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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninety-eighth Meeting
Montreal, 22–26 June 2026
Items 8(c) and (d) of the provisional agenda[1]

PROJECT PROPOSALS: ALBANIA

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

Phase-out

• HCFC phase-out management plan (stage II, third tranche)	UNIDO and UNEP	Blanket approval
• HCFC phase-out management plan (stage III, first tranche)	UNIDO and UNEP	Individual consideration

Phase-down

• Kigali HFC implementation plan (stage I, second tranche)	UNIDO and UNEP	Blanket approval

[1] UNEP/OzL.Pro/ExCom/98/1

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Albania

PROJECT TITLE	**AGENCY**	**MEETING APPROVED**	**CONTROL MEASURE**
HCFC phase-out plan (stage II)	UNIDO (lead), UNEP	85th	67.5% phase-out by 2025

ARTICLE 7 DATA (Annex C, Group I)	**Year: 2024**	2.47 ODP tonnes

COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)							**Year: 2025**
Substance	Aerosol	Foam	Firefighting	Refrigeration		Solvent	Total sector consumption
				Manufacturing	Servicing		
HCFC-22					1.18		1.18

CONSUMPTION DATA (ODP tonnes)			
2009–2010 baseline:	6.00	Starting point for sustained aggregate reductions:	6.00
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	4.05	Remaining:	1.95

ENDORSED BUSINESS PLAN		**2026**	**2027**	**2028**	**Total**
UNIDO	ODS phase-out (ODP tonnes)	0.18	0.00	0.00	0.18
	Funding (US $)	37,717	0	0	37,717
UNEP	ODS phase-out (ODP tonnes)	0.04	0.00	0.00	0.04
	Funding (US $)	10,170	0	0	10,170

PROJECT DATA			**2020**	**2021**	**2022**	**2023***	**2024**	**2025**	**2026**	**Total**
Consumption (ODP tonnes)	Montreal Protocol limits		3.90	3.90	3.90	3.90	3.90	1.95	1.95	n/a
	Maximum allowable		3.90	3.90	3.90	3.90	3.90	1.95	1.95	n/a
Amounts approved in principle (US $)	UNIDO	Project costs	88,000	0	81,250	100,000	0	0	35,250	304,500
		Support costs	7,920	0	7,313	3,615	0	0	2,467	21,315
	UNEP	Project costs	39,500	0	39,500	0	0	0	9,000	88,000
		Support costs	5,135	0	5,135	0	0	0	1,170	11,440
Funds approved by ExCom (US $)		Project costs	127,500	0	120,750	100,000	0	0	0	348,250
		Support costs	13,055	0	12,448	3,615	0	0	0	29,118
Total funds recommended for approval at this meeting (US $)		Project costs							44,250	44,250
		Support costs							3,637	3,637

* Funding for 2023 includes US $100,000, plus agency support costs of US $3,615, for UNIDO for additional activities to maintain energy efficiency (decision 89/6).

Secretariat's recommendation:	Blanket approval

PROJECT DESCRIPTION

1. On behalf of the Government of Albania, UNIDO as the lead implementing agency has submitted a request for funding for the third and final tranche of stage II of the HCFC phase-out management plan (HPMP), at a total cost of US $47,887, consisting of US $35,250, plus agency support costs of US $2,467, for UNIDO and US $9,000, plus agency support costs of US $1,170, for UNEP.[2] The submission includes a progress report on the implementation of the second tranche, the verification report on HCFC consumption for the years 2022 to 2024, and the tranche implementation plan for 2026 to 2027.

Report on HCFC consumption

2. The Government of Albania reported a consumption of 1.18 ODP tonnes of HCFCs in 2025 under the country programme (CP) implementation report, which is 80.3 per cent below the country's HCFC baseline for compliance. The Article 7 data for 2025 has not been reported yet. The 2021–2025 HCFC consumption is shown in table 1.

Table 1. HCFC consumption in 2021–2025 in Albania (Article 7 data)

HCFC	2021	2022	2023	2024	2025*	Baseline
Metric tonnes (mt)						
HCFC-22	34.73	53.04	39.49	44.96	20.23	102.3
HCFC-124	0.00	0.00	0.00	0.00	0.00	0.6
HCFC-142b	0.00	0.00	0.00	0.00	0.00	4.6
Total (mt)	**34.73**	**53.04**	**39.49**	**44.96**	**20.23**	**107.4**
ODP tonnes						
HCFC-22	1.91	3.02	2.17	2.47	1.18	5.70
HCFC-124	0.00	0.00	0.00	0.00	0.00	0.01
HCFC-142b	0.00	0.00	0.00	0.00	0.00	0.29
Total (ODP tonnes)	**1.91**	**3.02**	**2.17**	**2.47**	**1.18**	**6.00**

* CP data

3. The overall level of HCFC consumption in Albania had been maintained below the control limits in previous years due to the implementation of HPMP activities and the gradual introduction of alternative technologies. The increase in consumption in 2022 was the impact of post-pandemic economic recovery. Further, there was a slight increase in 2024 consumption in anticipation of the change in quota allocation for 2025.

Country programme implementation report

4. The HCFC consumption data provided by the Government of Albania in its CP implementation report for 2024 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 country is in compliance with the Montreal Protocol targets, and with its Agreement with the Executive Committee for 2022 and 2023. While in compliance, the verified consumption for 2022 was 3.02 ODP tonnes, which is 0.10 ODP tonnes higher than the consumption originally reported under Article 7 for 2022 of 2.92 ODP tonnes. The oversight was identified

[2] As per the letter of 26 February 2026 from the Ministry of Environment of Albania to UNIDO.

by comparing the import data with the export data provided by the export country, custom authorities and importers. The Article 7 data for 2022 has subsequently been revised.

<u>Progress report on the implementation of the second tranche of stage II of the HCFC phase-out management plan</u>

Legal framework

6. The HCFC import licensing and quota system has been operational since 2013. The ban on imports of used HCFC-based equipment went into effect in 2011 and the ban on imports of new HCFC-based equipment has been enforced since 2018. In 2019, the revised ODS regulation was approved to be in full alignment with European Union (EU) legislation, with respect to regulating the imports, use and trade of ODS, and updating ODS reporting requirements.

7. The law on F-gases was approved and came into force on 1 January 2024. It aligns with the Kigali Amendment and EU legislation, establishing rules on containment, use, recovery and destruction of F-gases. The law introduces labelling requirements, a national registration system, product databases, and obligations for equipment owners to submit periodic records to relevant authorities. It also mandates reporting on production, import, export, feedstock use and destruction of substances, and the development of national training and certification schemes for the refrigeration and air-conditioning (RAC) manufacturing and servicing sectors. The certification scheme is currently being put in place and will be operational by the end of 2026.

Refrigeration servicing sector

8. The following activities were completed under the second tranche:

(a) Updated training materials; conducted one training workshop for 23 environmental inspectors and enforcement officers (seven women) on legal framework for ODS and HFCs; conducted two training workshops for 21 customs officers (six women) on the F-gas legislation, document control procedures, and the use of refrigerant identifiers;

(b) Conducted four training workshops at vocational schools for 84 students and technicians (four women) on low-GWP alternatives; conducted one training for 19 technicians and trainers obtaining EU-recognised F-gas certification; organized one awareness-raising event for 60 students and lecturers;

(c) Initiated the work on development of a business model for recovery and recycling (RR) for small servicing workshops; provided training to 176 technicians (six women) at nine vocational schools covering recovery, recycling and reclaim (RRR) activities; organized two awareness workshops for 75 key RAC sector stakeholders on new technologies and trends; organized one awareness workshop targeting women in the RAC sector attended by 16 female students; and

(d) Developed an inventory of large industrial and commercial refrigeration equipment using HCFC-22 through site visits to gather detailed information on equipment, including its specifications, usage, and condition; organized training for large end users attended by 26 maintenance service technicians (four women) from 26 companies on leak detection, safe recovery of refrigerants, proper recycling procedures and handling of recovered refrigerants, safe charging procedures and system checks in compliance with safety standards, and application of safety measures, including risk assessment and the use of personal protective equipment.

Additional activities to improve energy efficiency (decision 89/6)

9. Multiple meetings were held with key stakeholders (the Energy Efficiency Agency, the Ministry of Environment, RAC associations and academic institutions) to gather inputs and ensure alignment with national energy-efficiency priorities. Existing regulations on energy efficiency, labelling, and minimum energy performance standards were revised to align with EU regulations. A green procurement policy was drafted and shared with key stakeholders, and related materials were distributed to public and private institutions. The procurement process for an R-290 heat pump was initiated. This activity initially envisaged the procurement and installation of 20 R-290 split air-conditioning (AC) units but was revised to the procurement of an R-290 heat pump due to the supply unavailability of R-290 AC units. Awareness activities on the benefits of R-290 low-GWP technologies were conducted through the development and distribution of brochures and leaflets, a workshop involving 22 students and teachers, and an awareness event.

Project implementation and monitoring

10. Of the US $20,000 approved for project implementation and monitoring, a total of US $13,400 was disbursed on consultants (US $4,300), travel (US $6,200), meetings and other costs (US $2,900).

Level of fund disbursement

11. As of February 2026, of the US $348,250 approved thus far, US $255,698 had been disbursed (US $179,544 for UNIDO and US $76,154 for UNEP), as shown in table 2. The balance of US $92,552 will be disbursed in 2026.

Table 2. Financial report of stage II of the HPMP for Albania (US $)

Tranche		UNIDO	UNEP	Total	Disbursement rate (%)
First	Approved	88,000	39,500	127,500	99
	Disbursed	87,892	38,154	126,046	
Second	Approved	81,250	39,500	120,750	70
	Disbursed	47,093	38,000	85,093	
Additional activities (decision 89/6)	Approved	100,000	0	100,000	45
	Disbursed	44,559	0	44,559	
Total	**Approved**	**269,250**	**79,000**	**348,250**	**73**
	Disbursed	**179,544**	**76,154**	**255,698**	
	Balance	**89,706**	**2,846**	**92,552**	

Implementation plan for the third and final tranche of stage II of the HCFC phase-out management plan

12. The following activities will be implemented between July 2026 and December 2027:

(a) Updating the national ODS regulation and policies including the quota and licensing system to include alternatives and aligning policies with new EU ODS regulation; implementing the RAC technician training and certification scheme (UNIDO) (US $8,250);

(b) Organizing one training for 15 customs officers, enforcement officers and environmental inspectors on HCFC control at borders; conducting one training for 20 technicians at vocational training institutions on good service practices and leakage control (UNEP) (US $9,000);

(c) Conducting two trainings for 30 technicians and vocational schools on RRR; developing RRR business planning for small servicing workshops; developing and distributing awards for women technicians based on performance and recommendations (UNIDO) (US $7,000);

(d) Updating the inventory of large end-users, and providing training for newly identified equipment owners and technicians on good maintenance (UNIDO) (US $10,000);

(e) Activities to maintain energy efficiency (decision 89/6): Finalising procurement and installation of R-290 heat pumps, removal of old AC units and recovery of the refrigerant, organizing and conducting training for RAC technicians on new R-290 heat pump, monitoring and dissemination of results (UNIDO); and

(f) Coordinating and monitoring project activities, including hiring of national experts, local travel, meeting and other cost (UNIDO) (US $10,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Verification report

13. UNIDO submitted a verification report covering the years 2022 to 2024. The report indicated that the data for 2024 was not fully verified due to the absence of certain documents. Regarding the incomplete verification of 2024 and the missing verification for 2025, UNIDO informed that the Government of Albania is committed to completing the verification exercise as soon as possible. The revised verification report, including verified data for 2024 and 2025, is planned to be submitted by 30 May 2026. In line with decision 72/19, the transfer of any approved funds for tranches to UNIDO and UNEP would occur only after receipt by the Secretariat of the revised verification report confirming that Albania had been in compliance with the Montreal Protocol and the Executive Committee.

Progress report on the implementation of the second tranche of stage II of the HCFC phase-out management plan

Legal framework

14. The Government of Albania has issued HCFC import quotas for 2026 at 1.48 ODP tonnes, which is lower than the Montreal Protocol control targets.

Refrigeration servicing sector

15. With reference to the activity of RR, the Secretariat inquired about related regulation, amount of refrigerant recovered and its sustainability. UNIDO explained that in Albania, the RR of ODS refrigerants is regulated by a set of legal acts aligned with EU legislation. It requires that all controlled refrigerants be recovered during servicing, maintenance, or prior to the disposal of equipment, for the purpose of recycling, reclamation, or destruction. Operators are obliged to keep detailed records of quantities recovered and handled, and to ensure leak prevention and repair. In 2024, an amount of 5,930 kg of HCFCs was recovered, recycled and reused by 24 workshops.

16. Regarding the change in the energy efficiency activity, UNIDO explained that the procurement of R-290 AC units was initially advertised at the national and international level, but no suitable supplier was identified. UNIDO consulted with the Secretariat and proposed the procurement of an R-290 heat pump instead. The Secretariat noted that the heat pump would serve a similar purpose by promoting low-GWP

technology, while also offering the added functionality of both cooling and heating. Considering this, and in line with paragraph 7(b) of the HPMP Agreement, the activity was revised to procure an R-290 heat pump.

Gender policy implementation

17. The Multilateral Fund's policy is integrated into the implementation of stage II activities, with progress regularly monitored and results reflected in project reporting. During workshops and training sessions, the national ozone unit (NOU) collects and monitors sex-disaggregated data and ensures that training and information materials target both women and men. The NOU also documents and follows up on women empowerment-related discussions, proposals, and recommendations emerging from these activities. Dedicated events have been organized to specifically engage women, and events and workshops ensure balanced participation of both women and men as presenters and speakers.

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

18. UNIDO has confirmed that stage II for Albania will be completed on 31 December 2027 as established in paragraph 14 of the Agreement.

Sustainability of the HCFC phase-out and assessment of risks

19. Albania has a licensing and quota system in place to monitor and control HCFC imports and has implemented a ban on import of used HCFC-based equipment in 2011, and on new HCFC-based equipment in 2018. These legislative steps, together with the training and capacity-building of technicians, and RR activities, have contributed to the long-term sustainability of HCFC phase-out. Minor risks include slow enforcement of regulations and changes in external factors. The NOU maintains constant communication with stakeholders to create awareness about new regulations and ensure that external factors do not compromise the implementation and sustainability of achieved results under the HPMP. The NOU continues to strengthen collaboration and build trust through regular meetings and consultations with all involved stakeholders, including RAC association, importers and customs.

Conclusion

20. Albania was in compliance with the maximum allowable consumption levels during the reporting period, the disbursement level of funds approved in the previous tranche is above 20 per cent, and significant progress has been achieved during the implementation of the tranche. The progress under additional activities to enhance energy efficiency was also made with procurement of an R-290 heat pump. The progress achieved so far, and the activities planned under the third and final tranche will ensure the long-term sustainability of stage II of the HPMP. UNIDO confirmed that the updated verification report including 2024 and 2025 consumption data will be submitted by 30 May 2026. The country will complete stage II of the HPMP in accordance with its Agreement with the Executive Committee and stage III is being submitted to the present meeting.

RECOMMENDATION

21. The Fund Secretariat recommends that the Executive Committee note the progress report on the implementation of the second tranche of stage II of the HCFC phase-out management plan (HPMP) for Albania and further recommends blanket approval of the third and final tranche of stage II of the HPMP for Albania and the corresponding 2026–2027 tranche implementation plan at the funding levels shown in the table below, on the understanding that the approved funds will not be transferred to UNIDO and UNEP until the Secretariat has reviewed the revised verification report and confirmed that Albania was in compliance with the Montreal Protocol and the Agreement between the Government and the Executive Committee.

	Project title	Project funding (US $)	Support costs (US $)	Implementing agency
(a)	HCFC phase-out management plan (stage II, third tranche)	35,250	2,467	UNIDO
(b)	HCFC phase-out management plan (stage II, third tranche)	9,000	1,170	UNEP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Albania

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

ARTICLE 7 DATA (Annex C, Group I)	**Year: 2024**	2.47 ODP tonnes

COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)							**Year: 2025**
Substance	Aerosol	Foam	Firefighting	Refrigeration		Solvent	Total sector consumption
				Manufacturing	Servicing		
HCFC-22					1.18		1.18

CONSUMPTION DATA (ODP tonnes)			
2009–2010 baseline:	6.00	Starting point for sustained aggregate reductions:	6.00
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	4.05	Remaining:	1.95

ENDORSED BUSINESS PLAN		**2026**	**2027**	**2028**	**Total**
UNIDO	ODS phase-out (ODP tonnes)	0.41	0.00	0.82	1.23
	Funding (US $)	65,725	0	131,358	197,083
UNEP	ODS phase-out (ODP tonnes)	0.00	0.00	0.00	0.00
	Funding (US $)	49,578	0	49,578	99,156

PROJECT DATA AS AGREED			**2026**	**2027**	**2028**	**2029**	**2030**	**Total**
Consumption (ODP tonnes)	Montreal Protocol limits		1.95	1.95	1.95	1.95	0	n/a
	Maximum allowable		1.95	1.50	1.00	0.50	0	n/a
Project costs requested in principle (US $)	UNIDO	Project costs	152,530	0	47,900	0	16,570	217,000
		Support costs	13,728	0	4,311	0	1,491	19,530
	UNEP	Project costs	25,000	0	35,500	0	15,000	75,500
		Support costs	3,250	0	4,615	0	1,950	9,815
Total amounts recommended in principle (US $)		Project costs	177,530	0	83,400	0	31,570	292,500
		Support costs	16,978	0	8,926	0	3,441	29,345
		Total funds	194,508	0	92,326	0	35,011	321,845

Request for funding for the first tranche (2026)		
Implementing agency	**Funds recommended (US $)**	**Support costs (US $)**
UNIDO	152,530	13,728
UNEP	25,000	3,250
Total	177,530	16,978

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

Background

22. On behalf of the Government of Albania, UNIDO as the lead implementing agency has submitted a request for stage III of the HCFC phase-out management plan (HPMP), at a total cost of US $321,845, consisting of US $217,000, plus agency support costs of US $19,530 for UNIDO and US $75,500, plus agency support costs of US $9,815 for UNEP, as originally submitted.[3] The implementation of stage III of the HPMP will phase out the remaining consumption of HCFCs by 2030.

23. The first tranche of stage III of the HPMP being requested at this meeting amounts US $193,923, consisting of US $143,700, plus agency support costs of US $12,933, for UNIDO and US $33,000, plus agency support costs of US $4,290, for UNEP, as originally submitted.

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

24. Stage II of the HPMP for Albania was originally approved at the 85th meeting[4] and revised at the 93rd meeting[5] to phase out 1.95 ODP tonnes of HCFCs used in the refrigeration and air-conditioning (RAC) servicing sector and to meet the 67.5 per cent reduction from the baseline by 2025, at a total cost of US $392,500, plus agency support costs. An overview of the implementation of stage II, including the analysis of HCFC consumption; progress and financial reports on the implementation; and the request for the third and final tranche submitted to the current meeting, is available in paragraphs 1 to 21 of the present document.

Stage III of the HCFC phase-out management plan

<u>Remaining consumption eligible for funding</u>

25. After deducting 4.05 ODP tonnes of HCFCs associated with stages I and II of the HPMP, the remaining consumption eligible for funding in stage III amounts to 1.95 ODP tonnes of HCFC-22.

<u>Sector distribution of HCFCs</u>

26. There are more than 700 technicians (30 women) and approximately 210 workshops operating in the servicing sector, consuming HCFC-22 to service domestic and commercial air-conditioning (AC) systems, chillers, commercial stand-alone and condensing refrigeration units, and commercial centralized systems, as shown in table 3. A mandatory certification scheme for servicing technicians will be operational by end of 2026. HCFC-based equipment represents 14.11 per cent of the total, while the remaining RAC equipment uses HFCs and other alternative technologies.

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[3] As per the letter of 26 February 2026 from the Ministry of Environment of Albania to UNIDO.
[4] Decision 85/25
[5] Annex XV of document UNEP/OzL.Pro/ExCom/93/105

Table 3. Estimation of demand for HCFC-22 in the RAC servicing sector in Albania (2024)

Sector/application	Equipment inventory	Average charge (kg)	HCFC bank (mt)	Estimated leakage rate (%)	Annual need for servicing (mt)
Residential AC	183,723	1.30	239	8	19.11
Commercial AC (multi-split, VRF systems, ducted splits and packaged rooftops, chillers)	40,263	5.77	232	8	18.99
Commercial refrigeration (stand-alone, condensing units, centralized systems)	2,365	4.62	11	10	1.09
Industrial refrigeration	34	44.71	1.52	10	0.15
Total	**226,385**	**-**	**483.52**	**-**	**39.34**

Phase-out strategy

27. The Government of Albania proposes to completely phase out HCFCs by 2030, with a servicing tail until 2040, in line with the Montreal Protocol. Stage III of the HPMP will focus on strengthening the regulatory framework, including strengthening policies and enforcement activities, capacity building of technicians and supporting the certification process, and enhancement of the recovery, recycling and reclaim (RRR) capabilities. Stage III of the HPMP will be implemented in coordination with stage I of the Kigali HFC implementation plan (KIP), approved at the 93rd meeting.

Proposed activities

28. Activities proposed for implementation in the servicing sector under stage III and in the first tranche and their cost breakdown are presented in table 4.

Table 4. Servicing sector activities and their costs under stage III of the HPMP for Albania, as submitted

Activity	Agency	Cost (US $)	
		Stage III	First tranche
Component 1 – Regulatory framework and control mechanism			
1.1 Conduct meetings with key stakeholders and final stakeholder consultation on the green procurement policy and future policy planning; introduce legislative measures to support continuation of monitoring after 2030; align the updated ODS regulation with the new EU ODS regulation	UNIDO	15,000	5,000
1.2 Conduct five trainings for 75 customs officers (10 women) on laws and regulations on refrigerant imports, the licensing and quota system, prevention of illegal trade and mislabelling of refrigerant cylinders, use of harmonised system codes and monitoring and reporting of data	UNEP	15,000	9,000
1.3 Procure three refrigerant identifiers for customs officers	UNIDO	18,000	0
1.4 Develop an awareness campaign on the impacts of refrigerants on the Ozone layer and the climate targeting business owners and general public through radio, television, events, printed materials and social media; conduct one workshop for 25 reclamation receivers and technicians on importance and best practices of reclamation; and one awareness workshop of 20 government officials and industry stakeholders on green procurement and adoption of non-ODS technologies	UNIDO	10,500	3,000
Subtotal component 1		**58,500**	**17,000**

Activity	Agency	Cost (US $)	
		Stage III	First tranche
Component 2 – Capacity-building			
2.1 Distribute equipment and tools[6] to two vocational schools	UNIDO	29,200	29,200
2.2 Organize 10 training sessions of 200 technicians (10 women) on good service practices, safe use of alternative refrigerants and recovery and recycling (RR), collect sex-disaggregated data, promote participation and recognition, ensure training materials and environments facilitating women participation, and integrate relevant awareness sessions into trainings	UNEP	60,500	24,000
Subtotal component 2		**89,700**	**53,200**
Component 3 – RRR activities			
3.1 Conduct a study to determine eligibility of recipients and finalise plan for setting up five mobile reclamation centres	UNIDO	6,000	6,000
3.2 Procure RRR equipment and tools including five reclaim machines, 15 cylinders, three refrigerant identifiers, five sets of vacuum pumps and other tools	UNIDO	88,500	80,500
3.3 Logistics and monitoring, and outreach and dissemination of results	UNIDO	14,800	0
Subtotal component 3		**109,300**	**86,500**
Component 4 – Project management and coordination			
Project implementation, coordination, and monitoring support (see paragraph 29)	UNIDO	**35,000**	**20,000**
Subtotal for UNIDO		**217,000**	**143,700**
Subtotal for UNEP		**75,500**	**33,000**
Total		**292,500**	**176,700**

Project implementation, coordination and monitoring

29. The system established under stages I and II of the HPMP will continue into stage III, 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 amounts to US $35,000 for UNIDO, including project staff and consultants (US $24,000), travel (US $4,000), meetings and consultations (US $5,000) and other costs (US $2,000).

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

30. The total cost of stage III of the HPMP for Albania has been estimated at US $292,500 (plus agency support costs), as originally submitted, for achieving a 100 per cent reduction by 2030. The proposed activities and cost breakdown are summarized in table 4 above.

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

31. The first funding tranche of stage III of the HPMP in the total amount of US $176,700 will be implemented between July 2026 and June 2028. Detailed information on the activities included in the first tranche, indicating adjustments made and the level of funds agreed, is presented in paragraph 37 and 38 and table 5 below.

[6] Including didactic training module adapted for low-GWP refrigerants, portable charging stations and recovery machines, vacuum pumps, manifold gauge sets, electronic leak detectors, hand tools and safety gear, electrical diagnostic tools such as clamp-on ammeters, voltage testers and digital thermometers.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

32. The Secretariat reviewed stage III of the HPMP in light of stages I and II, 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 2026–2028 business plan of the Multilateral Fund.

<u>Overarching strategy</u>

33. The Government of Albania proposes to phase out HCFCs gradually, to reduce 75 per cent by 2027, 83 per cent by 2028 and 92 per cent by 2029 and meet 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.[7] Planned regulatory measures include the strict control of HCFC-22 imports through the licensing and quota system, aligning the legal framework with the EU in terms of licensing and certification, and enhancing the RRR system to promote use of recycled refrigerants.

34. In line with decision 86/51, to allow for consideration of the final tranche of its HPMP, the Government of Albania 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 the expected annual HCFC consumption in Albania for the period 2030–2040.

<u>Legal framework</u>

35. The Government of Albania has issued HCFC import quotas for 2026 at 1.48 ODP tonnes, which is lower than the Montreal Protocol control targets.

<u>Technical and cost-related issues</u>

36. The Secretariat inquired about the feasibility and sustainability of the RRR activity proposed. UNIDO explained that Albania has already established practices for recovery, recycling, and reuse of refrigerants, and the introduction of reclamation will further build on this existing foundation. The proposed approach introduces decentralized reclamation through five movable reclamation units distributed across the country, reducing the need to transport refrigerants to central facilities. Albania has also banned non-refillable cylinders to support RRR efforts. The model allows entities to rent mobile reclaim machines for on-site recovery and reuse, or to send recovered refrigerant to designated centres that operate on a cost-recovery basis through the sale of reclaimed refrigerant. The component enhances the capability for recovery by responding to the needs of the collection centres. Upon detailed discussion, the activity was revised to reduce the number of reclamation machines and vacuum pump sets from five to four and to increase the number refrigerant identifiers from three to four, as well as storage cylinders from 15 to 66, and training for 16 technicians from beneficiaries was included in the component, to ensure the decentralized operation of four fully equipped RRR centres across different regions of Albania and to expand the national capacity for refrigerant collection and reuse, making the system a more attractive solution for end users. These adjustments were made while keeping the RRR component within the originally proposed budget.

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[7] 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.

Total project cost

37. The total cost of stage III of the HPMP amounts to US $292,500, based on decision 74/50(c)(xii) on the eligible funding level for a low-volume-consuming country.

38. Albania originally proposed two tranches, with the second tranche planned for 2028. Following discussions and in line with decision 62/17, the plan was revised to include three tranches, with the final tranche scheduled for 2030. While the overall budget remains unchanged, the first tranche was adjusted from US $176,700 to US $177,530 as per table 5:

Table 5: Agreed-component wise costs for stage III and first tranche

Component	Agency	Original (US $)		Revised (US $)	
		Total	First tranche	Total	First tranche
1. Regulatory framework and control mechanism	UNIDO and UNEP	58,500	17,000	58,500	13,000
2. Capacity-building	UNIDO and UNEP	89,700	53,200	89,700	48,200
3. RRR activities (study, procurement of equipment for four centres (four reclaim machines and four sets of vacuum pumps and other tools, four refrigerant identifiers and 66 cylinders), and training of including 16 technicians from beneficiaries)	UNIDO	109,300	86,500	109,300	102,330
4. Project management and coordination	UNIDO	35,000	20,000	35,000	14,000
Subtotal for UNIDO		**217,000**	**143,700**	**217,000**	**152,530**
Subtotal for UNEP		**75,500**	**33,000**	**75,500**	**25,000**
Total		**292,500**	**176,700**	**292,500**	**177,530**

Agreed implementation plan for the first tranche of stage III of the HCFC phase-out management plan

39. The agreed plan of action will include the following activities:

(a) *Regulatory framework and control mechanism:* Align the ODS regulation with the EU legislation, introduce legislative measures to support continuation of monitoring (US $5,000) (UNIDO), conduct two training sessions of 15 customs officers (US $6,000) (UNEP), organize awareness raising campaign on the impacts of refrigerants on the ozone layer and the climate targeting business owners and the general public through radio, television, social media, events and printed materials (US $2,000) (UNIDO);

(b) *Capacity-building:* Provide tools to two vocational schools (US $29,200) (UNIDO), conduct three training sessions for 60 technicians on good service practices, the safe use of alternative refrigerants, and RR (US $15,000) (UNEP), conduct capacity-building activities including training and awareness promoting women's participation (US $4,000) (UNEP);

(c) *RRR activities:* Conduct a study on the eligibility of recipients (US $6,000), procure equipment/tools for setting up four reclamation centres[8] (US $85,400), distribution and logistics (US $10,930) (UNIDO); and

(d) *Project management and coordination:* Staff and consultants (US $10,000), meetings and consultations (US $2,000), travel (US $1,000) and other cost (US $1,000) (UNIDO).

Co-financing

40. The Government of Albania will provide co-financing for stage III of the HPMP through the provision of technical expertise and logistical resources for the development of programmes and initiatives. In addition, in-kind contributions will be provided by stakeholders of RRR activities and training centres. Efforts will be made to identify other related funds to contribute to the HPMP.

2026–2028 draft business plan of the Multilateral Fund

41. UNIDO and UNEP are requesting US $292,500, plus agency support costs, for the implementation of stage III of the HPMP for Albania. The total requested value of US $286,834, including agency support costs for the period of 2026–2028, is US $9,405 below the amount in the business plan.

Gender policy implementation

42. In line with decisions 84/92, 90/48 and 92/40, the Government of Albania has incorporated the policy into the project preparation and formulation for stage III of the HPMP. During the implementation of the previous stage, the NOU reported that 24 per cent of the participants in the training for customs and enforcement officers, and 5 per cent of participants in the technician trainings were women. The report on the last tranche of stage II of HPMP reflected the continued engagement of women in technical capacity-building activities. During stage III, the NOU will continue to undertake awareness-raising activities to encourage women to join the RAC sector and participate in training sessions and consultations, strengthen their capacity by collecting and monitoring sex-disaggregated data, organizing awareness and training programmes, providing awards, developing relevant training materials, and integrating awareness sessions into workshop.

Sustainability of the HCFC phase-out and assessment of risks

43. The integration of training materials into certification programmes, the agenda for the development of standards, the incorporation of regulations relating to HCFCs into training for customs and enforcement officers, strengthening recovery and reclamation, continue monitoring enforcement of ban on import of HCFC-based equipment, and implementation of KIP activities will support the sustainable use of low- and lower-GWP alternatives, facilitating the phase-out of HCFCs. The risks identified for the implementation of stage III of the HPMP include that other key stakeholders may not attach sufficient importance to or commit to the activities, and that the potential that mobile reclamation centres may not be viable for sustainable operation. These risks will be addressed through strengthened collaboration among stakeholders through regular meetings and consultations; participation of importers and distributors in awareness and outreach programmes and the encouragement of technicians to use mobile reclamation units and ensuring enforcement of regulation related to recovery. These initiatives are expected to further reduce HCFC consumption and promote a sustained transition to alternatives.

[8] Four reclaim machines, 16 large cylinders, 50 small cylinders, 4 refrigerant identifiers, 4 sets of vacuum pumps and tools.

Impact on the climate

44. The activities proposed in the servicing sector, including improved refrigerant containment through training and provision of equipment, will reduce the use of HCFC-22 in servicing. Each kilogram of HCFC-22 not emitted due to better refrigeration practices results in the savings of approximately 1.8 CO_2-equivalent tonnes. A calculation of the impact on the climate was provided in the HPMP. The activities planned by Albania, including its efforts to promote low-GWP alternatives, as well as refrigerant recovery and reclamation, indicate that the implementation of the HPMP will reduce refrigerant emissions in the atmosphere, resulting in climate benefits.

Draft Agreement

45. A draft Agreement between the Government of Albania and the Executive Committee for stage III of the HPMP is contained in annex I to the present document.

Integrated implementation of HPMP and KIP activities

46. UNIDO confirmed that efforts will be made to identify efficient and coordinated approaches to integrate activities of HPMP and KIP wherever possible. Activities under the HPMP will be integrated with those of the KIP to ensure complementary implementation and minimize duplication. This includes joint planning and implementation of activities such as training, awareness-raising, and legislative updates. Procurement, in particular, presents a strong opportunity for integration: consolidating the procurement of tools and equipment under both the HPMP and KIP can yield better pricing through economies of scale and reduced transportation costs, while also streamlining administrative procedures - such as tax exemption and customs clearance - that would otherwise need to be completed separately for each project.

RECOMMENDATION

47. The Executive Committee may wish to consider:

(a) Approving, in principle, stage III of the HCFC phase-out management plan (HPMP) for Albania for the period from 2026 to 2030 for the complete phase-out of HCFC consumption, in the amount of US $321,845, consisting of US $217,000, plus agency support costs of US $19,530, for UNIDO and US $75,500, plus agency support costs of US $9,815, 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 Albania to 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;

(c) Deducting 1.95 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;

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

(e) That, to allow for consideration of the final tranche of its HPMP, the Government of Albania 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) The expected annual HCFC consumption in Albania for the period 2030–2040; and

(f) Approving the first tranche of stage III of the HPMP for Albania, and the corresponding tranche implementation plan, in the amount of US $194,508, consisting of US $152,530, plus agency support costs of US $13,728, for UNIDO, and US $25,000, plus agency support costs of US $3,250, for UNEP.

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Albania

PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
Kigali HFC implementation plan (stage I)	UNIDO (lead), UNEP	93rd	10% phase-out by 2029

ARTICLE 7 DATA (Annex F)	**Year: 2024**	477.60 mt	883,701 CO_2-eq tonnes

COUNTRY PROGRAMME SECTORAL DATA (CO_2-eq tonnes)								**Year: 2025**	
Substance	Aerosol	Foam	Fire-fighting	Air conditioning (AC) and refrigeration				Solvent	Other
				Manufacturing			Servicing		
				Refrigeration	AC	Other			
HFCs	13,728	174	14,000				829,777		

CONSUMPTION DATA (CO_2-eq tonnes)			
HFC baseline:	883,849	Starting point for sustained aggregate reductions:	n/a
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	n/a	Remaining:	n/a

ENDORSED BUSINESS PLAN		2026	2027	2028	Total
UNIDO	HFC phase-down (mt)	10.16	0.00	0.00	10.16
	Funding (US $)	106,909	0	0	106,909
UNEP	HFC phase-down (mt)	5.37	0.00	0.00	5.37
	Funding (US $)	56,500	0	0	56,500

PROJECT DATA			**2023**	**2024-2025**	**2026**	**2027-2028**	**2029**	**2030**	**Total**
Consumption (CO_2-eq tonnes)	Montreal Protocol limits		n/a	883,849	883,849	883,849	795,464	795,464	n/a
	Maximum allowable		n/a	883,849	883,849	883,849	795,464	795,464	n/a
	Reduction from baseline (%)		n/a	0.0	0.0	0.0	10.0	10.0	n/a
Amounts approved in principle (US $)	UNIDO	Project costs	129,390	0	94,610	0	0	36,000	260,000
		Support costs	16,821	0	12,299	0	0	4,680	33,800
	UNEP	Project costs	50,000	0	50,000	0	0	0	100,000
		Support costs	6,500	0	6,500	0	0	0	13,000
Funds approved by ExCom (US $)		Project costs	179,390	0					179,390
		Support costs	23,321	0					23,321
Total funds recommended for approval at this meeting (US $)		Project costs			144,610				144,610
		Support costs			18,799				18,799

Secretariat's recommendation	Blanket approval

PROJECT DESCRIPTION

48. On behalf of the Government of Albania, UNIDO as the lead implementing agency has submitted a request for funding for the second tranche of stage I of the Kigali HFC implementation plan (KIP), at a total cost of US $163,409, consisting of US $94,610, plus agency support costs of US $12,299, for UNIDO and US $50,000, plus agency support costs of US $6,500, for UNEP.[9] The submission includes a progress report on the implementation of the first tranche and the tranche implementation plan for 2026 to 2030.

Report on HFC consumption

49. The Government of Albania reported a consumption of 857,679 CO_2-equivalent (CO_2-eq) tonnes of HFCs in 2025 under the country programme (CP) implementation report, which is 3 per cent below the country's HFC baseline for compliance. The Article 7 data for 2025 has not been reported yet. The 2021-2025 HFC consumption is shown in table 6.

Table 6. 2021–2025 HFC consumption and HFC baseline for Albania (Article 7 data)

HFCs	GWP	2021	2022	2023	2024	2025*
Metric tonnes (mt)						
HFC-32	675	15.87	13.33	46.87	23.31	51.83
HFC-125	3,500	3.98	0.00	0.00	5.60	4.00
HFC-134a	1,430	102.70	144.39	321.80	313.98	212.12
HFC-143a	4,470	1.64	0.00	0.00	0.00	11.39
R-404A	3,921.6	91.04	106.62	243.91	27.79	38.99
R-407C	1,773.85	7.92	5.20	40.03	7.80	30.85
R-410A	2,087.5	42.86	69.04	138.65	67.36	88.34
R-507A	3,985	10.18	0.57	23.97	26.77	13.60
Other**		45.13	9.97	0.00	5.00	4.59
Total (mt)		**321.31**	**349.10**	**815.23**	**477.60**	**455.71**
CO_2-eq tonnes						
HFC-32	675	10,709	8,995	31,637	15,733	34,984
HFC-125	3,500	13,930	0	0	19,600	14,000
HFC-134a	1,430	146,864	206,472	460,174	448,991	303,336
HFC-143a	4,470	7,331	0	0	0	50,913
R-404A	3,921.6	357,038	418,105	956,517	108,962	152,919
R-407C	1,773.85	14,040	9,224	71,007	13,831	54,714
R-410A	2,087.5	89,468	144,117	289,432	140,618	184,401
R-507A	3,985	40,547	2,252	95,520	106,686	54,196
Other**		24,788	27,220	0	29,280	8,215
Total (CO_2-eq tonnes)		**704,715**	**816,384**	**1,904,288**	**883,701**	**857,679**
HFC baseline calculation (CO_2-eq tonnes)						
HFC average consumption in 2020–2022						756,547
HCFC baseline (65%)						127,302
HFC baseline						**883,849**

* CP data.
** Including HFC-152a, HFC-227ea, HFC-236fa, HFC-245fa, R-417A, R-422B, R-422D, and R-449A.

50. HFC consumption peaked in 2023 and then dropped significantly in 2024. This sharp shift occurred due to importers increasing their imports in 2023 in anticipation of future restrictions under the HFC quota system and the increasing demand for HFCs in future years. In response to the increasing imports, the

[9] As per the letter of 26 February 2026 from the Ministry of Environment of Albania to UNIDO.

Government closely monitored HFC imports throughout 2024 to ensure national consumption remained below the HFC baseline. As a precautionary measure, the Ministry of Environment issued an order suspending all HFC imports during November and December 2024, which helped limit total annual imports and avoid exceeding the baseline. In 2025, the demand for HFCs continued to increase; the country imported 326.33 mt (683,733 CO_2-eq tonnes) of reclaimed refrigerant in addition to the import of virgin refrigerant shown in table 6 above to meet the growing demand for HFCs.

Country programme implementation report

51. The HFC consumption data provided by the Government of Albania in its CP implementation report for 2024 is consistent with the data reported under Article 7 of the Montreal Protocol.

<u>Progress report on the implementation of the first tranche of stage I of the Kigali HFC implementation plan</u>

Legal framework

52. The Government of Albania has an established licensing and quota system for HFCs, blends and equipment containing them that is being effectively enforced to control their import and placement on the market. The following activities were completed under the first tranche:

(a) The electronic system of issuance of import licences and permits was updated, and workshops were held with importers on adding HFCs to the quota system; the national ozone unit (NOU) regularly informs stakeholders about changes in legislation;

(b) A ban on HFC-based equipment began implementation through the 2024 fluorinated greenhouse gases (F-gas) law, which came into force on 1 January 2024 and introduces specific restrictions on the placing on the market of products and equipment containing HFCs; the law includes a list of equipment categories that are prohibited from being placed on the market from the dates of entry into force specified in the law, including 2025 and 2030 targets;

(c) Two annual meetings were held informing stakeholders about the quota system; recovery, recycling, and reclamation (RRR); and alternative refrigerants;

(d) A study was conducted on introducing bans in the mobile air-conditioning (MAC) sector that recommended to phase out HFC-134a through a phased approach, including strengthening recovery/recycling systems and technician certification in the short term; accelerating fleet renewal and incentivizing refrigerants with low global-warming potential (GWP) in the medium term; and fully transitioning to climate-friendly refrigerants and integrating MAC management into broader climate policy in the long term. The results of the study have been shared with stakeholders and will serve as a reference document for decision-making and future planning;

(e) The legislation for establishing a central electronic database for leakage control and data reporting was drafted and is pending adoption; information on refrigeration and air-conditioning (RAC) servicing workshops and technicians will be collected once the database is established;

(f) The legal act on the certification of technicians has been adopted; the certification system has begun being implemented and is now mandatory under the F-gas law, with implementation currently being strengthened and expected to be fully enforced by the end of 2026;

(g) Codes of practice and standards on handling low-GWP technologies have been developed and published; and an annual Ozone and Climate Forum was organized to raise awareness on new legal measures for controlling HFC and HCFC refrigerants and the country's commitment to reducing emissions; and

(h) Twenty-one customs officers were trained on the practical implementation of new F-gas legislation; outreach activities were organized for importers, distributors, and RAC sector representatives on the Kigali Amendment and F-gas regulation, HFC quota allocation, and operational modalities of the new licensing system.

Refrigeration servicing sector

53. The following servicing sector activities were completed under the first tranche:

(a) Training of 126 technicians focusing on new low-GWP technologies, the safe and efficient operation of RAC equipment and systems, best servicing practices, preventive maintenance, and measures to minimize refrigerant leakage; and

(b) Procurement of 10 sets of tools and equipment for refrigerant recovery and recycling for servicing workshops, and servicing tools for low-GWP equipment for five training centres; equipment and tools have been delivered to the country and are undergoing customs clearance.

Project implementation and monitoring

54. The NOU and UNIDO have been monitoring activities, reporting on progress, and working with stakeholders to phase down HFCs. Of the US $7,500 approved for project monitoring activities under the first tranche, US $6,067 was disbursed for project staff and consultants (US $5,378), meetings and workshops (US $117), and other expenses (US $572).

<u>Level of fund disbursement</u>

55. As of April 2026, of the US $179,390 approved so far (US $129,390 for UNIDO and US $50,000 for UNEP), US $113,773 (63 per cent) had been disbursed (US $93,948 for UNIDO and US $19,825 for UNEP). The balance of US $65,617 will be disbursed in the second tranche.

<u>Implementation plan for the second tranche of stage I of the Kigali HFC implementation plan</u>

56. The following activities will be implemented between July 2026 and December 2030:

(a) Strengthening of the legal and regulatory framework to support HFC phase-down: Design, establish and manage a central electronic database for reporting by all entities, including the import, export, use, RRR of HFCs and ODS; continue technician certification efforts by managing a database of servicing technicians and workshops; training of customs officers on the registration of HFC imports and use of Harmonized System codes; and conduct targeted awareness-raising on energy efficiency and low-GWP technologies for end users, technicians in the informal sectors, and female service workshop owners (UNIDO) (US $23,000);

(b) Capacity-building of RAC technicians: International training for two trainers on the safe use of alternative technologies; and seven sessions to train and certify 240 technicians on good servicing practices (UNEP) (US $40,000);

(c) Capacity-building of customs officers: Two sessions to train 30 customs officers and environmental inspectors on HFC control measures and the Kigali Amendment; and awareness-raising workshops and meetings with importers, distributors, and RAC sector representatives (UNEP) (US $10,000);

(d) Strengthening refrigerant recovery and recycling: Completing the customs clearance of tools and equipment purchased for refrigerant recovery and recycling for servicing workshops and training centres; assessment of facilities, modification, and safety inspections for selected vocational schools; and purchase of four refrigerant identifiers (UNIDO) (US $67,110); and

(e) Project monitoring: US $1,500 for staff and consultants; US $2,000 for travel; US $500 for meetings; and US $500 for miscellaneous expenses (UNIDO) (US $4,500).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Report on HFC consumption

57. The Secretariat noted the large increase in consumption in 2023. It was explained that Albania's domestic demand for HFCs has been increasing since 2023, driven by the economic recovery following the COVID-19 pandemic. Demand for refrigerants remains high, particularly in the tourism sector, where RAC are essential. The HFC baseline was set at a low level due to the impact of the pandemic on HFC consumption during the baseline years; this poses challenges for the Government in meeting the freeze and the 10 per cent reduction target by 2029.

58. The Government of Albania is working proactively to reduce HFC consumption while also easing the pressure of meeting domestic demand for refrigerants by importing reclaimed refrigerants. In 2025, the country imported 683,733 CO_2-eq tonnes (326.33 mt) of reclaimed[10] refrigerants, accounting for 44 per cent of total HFC imports for domestic use. UNIDO explained that importing reclaimed refrigerants contributes to combating illegal trade. In the long term, the Government plans to increase national capacity for refrigerant RRR to reduce demand for virgin refrigerants. Activities have been planned under both stage I of the KIP and stage III of the HCFC phase-out management plan (HPMP) to strengthen national RRR capacity. However, designing a comprehensive RRR system is challenging, as it requires quality control mechanisms such as gas chromatograph testing, which are costly and currently unavailable in Albania as a low-volume-consuming country due to limited funding.

Verification report

59. Decision 96/22(d) requested the submission of a verification report on HFC consumption for Albania along with the request for the tranche of its KIP in 2026. UNIDO indicated that the verification report on HFC consumption for 2024 has been completed and confirmed compliance, while the verification for 2025 is still being prepared, and further confirmed that the HFC consumption verification report for both years is scheduled to be submitted by 30 May 2026. In line with decision 72/19,[11] the transfer of any approved funds for tranches to UNIDO and UNEP would occur only after receipt by the Secretariat of the verification report confirming that Albania had been in compliance with the Montreal Protocol and the

[10] The reclaimed HFC refrigerants were imported from China. A certificate of origin from the Chamber of International Commerce of China was issued.

[11] The issue on applying decision 72/19 to tranches of KIPs will be considered under the overview of issues identified during project review (UNEP/OzL.Pro/ExCom/98/10).

Agreement between the Government and the Executive Committee for the years 2024 and 2025. Any issues identified in the verification report will be addressed at the 98th meeting.

Progress report on the implementation of the first tranche of stage I of the Kigali HFC implementation plan

Legal framework

60. The Government of Albania has issued HFC import quotas for 2026 and 2027 in accordance with the Montreal Protocol control targets.

61. Regarding implementation of the bans on the placing on the market of HFC-containing equipment under the F-gas regulation (effective 1 January 2024), UNIDO reported that initial implementation has faced challenges. Implementation mechanisms need to be established for licensing, authorization, registration, reporting, labelling, and customs controls. Enforcement has therefore not yet been fully systematized, especially for pre-charged equipment, where identifying refrigerant type and GWP relies on accurate labelling, documentation, customs declarations, and importer reporting. Challenges persist in strengthening customs enforcement and stakeholder coordination, as well as limited technical capacity to verify GWP. Activities are planned under the HPMP to enhance the legal framework and customs capacity through training.

Refrigeration servicing sector

62. Tranche implementation is progressing. Stage I of the KIP included a demonstration project on leakage monitoring in a limited number of selected supermarket facilities through the establishment of equipment logbooks and the conducting of leakage checks, thereby initiating implementation of the leakage control by-law under the F-gas regulation. As the 97th meeting approved an energy efficiency pilot project that includes a leakage detection programme,[12] the proposed leakage control demonstration under the by-law can be removed. The US $3,500 budget is reallocated to support the development and maintenance of the central electronic database for F-gas and ODS reporting (import, export, use, recovery, recycling, and reclamation). Although US $5,000 was initially allocated, secure software solutions are costly, so the reallocated funds will help sustain database maintenance.

63. Implementation of the pilot project to maintain and/or enhance the energy efficiency of replacement technologies and equipment, approved at the 97th meeting, has been initiated. UNIDO has held meetings with the NOU to discuss the implementation modality and agree on the work plan. The terms of reference for a contractor, covering the development of training materials, delivery of training, coordination with project beneficiaries, and definition of the scope of leak detection equipment to be procured, have been developed and are currently under review by the NOU. Activities on the ground are expected to begin in the second quarter of 2026.

64. During first tranche implementation, a study was conducted on reducing HFC-134a demand for servicing MAC systems in passenger cars. The study recommends a phased approach: in the short term, strengthening recovery/recycling systems and technician certification; in the medium term, accelerating fleet renewal and incentivizing low-GWP refrigerants; and in the long term, fully transitioning to climate-friendly refrigerants. The Government is aligning national F-gas legislation with European Union (EU) Regulation 2024/573, and the NOU will recommend addressing HFC-134a use in the MAC sector within the revised legal framework.

[12] Decision 97/70

Gender policy implementation

65. The work under the first tranche focused on procuring tools and equipment for vocational schools and service workshops, preparing a study on the MAC sector, developing a code of practice for the safe management of low-GWP alternatives, and organizing training activities. Wherever possible, women were invited to participate both as speakers and attendees. A dedicated event was organized to promote the code of practice, with participation from both men and women. In the customs training, 8 out of 21 participants were female. No women took part in the technician trainings, as they remain absent from this occupational group. However, women were well represented as speakers and experts throughout the project.

Sustainability of the HFC phase-out and assessment of risks

66. The sustainability of the HFC phase-out is embedded in the legal framework and the implementation mechanisms of the KIP. The Government commits to enforcing the licensing and quota system to ensure that the import of HFCs will stay below the maximum allowable targets set in the Agreement with the Executive Committee. The training of customs officers and awareness-raising activities targeting importers will support the control of HFCs.

67. The country is aligning its national legislation with EU ODS and F-gas regulations, supported by a pilot project on leakage detection systems that enhances leakage prevention and energy efficiency. The ban on placing HFC-containing equipment on the market will gradually reduce the population of HFC-based equipment, leading to lower demand for the HFCs used to service these units. The country is also implementing a mandatory certification system for RAC technicians to support capacity development in the servicing sector and facilitate the adoption of low-GWP alternative technologies.

68. The KIP institutional sustainability is reinforced by the recent reorganization of the NOU under the Ministry of Environment (formerly the Ministry of Tourism and Environment), allowing a sharper focus on environmental matters. The NOU maintains continuous communication with stakeholders, including the RAC association, importers, and customs, through regular meetings and consultations to safeguard implementation and achieved results against external factors.

Conclusion

69. The country is enforcing a licensing and quota system for the import of HFCs and was in compliance with the maximum allowable consumption levels set out in the Agreement with the Executive Committee for 2024 and 2025. The disbursement rate has reached 63 per cent. Implementation of the F-gas law has begun, which supports a ban on HFC-based equipment and mandates the certification of technicians. Training has been provided to customs officers and technicians, and tools and equipment have been purchased for training institutions as well as to support refrigerant recovery and recycling. The country faces challenges in meeting domestic demand for HFCs due to a low baseline and has imported reclaimed refrigerants to prevent illegal trade. Plans have been made to strengthen national capacity for refrigerant RRR, to be implemented jointly with the HPMP. UNIDO is committed to submit the outstanding verification report by 30 May 2026.

RECOMMENDATION

70. The Fund Secretariat recommends that the Executive Committee note the progress report on the implementation of the first tranche of stage I of the Kigali HFC implementation plan (KIP) for Albania, and further recommends blanket approval of the second tranche of stage I of the KIP and the corresponding 2026–2030 tranche implementation plan for Albania at the funding level shown in the table below, on the understanding that the approved funds will not be transferred to UNIDO and UNEP until the Secretariat has reviewed the verification report for 2024 and 2025 and confirmed that Albania was in compliance with the Montreal Protocol and the Agreement between the Government and the Executive Committee.

	Project title	Project funding (US $)	Support costs (US $)	Implementing agency
(a)	Kigali HFC implementation plan (stage I, second tranche)	94,610	12,299	UNIDO
(b)	Kigali HFC implementation plan (stage I, second tranche)	50,000	6,500	UNEP

Annex I

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

Purpose

1. This Agreement represents the understanding of the Government of Albania (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 0 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 and 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 III 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 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	5.70
HCFC-124	C	I	0.01
HCFC-142b	C	I	0.29
Total			6.00

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2026	2027	2028	2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	1.95	1.95	1.95	1.95	0	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	1.95	1.50	1.00	0.50	0	n/a
2.1	Lead IA (UNIDO) agreed funding (US $)	152,530	0	47,900	0	16,570	217,000
2.2	Support costs for Lead IA (US $)	13,728	0	4,311	0	1,491	19,530
2.3	Cooperating IA (UNEP) agreed funding (US $)	25,000	0	35,500	0	15,000	75,500
2.4	Support costs for Cooperating IA (US $)	3,250	0	4,615	0	1,950	9,815
3.1	Total agreed funding (US $)	177,530	0	83,400	0	31,570	292,500
3.2	Total support costs (US $)	16,978	0	8,926	0	3,441	29,345
3.3	Total agreed costs (US $)	194,508	0	92,326	0	35,011	321,845
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)						1.95
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stages (ODP tonnes)						3.75
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)						0.00
4.2.1	Total phase-out of HCFC-124 agreed to be achieved under this Agreement (ODP tonnes)						0.00
4.2.2	Phase-out of HCFC-124 to be achieved in the previous stages (ODP tonnes)						0.01
4.2.3	Remaining eligible consumption for HCFC-124 (ODP tonnes)						0.00

Row	Particulars	2026	2027	2028	2029	2030	Total
4.3.1	Total phase-out of HCFC-142b agreed to be achieved under this Agreement (ODP tonnes)						0.00
4.3.2	Phase-out of HCFC-142b to be achieved in the previous stages (ODP tonnes)						0.29
4.3.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)						0.00

* Date of completion of stage II as per stage II Agreement: 31 December 2027

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 (a) 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. All the monitoring activities will be coordinated and managed through the national ozone unit (NOU). The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendices 6-A and 6-B of this Agreement will monitor and report on implementation of the activities in accordance with their roles and responsibilities set out in the respective appendix.

2. The NOU is an integral part of the Ministry of Environment. The NOU will continue to have general responsibility for the implementation of the activities under the present Agreement.

3. The Lead IA will be responsible for the overall management, monitoring of progress, performance verification and reporting to the Fund Secretariat and the Executive Committee, working in close cooperation with the NOU, the Cooperating IA and the beneficiaries.

4. The NOU shall compile and report on an annual basis by the relevant due dates on consumption of the Substances to the Ozone Secretariat and on progress of implementation of the Plan to the Executive Committee through the Fund Secretariat.

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 each 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 $180 per ODP kg of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met, on the understanding that the maximum funding reduction would not exceed the funding level of the tranche being requested. Additional measures might be considered in cases where non-compliance extends for two consecutive years.

2. In the event that the penalty needs to be applied for a year in which there are two Agreements in force (two stages of the 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.