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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninety-seventh Meeting
Montreal, 1–5 December 2025
Item 9(d) of the provisional agenda[1]

PROJECT PROPOSAL: MEXICO

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

Phase-down

• Kigali HFC implementation plan (stage I, second tranche)	UNIDO, UNDP and UNEP	Individual consideration

[1] UNEP/OzL.Pro/ExCom/97/1

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Mexico

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

LATEST ARTICLE 7 DATA (Annex F)	**Year:** 2024	38,992 mt	43,614,902 CO_2-eq tonnes

LATEST COUNTRY PROGRAMME SECTORAL DATA (CO_2-eq tonnes)									
	Aerosol	Foam	Fire-fighting	Air-conditioning and refrigeration				Solvent	Other
				Manufacturing			Servicing		
				Refrigeration	AC	Other			
HFCs	2,104,835	792,160	227,182	229,381	15,134,008	0	25,118,886	7,723	740

CONSUMPTION DATA (CO_2-eq tonnes)			
Baseline:	76,982,664	Starting point for sustained aggregate reductions:	TBD
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	7,698,266	Remaining:	TBD

ENDORSED BUSINESS PLAN		**2025**	**2026**	**2027**	**Total**
UNIDO	HFC phase-down (mt)	715.84	0.0	697.56	1,413.40
	Funding (US $)	4,054,820	0	3,951,257	8,006,077
UNDP	HFC phase-down (mt)	387.86	0.0	227.82	615.68
	Funding (US $)	2,196,994	0	1,290,474	3,487,468
UNEP	HFC phase-down (mt)	43.03	0.0	44.03	87.06
	Funding (US $)	256,037	0	261,990	518,027

PROJECT DATA AS AGREED			**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
Consumption (CO_2-eq tonnes)	Montreal Protocol limits		n/a	76,982,664	76,982,664	76,982,664	76,982,664	76,982,664	69,284,397	n/a
	Maximum allowable		n/a	76,982,664	76,982,664	76,982,664	76,982,664	76,982,664	69,284,397	n/a
	Reduction from baseline (%)		n/a	0	0	0	0	0	10.0	n/a
Amounts recommended in principle (US $)	UNIDO	Project costs	5,085,390	0	3,789,551	0	3,692,764	0	1,593,351	14,161,056
		Support costs	355,977	0	265,269	0	258,493	0	111,535	991,274
	UNDP	Project costs	1,433,738	0	2,053,265	0	1,206,050	0	63,541	4,756,594
		Support costs	100,362	0	143,729	0	84,424	0	4,448	332,962
	UNEP	Project costs	227,795	0	227,795	0	233,091	0	26,476	715,157
		Support costs	28,243	0	28,242	0	28,899	0	3,283	88,667
Funds approved by ExCom (US $)		Project costs	6,746,923	0		0	0	0	0	6,746,923
		Support costs	484,582	0		0	0	0	0	484,582
Total funds recommended for approval at this meeting (US $)		Project costs	0	0	6,070,611	0	0	0	0	6,070,611
		Support costs	0	0	437,240	0	0	0	0	437,240

Secretariat's recommendation	Individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of Mexico, UNIDO as the lead implementing agency has submitted a funding request for the second tranche of stage I of the Kigali HFC implementation plan (KIP), at a total cost of US $6,507,851, consisting of US $3,789,551, plus agency support costs of US $265,269, for UNIDO, US $2,053,265, plus agency support costs of US $143,729, for UNDP and US $227,795, plus agency support costs of US $28,242, for UNEP.[2] The submission includes a progress report on the implementation of the first tranche, the verification report on HFC consumption for 2024, and the tranche implementation plan for 2026 to 2027.

Report on HFC consumption

2. The Government of Mexico reported a consumption of 43,614,902 CO_2-equivalent (CO_2-eq) tonnes of HFCs in 2024, which is 43 per cent below the country's HFC baseline for compliance. The 2020-2024 HFC consumption is shown in table 1.

Table 1. HFC consumption (2020–2024 Article 7 data) and baseline in Mexico

HFC	GWP	2020	2021	2022	2023	2024	Share of HFC cons. in 2024 (%)
Metric tonnes							
HFC-32	675	6.77	221.42	1,947.39	-1,945.11	4,015.84	10.3
HFC-125	3,500	22.54	535.48	854.31	-228.28	14.75	0.0
HFC-134a	1,430	6,889.56	7,208.21	9,188.44	8,546.60	7,821.49	20.1
HFC-143a	4,470	0.00	0.00	1,207.18	-925.30	0.00	0.0
HFC-152a	124	3,350.36	4,053.50	5,660.76	6,423.28	9,848.69	25.3
HFC-227ea	3,220	47.84	27.44	43.11	22.34	15.89	0.0
HFC-245fa	1,030	99.34	155.09	244.68	256.47	302.14	0.0
HFC-365mfc	794	192.00	240.00	275.82	233.60	0.00	0.0
HFC-23	14,800	0.25	2.68	-78.87	0.58	1.18	0.0
R-404A	3,921.6	1,629.57	2,019.90	6,112.96	1,313.49	1,199.45	3.1
R-407C	1,773.85	147.14	170.50	350.33	419.75	297.41	0.8
R-410A	2,087.5	13,942.86	11,592.27	20,815.48	17,360.99	8,356.32	21.4
R-410B	2,228.75	0.00	0.00	0.00	-800.00	0.00	0.0
R-449A	1,396.035	12.95	51.39	139.53	234.10	226.83	0.6
R-454B	465.075	0.04	0.00	0.37	421.89	4,967.76	12.7
R-507A	3,985	252.69	316.94	830.16	466.54	298.69	0.8
R-513A	629.2	15.14	12.47	33.39	44.09	760.02	1.9
HFC-365mfc / HFC-227ea	963.82	164.64	233.76	209.28	0.00	0.00	0.0
Others*	n/a	359.95	470.20	613.34	855.23	865.46	2.2
Total (mt)		**27,133.64**	**27,311.25**	**48,447.66**	**32,700.26**	**38,991.92**	**100**
CO_2-eq tonnes							
HFC-32	675	4,570	149,459	1,314,488	-1,312,949	2,710,695	6.2
HFC-125	3,500	78,890	1,874,180	2,990,096	-798,983	51,625	0.1
HFC-134a	1,430	9,852,072	10,307,739	13,139,463	12,221,640	11,184,731	25.6
HFC-143a	4,470	0	0	5,396,095	-4,136,091	0	0.0
HFC-152a	124	415,445	502,634	701,934	796,486	1,221,238	2.8
HFC-227ea	3,220	154,045	88,357	138,817	71,944	51,166	0.1
HFC-245fa	1,030	102,320	159,743	252,021	264,163	311,204	0.7

[2] As per the letter of 2 September 2025 from the Ministry of the Environment and Natural Resources of Mexico to UNIDO.

HFC	GWP	2020	2021	2022	2023	2024	Share of HFC cons. in 2024 (%)
HFC-365mfc	794	152,448	190,560	219,001	185,478	0	0.0
HFC-23	14,800	3,700	39,605	-1,167,276	8,647	17,464	0.0
R-404A	3,921.6	6,390,522	7,921,240	23,972,592	5,150,988	4,703,763	10.8
R-407C	1,773.85	261,004	302,441	621,435	744,571	527,561	1.2
R-410A	2,087.5	29,105,720	24,198,864	43,452,308	36,241,069	17,443,818	40.0
R-410B	2,228.75	0	0	0	-1,783,000	0	0.0
R-449A	1,396.035	18,079	71,738	194,786	326,817	316,663	0.7
R-454B	465.075	19	0	171	196,210	2,310,381	5.3
R-507A	3,985	1,006,970	1,263,006	3,308,200	1,859,151	1,190,280	2.7
R-513A	629.2	9,526	7,846	21,007	27,738	478,205	1.1
HFC-365mfc/ HFC-227ea	963.82	158,683	225,303	201,708	0	0	0.0
Others*	n/a	497,021	691,740	887,296	190,866	1,096,110	2.5
Total (CO_2-eq tonnes)		**48,211,034**	**47,994,455**	**95,644,142**	**50,254,745**	**43,614,902**	**100**
Maximum allowable		n/a	n/a	n/a	n/a	76,982,644	
HFC baseline calculation (CO_2-eq tonnes)							
HFC average consumption in 2020–2022						63,949,877	
HCFC baseline (65%)						13,032,787	
HFC baseline						76,982,664	

* Including HFC-236fa, HFC-43-10mee, R-407A, R-407F, R-417A, R-422A, R-422D, R-427A, R-434A, R-437A, R-438A, R-442A, R-448A, R-449C, R-452A, R-453A, R-454A, R-454C, R-508B, R-516A, and other blends (CustMix-111, CustMix-134, CustMix-166, CustMix-174 and CustMix-261).

3. Following a peak in 2022, HFC consumption decreased in 2023 and 2024. In 2023, even though imports of HFCs were at 74.27 million CO_2-eq tonnes (around the level of the country's HFC baseline), Mexico exported close to 23 million CO_2-eq tonnes of HFCs (around three times the volume of exports recorded in previous years), leaving a reported consumption of 50.25 million CO_2-eq tonnes. In 2024, HFC consumption further decreased to 43.6 million CO_2-eq tonnes, for a different reason however: while exports were reported at 7 million CO_2-eq tonnes, imports were only at 50 million CO_2-eq tonnes, i.e., lower than any other year since 2020. This low level of imports was attributed to delays associated with the regulatory and administrative processes for the implementation of the new quota system. In addition, import quotas for 5.9 million CO_2-eq tonnes, issued to two importers for 2024, had not been used, but are expected to be used in 2025.

4. Once the issues that emerged during the application of the new quota system in 2024 are resolved, the 2025 imports are expected to reflect actual consumer demand for HFCs, very likely including a temporary increase associated with equipment retrofitting and new equipment needs resulting from the planned reduction of HCFC-22 consumption between 2025 and 2030.

5. Regarding the behavior of specific substances, a sharp increase in the consumption of HFC-32 and R-454B in recent years was explained by an increase in demand for air-conditioning (AC), including in previously low-demand regions affected by a heat wave. These substances are beginning to replace R-410A in new equipment.

Country programme implementation report

6. The sectoral HFC consumption data provided by the Government of Mexico in its country programme implementation report for 2024 is consistent with the data reported under Article 7 of the Montreal Protocol, with negligible differences recorded in the global-warming potential (GWP) of some custom mixes, likely related to the use of decimals.

Verification report

7. The verification report confirmed that the Government was implementing a licensing and quota system for HFC imports and that the total consumption of HFCs reported under Article 7 of the Montreal Protocol for 2024 was below the maximum allowable consumption of 76,982,664 CO_2-eq tonnes. The verification concluded that Mexico's current quota system, monitoring activities, and overall compliance mechanisms are robust and ensure appropriate control over HFC consumption in accordance with the Kigali Amendment. The Ministry of the Environment and Natural Resources (SEMARNAT) followed the procedures, criteria, and mathematical formulas established in the official guidelines for quota allocation and quota assignments were transparent and consistent. With few exceptions, all importers exercised their quotas within the assigned limits. Only minor cases of administrative differences were observed, which did not significantly affect the system's integrity. The verifier recommended continued coordination with the Federal Commission for Protection against Sanitary Risk and with the Customs authorities to streamline the permit-granting processes and enhance the integration of information systems. The verification further included relevant information requested by decision 93/68(c)(vi), confirming that Mexico effectively monitored trends in HFC consumption, identified the impact of large new market entrants in 2022, and incorporated those findings into the quota allocation process. This information is discussed in more detail below, in the Secretariat's comments section.

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

8. The following activities have been accomplished under the first tranche:

(a) *Polyurethane (PU) foam sector plan:* Assessment of import/export trends for HFC-containing polyols; development of a plan for converting participating systems houses to low-GWP alternatives (pending validation); preparation of agreements with two systems houses: Maxima Dimension, with 85 downstream users (DSUs) and Eiffel, with 57 DSUs; and initiation of contact with other systems houses;

(b) *Legislative strengthening:* Participation in the updating of minimum energy performance standards for unitary AC (NOM-035-ENER-2025) and for central, packaged and split AC equipment (NOM-035-ENER-2025); annual market study on HFC prices and national trends in refrigerant consumption and demand in 2024; analysis of the existing building codes as part of the process of developing guidelines for the adoption of low-GWP refrigerants in commercial buildings (completion expected by the first quarter of 2026); and preparation of draft technical and financial recommendations for the development of district cooling in Mexico to reduce refrigerant needs at commercial and institutional spaces (completion expected by the end of 2026);

(c) *Customs and HFC quota and licensing system:* Obtaining acceptance for the national implementation of the HFC import quota allocation mechanism and criteria through meetings with importers and other stakeholders; development of an electronic format and related algorithms for submitting quota requests; processing of around 150 HFC import quota allocation requests per year; training of 567 customs and enforcement officers (63 participating in person and 504 remotely) on the control measures regarding new tariff regulations for HFCs, safe handling of flammable refrigerants and equipment labelling; and distribution of seven toolkits for HFC identification[3] to the central customs laboratory and six main customs offices;

[3] Including *inter alia* stainless sampling cylinders and needle valves, brass adapters, bronze binders, taper plugs, vacuum pumps, manifolds for HFC-134a, R-404A, R-407 and R-410A with hoses and central window, wrench parakeets, leak detectors, protection equipment, refrigerant analyzers, refrigerant pressure testing gauge assemblies with defined testing sectors, and digital rotary viscometers to identify polyols pre-blended with HCFCs or HFCs.

(d) *Capacity building for refrigeration and air-conditioning (RAC) and mobile air-conditioning (MAC) servicing technicians:* Development of one national refrigerant management standard, four labour competency standards for RAC equipment servicing (pending approval), and two labour competency standards for MAC servicing (under review); creation of training material including three manuals, 48 promotional posters, and nine technical training videos for RAC servicing, and of three manuals, 48 promotional posters, and seven technical training videos for MAC servicing; identification and capacity assessment of five public and five private training centres to train and evaluate RAC technicians (ongoing) and of three centres to train and evaluate MAC technicians (ongoing); strategic development of the RAC and MAC servicing training programmes; and creation of two documents on evaluation instruments for the training of MAC and RAC trainers and technicians;

(e) *Strengthening of the refrigerant recovery, recycling and reclamation (RRR) network:* Assessment of Mexico's RRR network's historical experience and its current state (ongoing); and development of a business model to support the sustainability and expansion of both existing and new RRR centres (ongoing);

(f) *Projects and activities in the local installation and assembly subsector:* Visits and meetings to determine potential local installation and assembly beneficiaries for the provision of refrigerant-handling packages and tools for flammable refrigerants or carbon dioxide (CO_2), and identification of potential beneficiaries for the demonstration of ammonia (NH_3) and CO_2 in cascade and secondary loop systems for supermarket refrigeration and the use of low-GWP refrigerants in the installation of new cold rooms in the food chain;

(g) *Public awareness for refrigeration sector stakeholders*: Procurement process for the awareness campaign currently underway; preparation of an analysis of Mexico's RAC sector and action plan to address difficulties faced by women in the sector, proposing remedial measures and solutions for enhancing the presence of women in the RAC workforce and creating the necessary conditions for their participation, including in decision-making processes; and

(h) *Project implementation and monitoring:* A national coordinator and three local consultants have been hired to coordinate and monitor the HFC quota allocation process, customs strengthening programme, legislative strengthening, activities in the RAC and MAC servicing sectors and the RRR network, and public awareness initiatives. Out of US $283,418 approved for UNIDO, US $225,493 was spent on personnel and US $3,049 on travel; of US $79,905 approved for UNDP, US $45,196 was disbursed for personnel; and UNEP did not disburse any funds from its approved portion of funds (US $12,692).

Investment projects approved prior to the Kigali HFC implementation plan

9. The tranche implementation report included information about the completion of three investment projects approved prior to the KIP, namely conversion of commercial refrigeration manufacturing to R-600a and R-290 at two facilities of the enterprise Imbera, phasing out 70.96 mt (101,470 CO_2-eq tonnes) of HFC-134a and 5.91 mt (23,187 CO_2-eq tonnes) of R-404A; conversion of a domestic refrigeration manufacturing facility and a compressor manufacturing facility to R-600a at the enterprise Mabe, phasing out 198 mt (283,140 CO_2-eq tonnes) of HFC-134a; and conversion of the manufacturing of commercial refrigerators to R-290 at the enterprise Friocima, phasing out 5.18 mt (7,407 CO_2-eq tonnes) of HFC-134a.

10. After project completion, SEMARNAT participated in the working group to update the energy efficiency and safety standard for self-contained commercial refrigeration appliances (NOM-022-ENER/SCFI-2014). The revision includes a proposed "eco-friendly" label for units using

refrigerants with a GWP below 150. The review process has taken about 18 months and is now in its final stage before publication.

Level of fund disbursement

11. As of October 2025, of the US $6,746,923 approved so far (US $5,085,390 for UNIDO, US $1,433,738 for UNDP and US $227,795 for UNEP), US $1,368,959 (20.3 per cent) had been disbursed (US $1,187,316 by UNIDO, US $92,196 by UNDP and US $89,447 by UNEP). The balance of US $5,377,964 will be disbursed in 2025–2027.

Implementation plan for the second tranche of stage I of the Kigali HFC implementation plan

12. The activities to be implemented between January 2026 and May 2027 are presented in table 2.

Table 2. Activities planned under the second tranche of the KIP and their costs (US $)

Item	Activity description	Agency	Cost
PU foam sector plan			
Signing of agreements with all systems houses included in the project; testing of selected alternative formulations with DSUs; provision of technical support for the total conversion of systems houses and their customers; and implementation of a legal framework to institutionalize the use of low-GWP substances in the sector		UNDP	1,332,750
Total for the PU foam sector			**1,332,750**
Refrigeration servicing sector, policy measures, awareness building, and gender mainstreaming			
I. Policies, regulations, and strategic planning for the reduction of HFC supply and demand			
Legislative strengthening	Annual market study on HFC prices and national trends in refrigerant consumption and demand	UNIDO	50,000
	Finalization of guidelines for the adoption of low-GWP refrigerants in commercial buildings such as *inter alia* supermarkets, stores, and distribution centres, and finalization of a district cooling proposal to reduce refrigerant needs at commercial and institutional spaces	UNDP	*
Quotas and licensing	Approval and publication in the Official Gazette of the electronic quota application form by the end of 2025, programming and development of the digital HFC import quota allocation process on the Electronic Environmental Window platform, and ongoing technical and legal evaluation of HFC blends entering the market	UNIDO	*
Customs strengthening	Induction and on-the-job training for newly assigned officers and refresher training and targeted workshops on *inter alia* risk profiling, harmonized codes, substance identification and classification, regulations, safety measures and use of enforcement tools for customs officials (60 attending in person and 113 remotely)	UNEP	87,100
	Provision of personal protection equipment to customs officers	UNIDO	24,347
Subtotal for I			***161,447***
II. National HFC phase-down plan implementation (servicing sector only)			
Capacity building for the RAC and MAC servicing technicians	RAC: Development of a national standard for refrigerant management and 2 labour competency standards for servicing technicians; accreditation of 10 training centres; evaluation and certification of 7 instructors/evaluators; evaluation, certification and distribution of equipment[4] to 233 technicians; virtual training, technical support material, evaluation and certification provided to 13 instructors; and training of 1,716 technicians (1,500 in person and 216 remotely)	UNIDO	2,459,567

[4] Including *inter alia* recovery unit and cylinders, vacuum pump, leak detectors, manifolds, scale, ATEX fan, welding equipment, thermometer, tube kit, and multimeter.

Item	Activity description	Agency	Cost
	MAC: Development of a national standard on regulating refrigerants for motor vehicles and electric vehicles and of a labour competency standard; accreditation of 2 training centres; training, evaluation and certification of 3 instructors/evaluators; evaluation and certification of 100 technicians; provision of equipment[5] to 66 certified technicians; updates to the training platform; virtual training offered to 13 trainers; evaluation and certification of 8 instructors; and training of 306 technicians (293 attending in person and 13 remotely)	UNIDO	822,219
Strengthening of the RRR network	Continuation of enabling activities and selection of key beneficiaries to receive equipment	UNDP	650,515
Projects and activities in the local installation and assembly subsector	Continuation of the pilot project to reduce HFC use in the assembly of commercial refrigeration equipment in small and medium-sized enterprises	UNIDO	*
	Continuation of the demonstration project on NH_3 and CO_2 used in cascade and secondary loop refrigeration systems at supermarkets	UNIDO	*
	Promotion of the use of low-GWP refrigerants in the installation of new cold rooms in the food chain (addition of the second beneficiary, continue installation of refrigeration units and prepare strategy for results dissemination and replicability)	UNIDO	150,000
Subtotal for II			***4,082,301***
III. Public awareness for refrigeration sector stakeholders			
Public awareness campaigns for key refrigeration sector stakeholders on issues related to the Kigali Amendment and HFC phase-down and dissemination of results achieved so far under the KIP (US $78,000); and outreach campaign to promote women's enrollment and professional development in the RAC sector (US $50,000)		UNEP	128,000
Subtotal for III			***128,000***
Total for activities in the refrigeration servicing sector, policy measures, and awareness-building			***4,371,748***
Total for activities in the PU foam and servicing sectors			**5,704,498**
Project coordination, monitoring, reporting, and verification			
Coordination and monitoring of the quota and licensing system, customs strengthening programme, and activities in the servicing and local installation and assembly subsectors, including a coordinator (US $114,240), local experts (US $166,678) and monitoring travel (US $2,500)		UNIDO	283,418
Coordination and monitoring of the PU foam sector plan and RRR network activities including personnel		UNDP	70,000
Coordination and monitoring of the customs strengthening programme and public awareness activities		UNEP	12,695
Subtotal for project coordination, monitoring, reporting, and verification			***366,113***
Grand total			**6,070,611**
UNIDO			3,789,551
UNDP			2,053,265
UNEP			227,795

*Fund balances from the first tranche

[5] Including *inter alia* recovery and recycling unit and cylinders, vacuum pump, leak detectors, manifold, scales, welding equipment, thermometer, tube kit, and multimeter.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Compliance with decision 93/68(c)(vi) to (viii)

13. In considering stage I of the KIP for Mexico at the 93rd meting, the Executive Committee noted a significant increase in the 2022 HFC import levels, attributed mainly to two new importers becoming active in the market. Since the spike in HFC imports could not be contrasted with actual demand, the Committee could not determine whether the 2022 consumption reflected Mexico's regular manufacturing and servicing needs. Accordingly, the Government was requested to continue monitoring national HFC consumption levels in order to understand the extent to which consumption reported in the baseline years was representative of the local market's needs and to assess future HFC demand, and to provide the results of this analysis when submitting the second tranche of the KIP.[6]

Assessment of HFC imports in 2022 and future demand

14. The independent verification report included in the submission presented a comprehensive analysis of the 2022 consumption spike, concluding that the HFC levels reported for 2022 did not reflect the actual market dynamics or demand in the country. The auditor confirmed with several stakeholders that the spike was likely driven by temporary market distortions, including overimportation and inventory accumulation, rather than by consumption needs.[7] Furthermore, manufacturers and industry associations indicated that there was no corresponding increase in the domestic production of HFC-based RAC equipment during the post-pandemic period of 2022–2023 that could justify the elevated consumption figures, observing that it was not until 2024 that a more stable and measurable recovery in manufacturing and sales began to take place. The verification further concluded that the baseline reference years (2020–2022) did not reflect actual consumption in Mexico also due to the COVID-19 health emergency, which had prevented growth in HFC demand in the national market.

15. In response, SEMARNAT decided to use 2019 as an additional reference year when defining the mathematical formula for the maximum quota limits per importer.[8] In 2024, following the adoption of the newly designed quota allocation system, a total of 69,044,204 CO_2-eq tonnes of HFC import quotas were allocated to 41 enterprises, only 24 of whom presented consumption activity during the year, leaving a total of 25,362,712 CO_2-eq tonnes of quota unused, mainly because of administrative delays in allocating quotas and import permits.

16. The verification concluded that in 2024, HFC availability in the Mexican market was sufficient to meet demand. Market distortions caused by the 2022 overimportation began to stabilize in 2023 and 2024. While the overall HFC demand is expected to remain stable or decrease slightly, a moderate rebound could occur in 2025 due to the improved quota utilization. The verification confirmed that, while most large enterprises have stabilized their consumption in line with actual market needs, continuous monitoring remains essential to prevent future market distortions.

17. Noting with appreciation the comprehensive analysis of the situation and the establishment of a strict HFC import quota allocation, the Secretariat asked why 2024 quotas were allocated at

[6] Decision 93/68(c)(vi)

[7] The HFC market experienced significant distortions in 2022 and 2023, primarily due to the oversupply of products, which drove prices to unsustainably low levels. This led to a loss of competitiveness among the established importers, many of whom were forced to restructure their sales strategies or shift focus to other distribution channels.

[8] A mathematical equation was elaborated to distribute the remaining national quotas, taking into account the enterprises' average HFC consumption from 2019 to 2021, an additional 65 per cent of the HCFC baseline (only in the case of historical HCFC importers), and a component based on the enterprise's 2022 HFC consumption. Additionally, a quota reserve margin was established as a fixed percentage of Mexico's HFC baseline.

69,044,204 CO_2-eq tonnes, i.e., below the baseline level. UNIDO clarified that the maximum national quota available for allocation in 2024 did correspond to the baseline, but the allocation was lower because some historical importers had not submitted applications in that year, and because legal challenges encountered by two major importers resulted in them not requesting import quotas pending a court ruling (those quotas, however, are expected to be requested in 2025). Finally, the reserve margin for exceptional cases was not allocated as some of the interested importers did not meet the requirements to access this quota.

18. The Secretariat further enquired about the reasons for the actual import levels in 2024 (50,649,371 CO_2-eq tonnes) being lower than the allocated quotas of 69,044,204 CO_2-eq tonnes, and for HFC consumption being lower than in 2023, even though exports in 2023 were three times larger than in 2024, as shown in table 3 below. UNIDO explained that this was due to the initiation of the HFC import regulation, which represented a major challenge both for regulatory bodies responsible for quota allocation and for importers facing difficulties in complying with legal import requirements. Even though SEMARNAT had allocated import quotas, the licensing process required coordination with other authorities—including the Ministry of Health, the Federal Attorney for Environmental Protection (PROFEPA),[9] and the National Customs Agency of Mexico (ANAM)—and several enterprises did not meet all documentation requirements, causing delays in import approvals. These administrative and legal challenges generated temporary market instability, leading some enterprises to experience shortages and shifting demand among importers.

19. UNIDO also informed the Secretariat that the 2025 HFC import quotas were almost fully allocated, but the quota utilization level was still unknown. The Government of Mexico expects that by 2025 real consumer demand for HFCs will stabilize. According to the quota allocation process, most enterprises have justified their contribution to domestic market demand, so the Government expects that actual consumer demand for HFCs will be reflected in the 2025 data.

20. Table 3 summarizes HFC imports, exports and consumption over the last five years in both metric tonnes (mt) and CO_2-eq tonnes. The Secretariat notes that, even though the 2024 import quotas could not be fully used, the actual imports measured in mt were at the same level as in 2023. Furthermore, even though the country's 2024 consumption was 15 per cent lower than in 2023 in terms of CO_2-eq tonnes, it was 19 per cent higher when expressed in mt. This is explained in part by the reduction in consumption of R-410A and the increased use of HFC-32 and R-454B, substances with lower GWP levels.

Table 3. HFC quota, imports, exports and consumption in Mexico between 2020 and 2024

	2020	**2021**	**2022**	**2023**	**2024**
CO_2-eq tonnes					
Allocated quota	n/a	n/a	n/a	n/a	69,044,204
Import	52,755,236	54,022,717	105,371,561	74,124,186	50,649,371
Export	4,544,175	6,028,261	8,534,983	22,902,354	7,034,469
Consumption	48,211,061	47,994,455	*95,644,142	*50,254,745	43,614,902
Mt					
Import	29,693	30,028	52,112	43,254	43,064
Export	2,559	2,716	3,584	10,553	4,072
Consumption	27,134	27,311	*48,448	*32,700	38,992

*Deducting quantities of HFC-23 by-product destroyed

Revision of maximum allowable consumption limits

21. Noting that decision 93/68(c)(vii) indicated that, on the basis of the information provided on the issue, the maximum allowable consumption limits for the remaining years of stage I would be revised when the Committee considered the second tranche of the KIP, the Secretariat sought confirmation from the

[9] PROFEPA is the primary enforcement agency for SEMARNAT, responsible for enforcing environmental laws and regulations through inspections, monitoring, and taking action against violators.

Government of Mexico on whether the maximum allowable consumption limits would be adjusted, and if so, to what levels. On behalf of the Government of Mexico, UNIDO informed the Secretariat that, if necessary, adjustments for the remaining years of stage I of the KIP would be considered, using 2025 as the reference year, i.e., the year in which the actual demand for domestic HFC consumption is expected to be reflected in reported data.

Deductions from the remaining consumption eligible for funding

22. The Secretariat recalled that in several previously identified cases of temporary market distortions—such as unusually high import volumes attributed to stockpiling or other exceptional reasons—some countries had agreed to adjust their starting points for sustained reductions in consumption by excluding import quantities that did not reflect the immediate or actual local market needs. This approach was based on the understanding that such imports were one-off events and did not represent an established use requiring financial support to be phased out. In response to the Secretariat's request for UNIDO and the Government of Mexico to provide an estimate of HFC consumption reported during the baseline years that might not be representative of market demand, based on the information gathered from the two enterprises that imported significant quantities of HFCs in 2022, UNIDO asked to wait until the 2025 consumption levels were known before making a decision.

Conclusion

23. Noting UNIDO's request to wait for the 2025 HFC consumption data and observing that little progress or disbursement was made in several of the KIP's components, the Secretariat enquired whether the present tranche request should be submitted at the 98th meeting, when the 2025 data would be known and additional progress and disbursement could be achieved. UNIDO indicated the country's preference to have the tranche request considered at the 97th meeting, noting that the tranche release requirements had been fulfilled and that activities that suffered delays will continue or start in 2026, i.e., contracts with systems houses in the PU foam sector and for the awareness campaigns would start in early 2026, and the study on the RRR scheme business model was underway.

24. At the 93rd meeting, the Executive Committee noted that the Government of Mexico would continue to monitor its HFC consumption to understand the extent to which consumption reported in the baseline years was representative of the local market's needs and to assess future HFC demand, assuming that by the time the next tranche was submitted in 2025, the availability of data on longer-term HFC consumption trends would allow more clarity on the issue. While the verification report concluded that the consumption levels reported for 2022 did not reflect the actual market dynamics or demand in the country, it also revealed that neither did the previous two years, due to COVID-19. The 2023 HFC consumption seems distorted by exceptionally high exports (over three times the annual average), possibly from the 2022 stocks, while the 2024 consumption was unusually low due to administrative issues related to quota allocation. On this basis, the Government of Mexico considered it necessary to also analyze the 2025 import data to determine whether the maximum allowable consumption limits for the remaining years of stage I of the KIP needed to be adjusted. The Executive Committee may wish to consider the present tranche in light of the information provided by the Government of Mexico in line with decision 93/68(c)(vi).

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

Legal framework

25. The Government of Mexico has established the maximum HFC import quota for 2025 in accordance with the Montreal Protocol control targets. As of the time of submission of the tranche request, quotas for 74,462,126.19 CO_2-eq tonnes have been allocated to importers.

26. The Secretariat noted that certain new legislative measures would positively impact the country's transition to lower-GWP alternatives. Specifically, the newly developed NOM-035-ENER-2025 standard establishes an Integrated Energy Efficiency Ratio to be achieved by unitary AC appliances, which necessitates the use of HFC-32. It is expected that, once the standard is applied, R-410A-based unitary AC equipment up to 20 tonnes of refrigeration will be progressively replaced by HFC-32-based equipment. The 2024 annual market study on HFC prices and refrigerant consumption trends corroborates the finding that manufacturers in Mexico are shifting toward lower-GWP substances, but HFC products remain prevalent in the retail service market.

Polyurethane foam sector plan

27. The Secretariat noted that the level of progress in this component was lower than for other activities under the KIP. UNDP explained that project delays were due to administrative issues in defining technical and management arrangements which had been resolved by now, resulting in the signing of the implementation project document. Long-term agreements with systems houses were designed to provide assistance to DSUs during the implementation period. This agreement modality allows flexibility for DSUs to change systems houses (common practice in the sector) without duplicating project funding. Long-term agreements with two eligible system houses are currently being finalized. An additional non-Article 5 owned systems house has expressed interest to participate in the project assisting DSUs without requesting any financial support, consistent with the approach taken in previous PU foam sector plans.

28. On the status of DSU eligibility validation, UNDP reported that this information was not yet available as agreements with the systems houses were still pending signature. UNDP assured the Secretariat that the agreements would be signed in the coming months and that eligibility verification and assistance to DSUs in converting to HFOs would start in 2026. The implementation schedule remains on track and the ban on the import and use of HFCs, pure or contained in pre-blended polyols, in the manufacturing of PU foam is expected to enter into force as of 1 January 2029, as planned.

29. Upon discussions on the status of progress and the need to expedite the initiation of conversion activities, the Secretariat recommends approval of UNDP's component for the second tranche of stage I of the KIP for Mexico, on the understanding that the Treasurer will only transfer the funds to UNDP upon confirmation by the Secretariat that UNDP signed the contracts with the two systems houses involved in the project and submitted the first list of eligible DSUs included in the project, along with their HFC consumption.

Exports of HFCs contained in pre-blended polyols

30. Out of the 596.43 mt or 545,791 CO_2-eq tonnes of HFCs consumed in Mexico's PU foam sector, 444 mt (74 per cent) or 353,760 CO_2-eq tonnes (65 per cent) used by 147 PU foam enterprises will be phased out with Multilateral Fund assistance under stage I of the KIP. The remaining consumption of 152.43 mt or 192,031 CO_2-eq tonnes of HFCs, whether used by ineligible enterprises or locally blended for export, will be phased out through the establishment of a ban on the import and use of HFCs pure or contained in pre-blended polyols in the manufacturing of PU foam by 1 January 2029.

31. Noting that the assistance approved for Mexico's PU foam sector plan was linked exclusively to identified consumption by eligible enterprises, and that HFCs exported in polyols were excluded from funding, the Secretariat concludes that there is no risk of funding duplication in the case of countries importing HFCs in pre-blended polyols from Mexico and receiving Multilateral Fund assistance to phase out HFCs in their foam sectors. However, in line with decision 96/52(d), if Mexico exports HFCs contained in pre-blended polyols, it is required to provide the best available data on such exports for the 2022–2024 period.

32. As the agency assisting the country in the implementation of its PU foam sector plan, UNDP explained that the Government was currently working on the analysis of import and export data for HFCs contained in pre-blended polyols in 2022–2024, which was challenging as those were not linked to specific tariff items, making them difficult to track. Nevertheless, the Government of Mexico is committed to collect this information from the official ANAM database and data from surveyed enterprises using these types of polyol mixtures. Accordingly, the Secretariat recommends, in line with decision 96/52(d), that the Government of Mexico provide information on the best available data on exports of HFCs contained in pre-blended polyols for the years 2022–2024 along with the submission of the next tranche request.

Refrigeration servicing sector

33. While acknowledging progress achieved in several activities planned under stage I, the Secretariat enquired about reasons for the slow implementation of some projects. UNIDO explained that while there was overall progress across all KIP components, the initial implementation of HFC control measures, specifically through the quota allocation system, presented significant challenges and affected the speed of other activities. Nonetheless, UNIDO reiterated the Government's commitment to complete the activities under the KIP as agreed. The discussion of specific projects is presented below.

34. On the RRR project implemented by UNDP, following administrative delays associated with the signature of agreements, activities started with an assessment and diagnosis of the current state of refrigerant RRR in Mexico, expected for completion in March 2026. A business model for a self-sustainable RRR scheme is being structured and is expected to be completed by June 2026. Based on the results of the above activities, the expansion of the RRR network will start in July 2026, and regulatory instruments to support refrigerant RRR will be developed by December 2026. Under the second tranche, RRR operations will be scaled up, through procurement of equipment[10] based on the results of the ongoing studies, and the implementation of an incentive mechanism being designed to encourage end users and servicing enterprises to recover refrigerants. This mechanism is also intended to mobilise additional funding from financial institutions, private investors and climate funds to ensure long-term sustainability.

35. On the activities related to the local installation and assembly subsector and demonstration projects at end users, UNIDO reported that two experts were hired to provide technical support during project implementation, a market assessment of installers responsible for technology replacement initiatives was conducted, and meetings to promote the projects and identify potential beneficiaries were held with representatives of retail chains, commercial and self-service stores, hotels, restaurants, hospitals, government buildings, installers, and assembly enterprises. A public call will be launched this year through industry chambers, associations and enterprises, inviting proposals from potential beneficiaries.

36. Regarding decision 93/68(d) requesting the Government of Mexico and UNIDO to develop a strategy to address HFC phase-down for sectors implementing demonstration projects under stage I of the KIP, UNIDO indicated that the strategy is not yet finalized. So far, the Government has designed a project form that will be distributed to potential beneficiaries as part of the upcoming public call for project proposals. By collecting detailed technical and economic information, this tool will help identify suitable facilities and evaluate technologies for potential replacement with low-GWP alternatives, forming the basis for developing the comprehensive strategy in line with decision 93/68(d).

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

37. The submission included activities to support the HFC import quota system, covering additional reviews, data refinement, and enhanced traceability through international trade databases. Coordination

[10] The exact list of equipment to strengthen 13 equipment collection centres and three refrigerant reclaiming centres, and potentially to establish new RRR centres in regions not yet covered by the network, will be determined based on study results.

with ANAM was officially requested to ensure data access. Although extra funding had initially been allocated for this activity, it was agreed to proceed using existing resources.

Gender policy implementation

38. Under the first tranche, the Government of Mexico carried out relevant public awareness and communication initiatives. The activities planned in the second tranche include an outreach campaign for high school students to promote women's participation in RAC-related careers; the identification and dissemination of best practices related to gender among the RAC sector enterprises; promotion of women's enrollment and professional development in RAC fields; preparation of a concise report on related activities, including recommendations; organization of meetings and workshops; and support for strengthening performance indicators in line with the Multilateral Fund guidelines. All activities implemented to date have included those considerations and women's participation is systematically integrated into all consultancies to assess their impact on the sector and ensure alignment with project objectives.

Draft Agreement for stage I of the Kigali HFC implementation plan for Mexico

39. In approving stage I of the KIP at the 93rd meeting, the Executive Committtee requested the Government of Mexico, UNIDO, UNDP, UNEP and the Secretariat to finalize the draft Agreement between the Government of Mexico and the Executive Committee for stage I of the KIP, and to submit it to a future meeting once the KIP Agreement template had been approved by the Executive Committee.[11] Following the template approval at the 95th meeting,[12] a draft Agreement between the Government of Mexico and the Executive Committee for stage I of the KIP was prepared, as contained in annex I to the present document.

Sustainability of the HFC phase-out and assessment of risks

40. Potential risks to the sustainability of KIP results in Mexico include attempts by importers to bypass quotas, increased HFC consumption in the manufacturing sectors resulting from nearshoring, limited impact of demonstration projects, and low participation in training and certification programmes. These will be mitigated through continuous customs training, close coordination with manufacturers, awareness campaigns on conversion benefits, and proactive communication and monitoring strategies. The national ozone unit will continue to oversee the progress of KIP implementation, identify emerging risks, assess obstacles, and adjust strategies as needed. The results of stage I will be further sustained through continued implementation of the HFC licensing and quota systems, bans on the import and use of HFCs in the PU foam sector and for small commercial refrigerators, adoption of standards for equipment based on HFCs and low-GWP refrigerants, and long-term capacity-building through strengthened competency standards and support to local training institutes providing technicians with training and certification.

Conclusion

41. Mexico is in compliance with the Montreal Protocol control targets and the maximum allowable consumption level for 2024. The disbursement of funds approved in the previous tranche is at 20.3 per cent, with sufficient progress achieved during tranche implementation, despite delays in the PU foam sector plan and in some activities in the refrigeration servicing and local installation and assembly sectors. In line with decision 93/68(vi), the submission included information on the monitoring of HFC consumption to understand the extent to which consumption reported in the baseline years was representative of the local market's needs and to assess future HFC demand. While decision 93/68(vii) requests that, on the basis of the above information, the maximum allowable consumption limits for the remaining years of stage I of the KIP be revised upon the Committee's consideration of the second tranche, the analysis provided by the

[11] Decision 93/68
[12] Decision 95/90

Government of Mexico concluded that 2025 data was required to determine the country's regular market needs. The Executive Committee may wish to consider the tranche request in light of this information.

RECOMMENDATION

42. The Executive Committee may wish:

(a) To note the progress report on the implementation of the first tranche of stage I of the Kigali HFC implementation plan (KIP) for Mexico;

(b) To consider the information provided by the Government of Mexico in line with decision 93/68(c)(vi) on the monitoring of HFC consumption to understand the extent to which consumption reported in the baseline years was representative of the local market's needs assessment of future demand;

(c) In light of the information referred to in subparagraph (b) above, to consider:

(i) Approving the draft Agreement between the Government of Mexico and the Executive Committee for the reduction in consumption of HFCs in accordance with stage I of the KIP, contained in annex I to the present document;

(ii) Approving the second tranche of stage I of the KIP for Mexico, and the corresponding 2026-2027 tranche implementation plan, in the amount of US $6,507,851, consisting of US $3,789,551, plus agency support costs of US $265,269, for UNIDO, US $2,053,265, plus agency support costs of US $143,729, for UNDP and US $227,795, plus agency support cost of US $28,242, for UNEP, on the understanding that the Treasurer would only transfer the approved funds associated with the UNDP tranche upon confirmation by the Secretariat that UNDP signed the contracts with the two systems houses involved in the project and submitted the first list of eligible downstream users included in the project, along with their HFC consumption; and

(iii) Requesting the Government of Mexico to provide to the 98th meeting additional information on the monitoring of HFC consumption to understand the extent to which consumption reported in the baseline years was representative of the local market's needs assessment of future demand, including HFC consumption in 2025;

(iv) On the basis of the information provided in subparagraph (c)(iii) above, updating at the 98th meeting paragraph 1 and Appendix 2-A of the Agreement referred to in subparagraph (c)(i) above, to include the figures for the maximum allowable consumption limits for the remaining years of stage I of the KIP; and

(d) Requesting the Government of Mexico and UNDP, in line with decision 96/52(d), to provide information on the best available data on exports of HFCs contained in pre-blended polyols for the years 2022–2024 along with the submission of the next tranche request.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF MEXICO AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROFLUOROCARBONS IN ACCORDANCE WITH STAGE I OF THE KIGALI HFC IMPLEMENTATION PLAN

(Period: 2023–2029)

Purpose

1. This Agreement represents the understanding of the Government of Mexico ("the Country") and the Executive Committee with respect to the reduction of controlled use of Annex F substances set out in Appendix 1-A ("The Substances") to a sustained level of [69,284,397] CO_2-equivalent (CO_2-eq) tonnes by 1 January 2029 in compliance with the Montreal Protocol schedule and the terms of this Agreement.

2. The Country agrees to meet the annual consumption limits of Annex F 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 Annex F 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 Annex F substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for Annex F substances specified in Appendix 1-A, and in respect to any consumption of Annex F substances that exceeds the level defined in row 4.1.3 (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 I of the Kigali HFC implementation plan ("the Plan") as approved. In accordance with subparagraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of Annex F substances 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 12 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 accordance with 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 accordance with Appendix 4-A covering each calendar year until and including the year for which the Funding Approval 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 approved funds, according to the evolving circumstances, to achieve the smoothest reduction of consumption and phase-down of Annex F substances specified in Appendix 1-A, in accordance with the following considerations:

(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 12 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 that would modify any clause of this Agreement;

(iii) Changes in the annual levels of funding allocated to the 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 on the climate, and any differences in CO_2-eq tonnes to be phased down if applicable, as well as confirm that the Country agrees that potential savings related to the change of technology would accordingly decrease the overall funding level under this Agreement;

(b) Reallocations not categorized as major changes may be incorporated into the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the subsequent Tranche Implementation Report;

(c) Any enterprise included in the Plan that would be found to be ineligible under the policies of the Multilateral Fund (i.e., due to foreign ownership or establishment after the applicable cut-off date) would not receive financial assistance. This information would be reported as part of the Tranche Implementation Plan; 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.

8. Specific attention will be paid to the execution of activities in the refrigeration servicing sector included in the Plan, in particular that the Country may use the flexibility available under this Agreement to address specific needs that might arise during project implementation.

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 UNDP and UNEP have agreed to be the cooperating implementing agencies (the "Cooperating IAs") 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 monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of the Lead IA and/or Cooperating IAs 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 the independent verification as per subparagraph 5(b). The Cooperating IAs 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 IAs 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 IAs with the fees set out in rows 2.2, 2.4 and 2.6 of Appendix 2-A.

Non-compliance with the Targets in the Agreement

11. Should the Country, for any reason, not meet the Targets for the elimination of Annex F 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 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 CO_2-eq 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 IAs to facilitate implementation of this Agreement. In particular, it will provide the Lead IA and the Cooperating IAs 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), and 1(d) 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 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

Substances	Starting point for aggregate reductions in consumption
HFCs	TBD

APPENDIX 2-A: THE TARGETS, AND FUNDING*

Row	Particulars		2023	2024	2025	2026	2027	2028	2029	Total
1.1	Montreal Protocol reduction schedule of Annex F substances	%	n/a	freeze	freeze	freeze	freeze	freeze	10	n/a
		CO_2-eq tonnes	n/a	76,982,664	76,982,664	76,982,664	76,982,664	76,982,664	69,284,397	n/a
1.2	Maximum allowable total consumption of Annex F substances	%	n/a	[freeze]	[freeze]	[freeze]	[freeze]	[freeze]	[90]	n/a
		CO_2-eq tonnes	n/a	[76,982,664]	[76,982,664]	[76,982,664]	[76,982,664]	[76,982,664]	[69,284,397]	n/a
2.1	Lead IA (UNIDO) agreed funding (US $)		5,085,390	0	3,789,551	0	3,692,764	0	1,593,351	14,161,056
2.2	Support costs for Lead IA (US $)		355,977	0	265,269	0	258,493	0	111,535	991,274
2.3	Cooperating IA (UNDP) agreed funding (US $)		1,433,738	0	2,053,265	0	1,206,050	0	63,541	4,756,594
2.4	Support costs for Cooperating IA (US $)		100,362	0	143,729	0	84,424	0	4,448	332,962
2.5	Cooperating IA (UNEP) agreed funding (US $)		227,795	0	227,795	0	233,091	0	26,476	715,157
2.6	Support costs for Cooperating IA (US $)		28,243	0	28,242	0	28,899	0	3,283	88,667
3.1	Total agreed funding (US $)		6,746,923	0	6,070,611	0	5,131,905	0	1,683,368	19,632,807
3.2	Total support costs (US $)		484,582	0	437,240	0	371,816	0	119,265	1,412,903
3.3	Total agreed costs (US $)		7,231,505	0	6,507,851	0	5,503,721	0	1,802,633	21,045,710
4.1.1	Deduction of HFCs under this Agreement (CO_2-eq tonnes)									7,283,062
4.1.2	Deduction of HFCs from previously approved projects (CO_2-eq tonnes)									*415,204
4.1.3	Remaining eligible consumption for HFCs (CO_2-eq tonnes)									TBD

* Including reductions of 70.96 mt (101,470 CO_2-eq tonnes) of HFC-134a and 5.91 mt (23,187 CO_2-eq tonnes) of R-404A from the conversion of commercial refrigeration manufacturing at two facilities of the enterprise Imbera (US $1,018,123, plus agency support costs of US $71,268, for UNIDO, by decision 81/64); 198 mt (283,140 CO_2-eq tonnes) of HFC-134a from the conversion of a domestic refrigeration manufacturing facility and a compressor manufacturing facility at the enterprise Mabe (US $2,992,400, consisting of US $2,115,012, plus agency support costs of US $148,051, for UNDP and US $584,988, plus agency support costs of US $74,349, for the Government of Canada, by decision 81/65); and 5.18 mt (7,407 CO_2-eq tonnes) of HFC-134a from the conversion of manufacturing of commercial refrigerators at the enterprise Friocima (US $136,500, plus agency support costs of US $12,285, for UNDP, by decision 92/35).

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the second meeting of the year specified in Appendix 2-A.

APPENDIX 4-A: FORMAT OF THE TRANCHE IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Tranche Implementation Report and Plans for each tranche request will consist of four 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-down of Annex F substances, how the different activities contribute to it, and how they relate to each other, including, where applicable, activities related to energy efficiency approved in the context of HFC phase-down pursuant to decision 91/65. The report should include the amount of Annex F substances consumption reduced as a direct result of the implementation of activities, by substance, the alternative technology used and the related phase-in of alternatives, to allow the Secretariat to inform the Executive Committee on the resulting change in climate-relevant emissions. The report should also include quantitative information on the activities implemented and further highlight the 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, use of flexibility for the 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 on the Plan's results and the consumption of Annex F substances, as per subparagraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification of consumption data must be provided with each tranche request, covering all relevant years for which a verification report has not yet been acknowledged by the Committee, as specified in subparagraph 5(a) of the Agreement;

(c) A written description of the activities to be undertaken during the period covered by the requested tranche including quantitative information, 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 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 1(a) above; and

(d) An Executive Summary of about five paragraphs, summarizing the information contained in subparagraphs 1(a) to 1(c) above.

APPENDIX 5–A: MONITORING INSTITUTIONS AND ROLES

1. The project management unit is located within the Ministry of the Environment and Natural Resources (SEMARNAT) – Directorate General of Industry, Clean Energy, and Air Quality Management.

This unit will monitor and evaluate the progress of the Agreement's implementation and be responsible for the following key functions:

(a) Stakeholder coordination: Coordinating effectively with partners in both public and private sectors;

(b) Consultancy oversight: Preparing or reviewing the Terms of Reference for necessary consultancy services and supervising all HFC phase-down activities;

(c) Reporting: Preparing monitoring reports (including Tranche Implementation Reports) in cooperation with the Lead IA and as required by the Executive Committee;

(d) Procurement: Managing the procurement of all goods and services, technical assistance, and the monitoring/supervision of consultants;

(e) Financial Management: Ensuring the effective use of Multilateral Fund resources;

(f) Information Management: Updating and maintaining the project management information system;

(g) Audits: Facilitating performance and financial audits when required;

(h) Capacity Building: Organizing meetings and workshops by the Directorate General of Industry, Clean Energy, and Air Quality Management and other relevant agency staff to ensure full stakeholder cooperation in HFC phase-down efforts;

(i) Technical Assistance: Organizing training and technical assistance for project beneficiaries;

(j) Project Supervision: Supervising and evaluating subprojects with the assistance of technical experts engaged under the technical assistance component; and

(k) Demand-Side Monitoring: Directly overseeing subproject implementation to monitor HFC phase-down progress on the demand side.

2. The government entity responsible for the sustainability of the consumption reduction targets achieved through the Agreement will be the General Directorate of Industry, Clean Energy and Air Quality Management of SEMARNAT.

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 the 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 are reflected in the updates to the overall Plan and in the future Tranche Implementation Plans, consistent with subparagraph 1(c) of Appendix 4-A;

(e) Fulfilling the reporting requirements of the Tranche Implementation Reports and Plans and of the overall Plan as specified in Appendix 4-A for submission to the Executive Committee, including the activities implemented by the Cooperating IAs;

(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 HFC consumption targets had been met;

(g) Ensuring that appropriate independent technical experts carry out the technical reviews;

(h) Carrying out the required supervision missions;

(i) Ensuring the presence of an operating mechanism to allow for an effective and transparent implementation of the Tranche Implementation Plan and accurate data reporting;

(j) Coordinating the activities of the Cooperating IAs and ensuring the 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 IAs, 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 the policy, management and technical support when required;

(n) Reaching consensus with the Cooperating IAs 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 of the consumption of Annex F 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 IAs 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 IAs, and referring to the Lead IA to ensure a coordinated sequence of 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 WITH THE TARGETS IN THE AGREEMENT

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US $5.39 per CO_2-eq tonne 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. Where the country has failed to comply with the Agreement due to illegal trade, the reduction in funding would not be applied if the illegally traded controlled substances are seized and subsequently, confiscated, destroyed, exported, or returned to the country of origin.