

Annex XIV

AGREEMENT BETWEEN CHINA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE PHASE-OUT OF CFCs IN THE REFRIGERATION SERVICING SECTOR

1. This Agreement represents the understanding of China (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone depleting substances in the refrigeration-servicing sector in the country set out in Appendix 1-A (the “Substances”) prior to 2010 in compliance with Protocol schedules.
2. The Country agrees to phase out the controlled use of the Substances in accordance with the annual phase-out Targets set out in Appendix 2-A (the “Targets, and Funding”) and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substances other than funding for the MDI and Pharmaceutical Aerosol sectors, which are not considered in this Agreement. The country reserves the right to request funds for the MDI and Pharmaceutical Aerosol sectors in the future in accordance with the prevailing eligibility and funding criteria of the Multilateral Fund.
3. Subject to compliance with the following paragraphs by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 12 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 (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each Substance as indicated in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 9 of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 30 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets for the applicable year;
 - (b) That the meeting of the Targets set out in Appendix 2-A Row 1 (Max Allowable total consumption of CFC-12) has been independently verified as described in paragraph 9, and that the meeting of targets set out in Appendix 2-A Row 2 (Total consumption of CFCs in the refrigeration servicing sector) has been confirmed through monitoring and auditing activities undertaken by the Country as listed in Appendix 5-A (“Monitoring Institutions and Roles”);

- (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme; and
- (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (“Format for Annual Implementation Programmes”) in respect of the year for which funding is being requested.

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

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

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

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

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. UNIDO has agreed to be the lead implementing agency (“Lead IA”) and UNEP and Japan have agreed to be co-operating implementing agencies (“Co-operating IAs”) under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to independent verification. The Co-operating IAs will be responsible for carrying out the activities listed in Appendix 6-B. The country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Executive Committee agrees, in principle, to provide the Lead IA and the Co-operating IAs with the fees set out in rows 7, 9, and 11 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in Appendix 1-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. In 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 instalment of Funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of the amount exceeding the total consumption of CFCs, in the servicing sector in any one year.

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

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

13. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

Appendix 1-A THE SUBSTANCES

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

Annex A:	Group I	CFC-11 and CFC-12
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Appendix 2-A THE TARGETS, AND FUNDING

	2004	2005	2006	2007	2008	2009	2010	Total
Montreal Protocol Reduction Schedule (ODP tonnes)	57,818.7	28,909.3	28,909.3	8,672.8	8,672.8	8,672.8	0	n/a
Max allowable total consumption of CFCs ⁽¹⁾ (ODP tonnes)	25,300 ⁽²⁾	18,750	13,500	7,400	550	550	0 ⁽⁴⁾	n/a
1. Max allowable total National Consumption of CFC-12 [production-exports+imports] (ODP tonnes)	6,934 ⁽²⁾	5,713	5,637	5,805	406	406	0 ⁽⁴⁾	n/a
2. Total consumption of CFCs in the refrigeration servicing sector (ODP tonnes)	5,083 ⁽²⁾	4,572	3,790	2,997	2,317	1,786	1,181 ⁽³⁾	n/a
3. Reduction from on-going projects (ODP tonnes)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
4. New reduction under plan (ODP tonnes)	0.0	511	782	793	680	531	605	3,902
5. Total annual reduction (ODP tonnes)	0.0	511	782	793	680	531	605	3,902
6. Lead I.A. agreed funding (UNIDO)	550,000	0	700,000	700,000	700,000	785,000	0	3,435,000
7. Lead I.A. support costs (UNIDO)	41,250	0	52,500	52,500	52,500	58,880	0	257,630
8. Co-operating I.A. agreed funding (Japan)	1,000,000	3,000,000	0	0	0	0	0	4,000,000
9. Co-operating I.A. support cost (Japan)	130,000	390,000	0	0	0	0	0	520,000
10. Co-operating I.A. agreed funding (UNEP)	0	450,000	0	0	0	0	0	450,000
11. Co-operating I.A. support cost (UNEP)	0	58,500	0	0	0	0	0	58,500
12. Total agreed funding (US \$ million)	1,550,000	3,450,000	700,000	700,000	700,000	785,000	0	7,885,000
13. Total agency support costs (US \$ million)	171,250	448,500	52,500	52,500	52,500	58,880	0	836,130

(1) According to the "Accelerated CFC and Halons Phase-out Plan in China", including CFCs Annex A, Groups I and II.

(2) Estimate.

(3) Service tail requirement to be covered from stockpile.

(4) Except for essential uses as agreed by Parties.

Appendix 3-A FUNDING APPROVAL SCHEDULE

Funding will be considered for approval at the last meeting of the year preceding the year of the annual programme.

Appendix 4-A ANNUAL IMPLEMENTATION PROGRAMME

1. Data

Country

Year of plan

of years completed

of years remaining under the plan

Target ODS consumption of the preceding year

Target ODS consumption of the year of plan

Level of funding requested

Lead implementing agency

Co-operating agency(ies)

2. Targets

Target:				
Indicators		Preceding Year, 2003	Year of Plan, 2004	Reduction
Supply of ODS	Import			
	Production*			
	Total (1)			
Demand of ODS				
	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

* For ODS-producing countries

3. Industry Action

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

4. Technical Assistance

Proposed Activity: _____

Objective: _____

Target Group: _____

Impact: _____

5. Government Action

Policy/Activity Planned	Schedule of Implementation
Policy Control on ODS Import	
Public Awareness	
Others	

6. Annual Budget

Activity	Planned Expenditures (US \$)
TOTAL	

7. Administrative Fees

Appendix 5-A MONITORING INSTITUTIONS AND ROLES

1. The State Environmental Protection Administration (SEPA) will monitor the consumption data of all ODS and the implementation activities of the Plan. Inspections at converted companies by the IAs and SEPA are foreseen to ensure permanent phase out of CFCs after project completion. The licensing system, which is under approval, will be a tool to monitor and ensure compliance of control measures.
2. The Country will ensure continuity of activities and their endorsement for the efficient implementation of the projects as well as verification of consumption through the institutional support component. This will guarantee the success of any activity approved for the Country under this Agreement.
3. In addition to the establishment of the country-wide scheme for refrigerant recovery and recycling, the monitoring component will be initiated to determine whether the project is successfully implemented and whether the CFC phase-out target is achieved.
4. The monitoring component will include the following activities:
 - (a) Establishing a system to ensure that every recycling and reclamation centre and substantive-size service workshop is encouraged or obliged to report data and give information to the recovery and recycling scheme. This may be enabled through forms to be filled by recycling centres and service workshops;
 - (b) Setting up adequate office facilities including a computer system to collect and analyse the data;
 - (c) Regular communication with the regional environmental and industry departments, customs offices, education and training institutions and industry associations;
 - (d) Occasional visits to service workshops, recycling and reclamation centres; and
 - (e) Providing access and support as well as bearing the cost of independent audits required for the verification of CFC consumption.
5. Following information will have to be supplied by the recycling and reclamation centres and substantive-size service workshops.

CFC quantity

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

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

Cost information

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

6. The collected data and information will be analysed to check for the adequate operations of the scheme.

Appendix 6-A ROLE OF THE LEAD IMPLEMENTING AGENCY (UNIDO)

1. The Lead IA will be responsible for a range of activities specified in the project document as follows:

- (a) Ensuring performance and financial verification in accordance with this Agreement, and with the rules and guidelines of the Multilateral Fund, and with specific internal procedures and requirements as set out in the refrigeration servicing sector phase-out plan;
- (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the annual implementation programme;
- (c) Assisting the Country in preparation of the Annual Implementation Programme;
- (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;

- (e) Reporting on the implementation of the Annual Implementation Programme of the preceding year and preparing an Annual Implementation Programme for the year for submission to the Executive Committee at its last meeting of the year;
- (f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate technical experts;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Targets;
- (j) Ensuring that disbursements are made to the Country in a timely and effective manner; and
- (k) Providing assistance with policy, management and technical support when required.

Appendix 6-B ROLE OF THE CO-OPERATING IMPLEMENTING AGENCIES (JAPAN and UNEP)

1. The Co-operating IAs will be responsible for:
 - (a) Assisting the Country in the implementation and verification of the activities to be undertaken by the Lead IA as funded in rows 8 and 10 of Appendix 2-A and as specified in the project document;
 - (b) Ensuring that disbursements are made to the country through the Lead IA in a timely and effective manner;
 - (c) Reporting to the Lead IA on these activities; and
 - (d) Providing assistance relating to the activities being undertaken when required.

Appendix 7-A REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

In accordance with paragraph 10 of the Agreement, the amount of funding provided may be reduced by US \$10,000 per ODP tonne of reductions in national CFC-12 consumption not achieved in the year.