reduction after the project is implemented.

PROJECT EVALUATION SHEET

COUNTRY OR REGION: Egypt

PROJECT TITLE: Elimination of CFC-12 Used to Make Foams in 1991 (Al Sharif)

BUDGET: US $1,785,000 - Fixed Project Costs

INCREMENTAL COSTS: Not determined

COST EFFECTIVENESS: Not determined

PROJECT DURATION: One year for construction phase; 10-year project life.

IMPLEMENTING AGENCY: UNDP

NATIONAL COORDINATING AGENCY: Egyptian Environment Affairs Agency (EEAA)

TECHNICAL REVIEW COMPLETED: YES __ NO __ (See comments below.)

SECRETARIAT'S COMMENTS

1. This project was first presented to the Executive Committee for consideration at its Sixth Meeting with a budget of US $2.6 million. At that meeting, the Executive Committee approved US $1.5 million "to continue work on the preparation and appraisal of [this and three other proposed projects]."

2. This proposal is similar to the Plásticos Molanca foam project that was approved at the Seventh Meeting of the Executive Committee.

3. A new project proposal, UNEP/OzL.Pro/ExCom/8/20/Add.1, was submitted by the Government of Egypt following Fund Secretariat discussions with UNDP. This addendum was subsequently withdrawn and the costs of activities were modified.

4. A technical review (Annex V) was prepared for this project. The review stated that the company does not currently produce polyethylene foam. The purchase of new, non-replacement equipment is not an incremental cost.

5. The modified costs of activities indicates that butane costs US $0.5/Kg. while the first proposal indicated that butane costs US $2.9/Kg. Therefore, the company may receive substantial savings which are not accounted for in the project budget.

SECRETARIAT'S RECOMMENDATIONS

6. Since incremental costs have not yet been resolved, the Fund Secretariat recommends that consideration of this project should be deferred.