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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-eighth Meeting
Montreal, 15-19 November 2021¹

PROJECT PROPOSAL: GEORGIA

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

Phase-out

- HCFC phase-out management plan (stage II, first tranche) UNDP

¹ Online meetings and an intersessional approval process will be held in November and December 2021 due to coronavirus disease (COVID-19).

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

GEORGIA

(I) PROJECT TITLE	AGENCY
HCFC phase-out plan (stage II)	UNDP (lead)

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2020	0.85 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2020	
Chemical	Aerosol	Foam	Fire-fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.85				0.85

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:		5.3	Starting point for sustained aggregate reductions: 5.21
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:		2.24	Remaining: 2.97

(V) BUSINESS PLAN		2021	2022	2023	Total
UNDP	ODS phase-out (ODP tonnes)	0.69	0.00	0.00	0.69
	Funding (US \$)	46,478	0	0	46,478

(VI) PROJECT DATA			2021	2022	2023	2024	2025-2026	2027	2028-2029	2030	Total
Montreal Protocol consumption limits			3.45	3.45	3.45	3.45	1.72	1.72	1.72	0	n/a
Maximum allowable consumption (ODP tonnes)			2.60	2.32	2.04	1.76	1.49	1.49	1.49	0	n/a
Project costs requested in principle (US \$)	UNDP	Project costs	190,839	0	0	235,962	0	98,981	0	59,218	585,000
		Support costs	13,359	0	0	16,517	0	6,929	0	4,145	40,950
Total project costs requested in principle (US \$)			190,839	0	0	235,962	0	98,981	0	59,218	585,000
Total support costs requested in principle (US \$)			13,359	0	0	16,517	0	6,929	0	4,145	40,950
Total funds requested in principle (US \$)			204,198	0	0	252,479	0	105,910	0	63,363	625,950

(VII) Request for approval of funding for the first tranche (2021)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNDP	190,839	13,359
Total	190,839	13,359

Secretariat's recommendation:	Individual consideration
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PROJECT DESCRIPTION

Background

1. On behalf of the Government of Georgia, UNDP as the designated implementing agency has submitted a request for stage II of the HCFC phase-out management plan (HPMP), at the amount of US \$584,490, plus agency support costs of US \$40,914, as originally submitted.² The implementation of stage II of the HPMP will phase out the remaining consumption of HCFCs by 2030.
2. The first tranche of stage II of the HPMP being requested at this meeting amounts to US \$233,705, plus agency support costs of US \$16,359 for UNDP, as originally submitted.

Status of implementation of stage I of the HPMP

3. Stage I of the HPMP for Georgia was approved at the 63rd meeting³ to meet the 42 per cent reduction from the baseline by 2020, at a total cost of US \$500,900, plus agency support costs, to phase out 2.24 ODP tonnes of HCFCs used in the refrigeration and air-conditioning (RAC) servicing sector and the solvent sector. The fourth and final tranche was approved at the 85th meeting. Stage I of the HPMP will be completed by December 2021 as stipulated in the Agreement between the Government of Georgia and the Executive Committee.

HCFC consumption

4. The Government of Georgia reported a consumption of 0.85 ODP tonnes of HCFC in 2020, which is 84 per cent below the HCFC baseline for compliance. The 2015-2020 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Georgia (2015-2020 Article 7 data)

HCFC-22	2015	2016	2017	2018	2019	2020	Baseline
Metric tonnes (mt)	30.60	25.20	38.20	34.32	43.59	15.50	93.0
ODP tonnes	1.68	1.39	2.10	1.89	2.40	0.85	5.3

5. HCFC-22 is only used in the servicing and maintenance of RAC equipment. The steep increase between 2016 and 2017 was due to the gradual exhaustion of HCFC-22 stockpiled prior to the freeze in consumption in 2013, and the steep increase between 2018 and 2019 was due to importers stockpiling in anticipation of price increases and a lower import quota in 2020. In addition to a lower import quota, the consumption in 2020 was affected by the supply disruption caused by the COVID-19 pandemic and a significant slowdown of economic activities.

6. The average consumption from 2015 to 2019⁴ of 1.89 ODP tonnes, was 64 per cent below the HCFC baseline for compliance. This reduction from the baseline is due to the enforcement of the import/export licensing and quota system and the implementation of the activities under the HPMP, including training of technicians and technical assistance provided to the refrigeration servicing sector. HCFC-142b, which was consumed in the solvent sector for garment dry cleaning, has been phased out since 2011, after the dry-cleaning sub-sector was converted under the HPMP. Imports of non-HCFC-22-based RAC equipment has also contributed to the reduction in HCFC consumption.

CP implementation report

7. The Government of Georgia reported HCFC sector consumption data under the 2020 CP

² As per the letter of 22 July 2021 from the Ministry of Environmental Protection and Agriculture of Georgia to the Secretariat.

³ UNEP/OzL.Pro/ExCom/63/60.

⁴ The 2020 consumption has been excluded from the average since it is an atypical year.

implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

Status of progress and disbursement

Legal framework

8. The import licensing system to control ODS including HCFCs has been in force since 2013, and the HCFC quota system was introduced in 2014. As of 1 September 2019, a new customs code has been enforced to facilitate the identification of ODS contained in traded goods. As of 1 May 2021, the export, import, re-export, and transit of all ODS has been banned except for HCFC-22 and methyl bromide used for quarantine and pre-shipment applications. The Law on Administrative Offences establishes penalties for the violation of permits for the import, export, transit, and trade of ODS, and for non-compliance with requirements for the safety and maintenance of refrigeration systems and heat pumps. Record keeping on the use of refrigerants and equipment (with more than 3 kg of ODS) became mandatory in 1 January 2016. An online electronic registry system is being developed and is expected to be completed during implementation of stage II. A protocol on the exchange of data between the Revenue Service and the Ministry of Environment has been developed and approved to facilitate proper functioning of the web-based monitoring system.

9. The Standard for Safety and Environmental Requirements for Refrigeration System and Heat Pump Services⁵ was enacted in 1 January 2018. In 2017, Certification Rules for Technicians Servicing RAC Equipment set detailed rules, procedures, and conditions for the certification system and as of 1 January 2019 the certification of technicians and enterprises servicing RAC equipment has been mandatory.

10. A set of requirements for the management, collection, temporary storage, transport and treatment of hazardous waste, including unwanted ODS for disposal was issued in 2016; and as of 1 May 2020, importers of RAC equipment are responsible for collecting and recycling decommissioned equipment, and recovering, collecting and managing their refrigerants.

11. Other legislation, such as mandatory HCFC recovery during the servicing of RAC equipment and the sale of HCFCs only to certified technicians, have been drafted and will be submitted to the Parliament for discussion by the end of 2021.

Refrigeration servicing sector

12. The main activities that have been carried out include:

- (a) Five customs officers were trained as trainers on the ODS law provisions and import and export control requirements; 138 customs officers were trained in ODS import and export control; 48 customs officers and 30 environmental inspectors were trained in field application of refrigerant identifiers; over 30 environmental inspectors received training on the technical characteristics of different types of HCFC-22-based RAC equipment for conducting proper inspections; e-learning modules were developed to provide continued and easy access to materials for environmental inspectors and customs officers on the control of ODS and HCFC-based equipment; and eight sets of refrigerant identifiers were procured and delivered to customs authorities, with two additional ODS identifiers for the Customs Office and the Environmental Supervision Department of Ministry of Environmental Protection and Agriculture (MEPA) to be distributed by the end of 2021;

⁵ The Georgia Standards of Excellence, GES 70-2013, relates to safety and environmental requirements in the installation, operation, maintenance, repair, and disposal of refrigerating systems and appliances, control of leakages, maintenance of refrigeration systems and heat pumps, and safety rules for personnel working with this equipment; it also includes handling fluorinated refrigerants, ammonia, and flammable refrigerants.

- (b) Approximately 300 RAC service technicians improved their knowledge and skills in safety and the technical and environmental aspects of servicing, legal requirements concerning the consumption of ODS, and in handling low-GWP refrigerants; three vocational school training programmes have introduced RAC courses in their curricula; and awareness-raising was provided to the personnel engaged in handling ODS and ODS-based equipment to promote leakage control for RAC equipment;
- (c) Eight sets of servicing equipment (e.g., refrigerant recovery machines, refillable refrigerant cylinders, vacuum pumps, manifold gauges, portable leak detectors, and digital multimeters) were provided to certified RAC service technicians following a training session in November 2019; ten additional sets are being procured and will be delivered in December 2021;
- (d) Based on a survey that was carried out to identify end-use applications for the transition to low-GWP refrigerants, a demonstration project is being implemented on the use of R-290 air-conditioning (AC) units at the National Public Broadcaster, and will be followed by an awareness-raising campaign among end-users; and
- (e) Technical assistance and equipment was provided to two enterprises that were using 0.64 ODP tonnes HCFC-142b, a solvent in the garment dry cleaning.

Level of fund disbursement

13. As of 31 July 2021, of the US \$500,900 of total approved funds, US \$402,513 had been disbursed. The balance of US \$98,387 will be disbursed by December 2021.

Stage II of the HPMP

Remaining consumption eligible for funding

14. After deducting 2.24 ODP tonnes of HCFCs associated with stage I of the HPMP, the remaining consumption eligible for funding in stage II amounts to 2.97 ODP tonnes of HCFC-22.

Sector distribution of HCFCs

15. There are approximately 150 certified RAC technicians, 1,000 informal technicians and 150 workshops (only 10 per cent of the workshops hire more than five technicians) consuming HCFC-22 to service unitary and split AC systems, commercial cold stores, chillers, heat pumps, and refrigerated trucks, as shown in Table 2. HCFC-22 represents 17 per cent of the refrigerants used; non-HCFC-22 refrigerants include HFC-134a (43 per cent), R-410A, R-407C, and R-404A (38 per cent), and R-600a, HFC-32, and R-290 (2 per cent). Currently, most of the split AC units imported are based on HFC-32 refrigerant.

Table 2. Sector distribution of HCFC-22 in Georgia in 2019*

Description	Number of units	Number of units serviced/year	Estimated use (mt)
Commercial refrigeration	20,300	6,090	13.40
Split and unitary A/C systems	28,000	5,750	8.60
Industrial	3,900	980	15.60
Chillers	200	70	6.00
Refrigerated truck	10	10	0.05
Total	52,410	12,900	43.65

* The 2019 data is more representative than data for 2020 because the pandemic distorted economic activities in the country.

16. Over the last five years, prices of refrigerants have been fluctuating, with a steep increase in the price of HCFC-22 as shown in Table 3.

Table 3. Prices of refrigerants in Georgia (US \$/kg)

Refrigerant	2016	2017	2018	2019	2020
HCFC-22	6.00	6.30	6.30	9.00	12.40
HFC-134a	6.00	6.30	6.30	7.00	8.90
R-404A	7.20	7.90	7.90	9.00	9.90
R-407C	7.20	7.90	7.90	10.00	12.40
HFC-32					10.30
R-600a	13.90	13.80	13.80	13.00	12.40
R-290					16.50

Phase-out strategy in stage II of the HPMP

17. Stage II of the HPMP will focus on strengthening policy, regulatory, and institutional support; promoting the introduction of low-GWP refrigerant-based RAC equipment; implementing legal instruments related to the safe use of low-GWP refrigerants; further strengthening the servicing sector and updating the certification scheme for technicians; enhancing collection, recycling, and recovery of HCFCs; and demonstrating alternative technology. The lessons learned and infrastructure established during the implementation of stage I of the HPMP will be utilized in stage II.

Proposed activities in stage II of the HPMP

18. Stage II proposes the following activities:

- (a) *Policy, regulatory and institutional support:* Operationalize the web-based electronic reporting and permit system for HCFC import as of 1 June 2022; update standards⁶ for the certification of RAC technicians as of 1 July 2022; conduct a study on policy options and rules for incentivizing the import of low-GWP-based RAC systems; conduct a study on policy options for incentivizing HCFC recovery, recycling, and reuse and draft new regulations as required; develop public procurement criteria for purchasing RAC equipment based on zero ODP and low-GWP refrigerants as of 1 January 2024; update the standards for safety and environmental requirements for RAC equipment in line with international standards as of 1 March 2024; and draft regulations for labelling reclaimed refrigerants and placing them on the market as of 1 June 2025 (US \$29,700);
- (b) *Capacity building and technical support in enforcement agencies:* Organize eight training courses on updated ODS regulations, HCFC identification, and requirements for electronic reporting for 250 customs officers and 150 environmental inspectors; produce a manual and video on how to register and use the electronic reporting system and uploaded in the MEPA website; and deliver 10 refrigerant identifiers, protective equipment (glasses and gloves), spare parts and filters for identifiers to the Customs Department and 10 portable refrigerant leak detectors to the Department of Environmental Supervision for their monitoring visits at end-user facilities (US \$109,000);
- (c) *Strengthening the certification of RAC technicians and awareness-raising:* Update training material to include safety standards and advantages of RAC equipment based on low-GWP refrigerants; two training sessions for 20 trainers and vocational school teachers on the safe use and handling of low-GWP refrigerants and servicing procedures that maintain the performance of equipment using low-GWP alternative technology; develop a guideline on refrigerant leakage control and the safe handling of flammable/toxic refrigerants; organize

⁶ The current professional standards were developed in 2014 and require updating.

eight training courses and certify 200 technicians on good refrigeration practices and safe handling of alternative refrigerants; update the curriculum of three vocational schools to include recovery, recycling and reclamation (RRR), safety procedures for handling flammable refrigerants, and servicing procedures that maintain the performance of equipment using low-GWP refrigerants; develop tests for practical exams to be integrated into the certification examination, and additional multiple versions of tests for written examinations; provide online technical support for the collection and RRR of refrigerants for two years; organize a conference for 60 participants on RAC equipment based on low-GWP alternative refrigerants; and 10 workshops for main stakeholders to promote the import of low-GWP-based RAC systems and HCFC recovery, recycling and reuse (US \$115,960);

- (d) *Technical assistance to support good servicing practices in the refrigeration sector:* Conduct a study to assess the current infrastructure and needs of RRR service centres including on-site storage of unwanted ODS, before completing the procurement list of equipment; upgrade training of staff in three vocational schools; and deliver three sets of HCFC recycling equipment and tools⁷ to the RRR service centres (US \$55,100); and
- (e) *Low-GWP alternative technology demonstration project:* Identify barriers for uptake of low-GWP alternative technologies in the commercial refrigeration sector; develop and implement a plan of action at four end-users in the commercial refrigeration sector (cooling systems in the agriculture sector and supermarket/retail sector); and hold two workshops to present the design and the outcomes of the demonstration project (US \$233,640).

Project implementation and monitoring

19. The system established under stage I of the HPMP will continue into stage II, with the national ozone unit (NOU) monitoring activities, reporting on progress, and working with stakeholders to phase out HCFCs. The cost of those activities amounts to US \$41,090 (UNDP).

Gender policy implementation⁸

20. In line with decision 84/92(d), the Government of Georgia will encourage the engagement of women in various activities under stage II (e.g., decision making, human resource recruitment, capacity-building, access to information, awareness-raising, and gender-sensitive campaigns). The NOU will support the collection of gender-disaggregated data, engage stakeholders in considering gender issues, and seek their input to identify barriers and design effective responses, specific indicators and expected goals for each activity.

Total cost of stage II of the HPMP

21. The total cost of stage II of the HPMP for Georgia has been estimated at US \$584,490 (plus agency support costs), as originally submitted, for achieving 67.5 per cent reduction from its HCFC baseline consumption by 2025 and the 100 per cent reduction by 2030.

⁷ The tentative list of additional tools and equipment includes a recovery and recycling station with oil-less compressor and 2 cylinders each, advanced multi-refrigerant analyser (for HCFCs, HFCs and HCs), Lokring tools and spare kits, portable leak detectors, refillable refrigerant cylinders (30 lb), multimeters and servicing tools/instruments, large cylinders (100 lb) and vacuum pumps, electronic refrigerant scales, valve manifolds, and hoses.

⁸ Decision 84/92(d) requested bilateral and implementing agencies to apply the operational policy on gender mainstreaming throughout the project cycle.

Activities planned for the first tranche of stage II

22. The first funding tranche of stage II of the HPMP, at the total amount of US \$233,705, will be implemented between January 2022 and December 2024 and will include the following activities:

- (a) *Policy, regulatory and institutional support:* Operationalize the web-based electronic reporting and permit system for HCFC import as of 1 June 2022; update standards for the certification of RAC technicians as of 1 July 2022; conduct a study on policy options for incentivizing HCFC recovery, recycling, and reuse and draft new regulations as required; develop public procurement criteria for purchasing RAC equipment based on zero ODP and low-GWP refrigerants as of 1 January 2024; and update the standards for safety and environmental requirements for RAC equipment in line with international standards as of 1 March 2024 (US \$19,800);
- (b) *Capacity-building and technical support in enforcement agencies:* Organize four training sessions on updated ODS regulations, HCFC identification and requirements for electronic reporting for 125 customs officers and 75 environmental inspectors; produce a manual and video on how to register and use the electronic reporting system and upload it in the MEPA website; and deliver 10 refrigerant identifiers, protective equipment (glasses and gloves), spare parts and filters for identifiers to the Customs Department and 10 portable refrigerant leak detectors to the Department of Environmental Supervision for their monitoring visits at end-user facilities (US \$67,100);
- (c) *Strengthening the certification of RAC technicians and awareness raising:* Update training material to include safety standards and advantages of RAC equipment based on low-GWP refrigerants; two training sessions for 20 trainers and vocational school teachers on the safe use and handling of low-GWP refrigerants and servicing procedures that maintain the performance of equipment using low-GWP alternative technology; organize two training courses and certify 50 technicians on good refrigeration practices and safe handling of alternative refrigerants; develop tests for practical exams to be integrated into the certification examination; update the curriculum of three vocational schools to include RRR, safety procedures for handling flammable refrigerants, and servicing procedures that maintain the performance of equipment using low-GWP alternative technology; develop tests for practical exams to be integrated into the certification examination, and additional multiple versions of tests for written examinations; and organize three workshops for key stakeholders to promote the import of low-GWP-based RAC systems and HCFC recovery, recycling and reuse (US \$46,475);
- (d) *Low-GWP alternative technology demonstration project:* Identify barriers for uptake of low-GWP alternative technologies in the commercial refrigeration sector; develop a plan of action and implement the demonstration project at an end-user in the commercial refrigeration sector (US \$88,000); and
- (e) *Project implementation and monitoring:* Costs for a consultant to provide project monitoring support (US \$12,330).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

23. The Secretariat reviewed stage II of the HPMP in light of stage I, 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 (decision 74/50), and the 2021-2023 business plan of the Multilateral Fund.

Overarching strategy

24. The Government of Georgia proposes to meet the 100 per cent reduction of its HCFC baseline consumption by 2030, and to maintain a maximum annual consumption of HCFC in the period of 2030 to 2040 consistent with Article 5, paragraph 8 ter(e)(i) of the Montreal Protocol.⁹ From 2030, the import of HCFC-22 will be prohibited and there will be exemption for the import of a small amount only for the servicing tail. Movement of the ODS will be controlled through the electronic reporting and permit system for HCFC import and consumption, from import to further sale and final use.

25. The Government further commits to continue establishing strict criteria within its licensing system, and the reporting of uses from suppliers, end-users and technicians to monitor the levels of import and the uses of HCFC during that period to ensure that they are limited to the conditions set by the Montreal Protocol.

26. In line with decision 86/51, to allow for consideration of the final tranche of its HPMP, the Government of Georgia agrees 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 2030-2040 period, and the expected annual HCFC consumption in Georgia for the 2030-2040 period.

27. The Government of Georgia has already issued HCFC import quotas for 2021 at 2.60 ODP tonnes, which represents a 51 per cent reduction from the baseline for compliance. The Government of Georgia proposes a gradual HCFC phase-out as follows: 2.32 ODP tonnes (56 per cent reduction) by 2022, 2.04 ODP tonnes (62 per cent reduction) by 2023, 1.76 ODP tonnes (67 per cent reduction) by 2024, and 1.49 ODP tonnes (72 per cent reduction) by 2025 and subsequent years up to the total phase-out of HCFCs by 1 January 2030;

Regulations to support HCFC phase-out

28. Currently, the Government of Georgia is not issuing import permits for HCFC-based equipment. Further to a discussion with UNDP, the Government of Georgia agreed to incorporate into the first annual implementation plan a ban on the import and restrict the installation of HCFC-based equipment.

Technical and cost-related issues

End-user demonstration/incentive programme

29. The Secretariat reviewed the proposal for the end-user demonstration/incentive programme in light of decision 84/84, and requested additional information from UNDP in relation to the conditions specified in the decision. Concerning the requirements of decisions 72/17 and 73/34 for eventual retrofitting of RAC equipment, UNDP explained that the end-user project consists of replacing four commercial refrigeration units with new equipment based on low-GWP refrigerants (R-290, CO₂ and R-32). However, if importing new equipment could not be feasible for commercial reasons, the programme would involve the local assembly of imported equipment components (evaporators, condensers, compressors). Furthermore, equipment operators and technicians servicing the new equipment will receive an update on handling flammable refrigerant.

30. UNDP also explained that this programme would help end-users progressively introduce commercial refrigeration equipment based on low-GWP refrigerants; the level of co-financing for the end-user incentive would be about 50 per cent; future procurement policies and resource mobilization

⁹ 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.

efforts on the part of the Government will help scale up the programme to the entire sector; a report on the results in reducing HCFC use, capital and operational cost/savings, and other parameters will be produced; the awareness and outreach programmes will disseminate the results from the incentive programme of adopting low-GWP technologies; the training and capacity-building activities of the HPMP will result in the safe adoption of these technologies.

31. Given that the ban on the import of HCFC-based equipment, and policy measures for incentivizing the import of low-GWP-based RAC equipment, are not in place yet, the Secretariat suggested deferring the demonstration project to the second tranche, at which time the proposal should include a detailed plan of implementation, in line with decision 84/84.

32. After further consultations with the Government, UNDP revised the end-user programme to cover the installation at one small and one medium users of commercial refrigeration equipment with R-290 or HFO refrigerant in the retail sector, such as supermarkets, where approximately 1,500 small-sized and 200 medium-sized pieces of equipment currently operate in the country. An estimated phase-out of 2.5 mt of HCFCs would result from the demonstration project's spin-off and scaling-up effect. Although the potential beneficiaries of the demonstration project will be identified once the study/market assessment is completed, it is estimated that around 30 end-users would show interest in replacing their equipment and support awareness-raising after the project's completion.

33. The amount requested for the end-user incentive programme was revised from US \$233,640 to US \$96,900. UNDP will submit detailed reports on the results of the incentive scheme for end-users once the project had been completed, in line with decision 84/84(d).

RRR

34. The Secretariat enquired about the mechanisms envisaged to address barriers for refrigerant RRR. UNDP responded that the main obstacles of this scheme are effective refrigerant recovery services and lack of confidence in using recycled refrigerants, and introduced measures for overcoming them. The recovery of refrigerants will be enhanced by law noting that venting of refrigerants during equipment service and maintenance is already banned. Only certified technicians will be allowed to purchase refrigerants once the regulation is adopted. Furthermore, each technician and owner of stationary RAC equipment will have to submit an annual report of consumption of refrigerants, including recovered substances; such data will be recorded and processed in the online ODS monitoring system. Regarding the purity of the recycled refrigerants, the country has sufficient facilities to determine its quality, including a gas chromatograph; the test results will be provided to the technicians and end-users, allowing them to be aware of that the recycled refrigerant will perform equivalently to the virgin one. In addition, a study of policy options for incentivizing recovery and recycling is included in the first tranche; based on the study's outcomes, a business model will be proposed and submitted as part of the second tranche implementation plan. Further reductions on import quotas for HCFCs would lead to higher prices for virgin HCFCs and reduce their availability; the mandatory recovery and reporting of the recovery of refrigerants, and the development of regulatory measures to support HCFC recovery and recycling would smooth the RRR operation.

Total project cost

35. The total cost for stage II of the HPMP amounts to US \$585,000 based on decision 74/50(c)(xii). The breakdown of costs and the differences between the initial and the revised proposal are summarized in Table 4.

Table 4. Total cost of stage II of the HPMP for Georgia (US \$)

Activity	As submitted	Revised
Policy, regulatory and institutional support	29,700	36,000
Capacity-building and technical support in enforcement agencies	109,000	131,500
Strengthening the certification of RAC technicians and awareness-raising	115,960	117,600
Technical assistance to support for good servicing practices in the RAC sector	55,100	149,910
Low-GWP alternative technology demonstration project	233,640	96,900
Project implementation, monitoring and evaluation	41,090	53,090
Total	584,490	585,000

36. The amount requested for the end-user incentive programme was revised from US \$233,640 to US \$96,900; while the funding for technical assistance for good servicing practices was increased to US \$149,910; other minor adjustments were also agreed.

37. The Secretariat also discussed with UNDP the proposed tranche distribution for stage II, noting that the demonstration project would be implemented as part of the second tranche, and that the fourth tranche would consist of at least 10 per cent of the total funding requested. Based on these consultations, a revised tranche distribution was agreed, as shown in Table 5.

Table 5. Original and revised tranche distribution for stage II of the HPMP for Georgia

Funding (US \$)	2021	2024	2027	2030	Total
As submitted	233,705	169,135	134,000	47,650	584,490
Revised	190,839	235,962	98,981	59,218	585,000

38. With the adjusted funding, changes to the expected outputs of the first tranche are as follows: drafting regulations to ban the import and restrict the installation of HCFC-based equipment; carry out a study on feasible infrastructure and a business model for RRR; develop and print approximately 400 copies of a Customs Quick Tool for screening ODS to be distributed among trained officers; delivery of 15 units of ODS identifiers and spare parts, instead of 10 units; determining specifications of all equipment to be purchased; organizing at least one stakeholder coordination and advisory workshops; and deferral to the second tranche the implementation of the demonstration programme.

Impact on the climate

39. The proposed activities in the servicing sector, which include better containment of refrigerants through training and the provision of equipment, strengthening the certification of technicians, updating policy and legislation, and demonstration projects to promote zero/low-GWP alternatives among end-users will reduce the amount of HCFC-22 used for RAC servicing. Each kilogramme of HCFC-22 not emitted due to better refrigeration practices results in savings of approximately 1.8 CO₂-equivalent tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Georgia, including its efforts to promote low-GWP alternatives, as well as refrigerant recovery and reuse, and strengthening of the certification of technicians indicate that the implementation of the HPMP will reduce the emission of refrigerants into the atmosphere, resulting in climate benefits.

Co-financing

40. The Government of Georgia will provide in-kind support, such as the provision of staff, office space, and logistical support. For the demonstration project, end-users will provide at least US \$84,500, and the Government will seek additional resources for climate co-benefits. For this purpose, co-financing opportunities will be explored in on-going and planned climate initiatives to facilitate the scaling up of demonstration projects.

2021-2023 draft business plan of the Multilateral Fund

41. UNDP is requesting US \$585,000, plus agency support costs, for the implementation of stage II of the HPMP for Georgia. The total requested value of US \$204,198, including agency support costs for the period from 2021–2023, is US \$157,720 above the amount in the business plan.

Draft Agreement

42. A draft Agreement between the Government of Georgia and the Executive Committee for the phase-out of HCFCs in stage II of the HPMP is contained in Annex I to the present document.

RECOMMENDATION

43. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage II of the HCFC phase-out management plan (HPMP) for Georgia for the period from 2021 to 2030 for the complete phase-out of HCFC consumption, in the amount of US \$585,000, plus agency support costs of US \$40,950 for UNDP, on the understanding that no more funding from the Multilateral Fund would be provided for the phase-out of HCFCs;
- (b) Noting the commitment of the Government of Georgia:
 - (i) To reduce HCFC consumption by 56 per cent of the country's baseline by 2022, 62 per cent by 2023, 67 per cent by 2024, and 72 per cent by 2025 and to phase out HCFCs completely by 1 January 2030;
 - (ii) To ban HCFC imports after 2030, except for those allowed for a servicing tail between 2030 and 2040 where required, consistent with the provisions of the Montreal Protocol; and
 - (iii) To ban the import and restrict the installation of HCFC-based equipment by 1 January 2024;
- (c) Deducting 2.97 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;
- (d) Approving the draft Agreement between the Government of Georgia and the Executive Committee for the reduction in consumption of HCFCs, in accordance with stage II 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 Georgia 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 2030-2040 period;
 - (ii) The expected annual HCFC consumption in Georgia for the 2030-2040 period;
- (f) Noting that UNDP would submit detailed reports on the results of the incentive schemes for end-users in small and medium commercial refrigeration equipment once they have

been completed, to allow the Secretariat to develop fact sheets to inform future projects, in line with decision 84/84(d); and

- (g) Approving the first tranche of stage II of the HPMP for Georgia, and the corresponding tranche implementation plan, in the amount of US \$190,839, plus agency support costs of US \$13,359 for UNDP, on the understanding that if Georgia were to proceed with retrofits and associated servicing to use flammable substances in refrigeration and air-conditioning equipment originally designed for non-flammable substances, the country would do so assumes all associated responsibilities and risk and only in accordance with the relevant standards and protocols.

Annex I

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

Purpose

1. This Agreement represents the understanding of the Government of Georgia (the “Country”) and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODS) set out in Appendix 1-A (“The Substances”) to a sustained level of zero ODP tonnes by 1 January 2030 in compliance with Montreal Protocol schedule.
2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in rows 4.1.3 and 4.2.3 (remaining consumption eligible for funding).
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees, in principle, to provide the funding set out in row 3.1 of Appendix 2-A to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (“Funding Approval Schedule”).
4. The Country agrees to implement this Agreement in accordance with stage II of the HCFC phase-out management plan (HPMP) approved (“the Plan”). In accordance with sub-paragraph 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 sub-paragraph 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; and
 - (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;
- (c) The Country agrees, in cases where HFC technologies have been chosen as an alternative to HCFCs, and taking into account national circumstances related to health and safety: to monitor the availability of substitutes and alternatives that further minimize impacts on the climate; to consider, in the review of regulations standards and incentives adequate

provisions that encourage introduction of such alternatives; and to consider the potential for adoption of cost-effective alternatives that minimize the climate impact in the implementation of the HPMP, as appropriate, and inform the Executive Committee on the progress accordingly in tranche implementation reports; and

- (d) 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. UNDP has agreed to be the lead implementing agency (the “Lead IA”) in respect of the Country’s activities under this Agreement. The Country agrees to evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of the Lead IA taking part in this Agreement.

10. The Lead IA will be responsible for ensuring co-ordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per sub-paragraph 5(b). The role of the Lead IA is contained in Appendix 6-A. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 2.2 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 and the Lead IA to facilitate implementation of this Agreement. In particular, it will provide the Lead 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 sub-paragraph 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 sub-paragraphs 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 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	4.57
HCFC-142b	C	I	0.64
Total			5.21

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2021	2022	2023	2024	2025-2026	2027	2028-2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	3.45	3.45	3.45	3.45	1.72	1.72	1.72	0	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	2.60	2.32	2.04	1.76	1.49	1.49	1.49	0	n/a
2.1	Lead IA (UNDP) agreed funding (US \$)	190,839	0	0	235,962	0	98,981	0	59,218	585,000
2.2	Support costs for Lead IA (US \$)	13,359	0	0	16,517	0	6,929	0	4,145	40,950
3.1	Total agreed funding (US \$)	190,839	0	0	235,962	0	98,981	0	59,218	585,000
3.2	Total support costs (US \$)	13,359	0	0	16,517	0	6,929	0	4,145	40,950
3.3	Total agreed costs (US \$)	204,198	0	0	252,479	0	105,910	0	63,363	625,950
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)									2.97

Row	Particulars	2021	2022	2023	2024	2025-2026	2027	2028-2029	2030	Total
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stage (ODP tonnes)									1.60
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)									0
4.2.1	Total phase-out of HCFC-142b agreed to be achieved under this Agreement (ODP tonnes)									n/a
4.2.2	Phase-out of HCFC-142b to be achieved in the previous stage (ODP tonnes)									0.64
4.2.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)									0

*Date of completion of stage I as per stage I Agreement: 31 December 2021

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 sub-paragraph 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 sub-paragraph 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 sub-paragraph (b) above;
- (d) A set of quantitative information for all Tranche Implementation Reports and Plans, submitted through an online database; and

- (e) An Executive Summary of about five paragraphs, summarizing the information of the above sub-paragraphs 1(a) to 1(d).
2. In the event that in a particular year two stages of the HPMP are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:
- (a) The Tranche Implementation Reports and Plans referred to as part of this Agreement, will exclusively refer to activities and funds covered by this Agreement; and
 - (b) If the stages under implementation have different HCFC consumption targets under Appendix 2-A of each Agreement in a particular year, the lower HCFC consumption target will be used as reference for compliance with these Agreements and will be the basis for the independent verification.

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The Plan will be implemented by the Ministry of Environmental Protection and Agriculture of Georgia with support from the Lead IA.
2. The Lead IA will apply its administrative procedures towards implementation of the Plan. In particular, the Lead IA will use the national implementation modality based on establishment of annual work plans and utilization of the Lead IA procurement functions for the delivery of equipment and tools planned in the Plan. Regular monitoring of compliance with the work plans are ensured by the Lead IA.

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 HPMP;
 - (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 sub-paragraphs 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;
 - (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) 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, the allocation of the reductions to the different budget items and to the funding of the Lead IA;
- (k) Ensuring that disbursements made to the Country are based on the use of the indicators;
- (l) Providing assistance with policy, management and technical support when required; and
- (m) 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 HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement and sub-paragraph 1(b) of Appendix 4-A.

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 HPMP 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.