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

PROJECT PROPOSAL: TURKMENISTAN

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

Phase-out

• HCFC phase-out management plan (stage III, first tranche)	UNIDO	Individual consideration

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

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Turkmenistan

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

ARTICLE 7 DATA (Annex C, Group I)	Year: 2024	3.54 ODP tonnes

COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)							Year: 2025
Substance	Aerosol	Foam	Firefighting	Refrigeration		Solvent	Total sector consumption
				Manufacturing	Servicing		
HCFC-22					1.41		1.41

CONSUMPTION DATA (ODP tonnes)			
2009–2010 baseline:	6.8	Starting point for sustained aggregate reductions:	6.8
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	4.59	Remaining:	2.21

ENDORSED BUSINESS PLAN		2026	2027	2028	Total
UNIDO	ODS phase-out (ODP tonnes)	0.74	0.0	0.74	1.47
	Funding (US $)	165,315	0	165,315	330,630

PROJECT DATA AS AGREED			2026	2027	2028	2029	2030	Total
Consumption (ODP tonnes)	Montreal Protocol limits		2.21	2.21	2.21	2.21	0.00	n/a
	Maximum allowable		2.21	2.21	2.21	2.21	0.00	n/a
Project costs requested in principle (US $)	UNIDO	Project costs	143,650	0	134,450	0	30,900	309,000
		Support costs	10,056	0	9,411	0	2,163	21,630
Total amounts recommended in principle (US $)		Project costs	143,650	0	134,450	0	30,900	309,000
		Support costs	10,056	0	9,411	0	2,163	21,630
		Total funds	153,706	0	143,861	0	33,063	330,630

Request for funding for the first tranche (2026)		
Implementing agency	**Funds recommended (US $)**	**Support costs (US $)**
UNIDO	143,650	10,056
Total	143,650	10,056

Secretariat's recommendation:	Individual consideration

PROJECT DESCRIPTION

Background

1. On behalf of the Government of Turkmenistan, UNIDO as the designated implementing agency has submitted a request for stage III of the HCFC phase-out management plan (HPMP), in the amount of US $308,750, plus agency support costs of US $21,613, as originally submitted.[2] The implementation of stage III of the HPMP will phase out the remaining consumption of HCFCs by 2030.

2. The first tranche of stage III of the HPMP that has been requested at this meeting amounts to US $149,650, plus agency support costs of US $10,475, for UNIDO, as originally submitted.

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

3. Stage II of the HPMP for Turkmenistan was approved at the 86th meeting[3] to phase out 2.21 ODP tonnes of HCFCs used in the refrigeration and air-conditioning (RAC) servicing sector and to meet the 67.5 per cent reduction from the baseline by 2025, at a total cost of US $308,500, plus agency support costs. Stage II of the HPMP will be completed by December 2026, as stipulated in the Agreement between the Government of Turkmenistan and the Executive Committee.

Report on HCFC consumption

4. The Government of Turkmenistan reported under the country programme (CP) implementation report a consumption of 1.41 ODP tonnes of HCFCs in 2025, which is 79.2 per cent below the HCFC baseline for compliance. The Article 7 data for 2025 has not been reported yet. The 2021–2025 HCFC consumption is shown in table 1.

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

HCFC-22	2021	2022	2023	2024	2025*	Baseline
Metric tonnes (mt)	79.36	73.30	77.38	64.45	25.68	124.14
ODP tonnes	4.36	4.03	4.26	3.54	1.41	6.80

* CP data

5. Turkmenistan's HCFC consumption has fluctuated since 2013 without ever exceeding the Montreal Protocol control levels (4.42 ODP tonnes for 2021–2024 and 2.21 ODP tonnes for 2025). The spike observed in 2021 compared to 2020 (3.77 ODP tonnes) was related to resumption of imports when the borders reopened after the COVID-19 pandemic, and the drop in 2024 and 2025 resulted from stricter quota enforcement and progressive market penetration and continued use of HFC-based alternatives such as R-410A and HFC-32. The overall decreasing trend in HCFC consumption is largely due to the implementation of HPMP activities.

Country programme implementation report

6. The HCFC sectoral consumption data reported by the Government of Turkmenistan under the 2024 CP implementation report is consistent with those reported under Article 7 of the Montreal Protocol for the same year.

Status of progress and disbursement

7. The implementation of stage II of the HPMP has been progressing as planned.

[2] As per the letter of 16 January 2026 from the Ministry of Environmental Protection of Turkmenistan to UNIDO.

[3] Decision 86/82

Legal framework

8. The ban on the import of HCFC-based equipment has been in place since 2016, along with related measures like the prohibition on the use of HCFC-based equipment and mandatory record-keeping and reporting by all registered importers and distributors. Additional regulatory measures have been proposed to prohibit the deliberate venting of ozone-depleting substances (ODSs), mandatory leakage control for industrial refrigeration and chillers, and compulsory ODS collection, reclamation, and disposal. Draft provisions for the introduction of the mandatory licensing and certification of servicing technicians are included in the new version of the national Law on the Protection of the Ozone Layer and relevant by-laws, currently undergoing interdepartmental approval. Turkmenistan has officially adopted the EN-378 Standard (1-4) on the safety and environmental requirements for refrigeration systems and heat pumps.

9. A total of 25 customs officers, including three women, received training on preventing illegal trade in ODSs and use of refrigerant identifiers, and five identifiers were procured for training purposes. Forty environmental inspectors, including 20 women, and 20 enforcement officers from the Ministry of Environmental Protection of Turkmenistan (MEPT) received updated training on Montreal Protocol measures, alternative technologies, licensing and quota systems and ODS identification. Following a detailed analysis of ODS codes by departments within customs, the 2022 Harmonized System was adopted with an additional 3-digit national code.

Refrigeration servicing sector

10. The main activities implemented included:

(a) *Strengthened capacity of the servicing sector and establishment of a certification scheme:* In collaboration with the MEPT, one academic centre of excellence developed curricula and teaching materials and held six training courses covering *inter alia* the issues of refrigerant flammability and minimizing emissions. Twenty trainers, including two women, received training on the requirements of the new certification scheme under international standards, covering HCFCs, HFCs and flammable refrigerants; 10 trainers were certified and received training kits. Training on the safe use of refrigerants with low or zero global-warming potential (GWP), ODS recovery and destruction and energy efficiency was provided to 38 technicians (including four women), and 22 additional technicians (four women) participated in an awareness-building seminar on energy efficiency. Furthermore, 50 government and private sector stakeholders (12 women) participated in training sessions on updated legislation concerning ozone-layer protection and climate change, alternative refrigerants and low-GWP technologies;

(b) *Upgrading the centre of excellence in low- and zero-GWP alternative technologies:* Eight training simulators were procured and distributed to the centre of excellence, and training on their proper use was successfully delivered; and

(c) *Establishment of an ODS reclamation system:* Regulatory measures were identified and proposed, including the prohibition on the deliberate venting of ODSs, mandatory leakage control for industrial refrigeration and chillers and compulsory ODS collection, reclamation, and disposal; and technical documentation was developed for the establishment of an ODS and HFC collection and reclamation system. A beneficiary was selected for the establishment of an ODS and HFC recovery, recycling, and reclamation centre, and a business plan was prepared. Equipment for the collection and reclamation of ODSs and fluorinated gases, including one reclamation unit, refillable cylinders, filters, and related accessories, was delivered in March 2026.

Level of fund disbursement

11. As of April 2026, out of the US $308,500 approved for stage II, US $298,500 (97 per cent) had been disbursed. The balance of US $10,000 will be disbursed by December 2026.

Stage III of the HCFC phase-out management plan

Remaining consumption eligible for funding

12. After deducting 4.59 ODP tonnes of HCFCs associated with stages I and II of the HPMP, the remaining consumption eligible for funding in stage III amounts to 2.21 ODP tonnes of HCFC-22.

Sector distribution of HCFCs

13. There are approximately 2,000 technicians and 30 registered workshops operating in the servicing sector, in addition to the estimated 650 informal servicing workshops across the country, consuming HCFC-22 to service commercial refrigeration applications, cold stores and industrial refrigeration systems, transport refrigeration systems, room air-conditioning (AC) units (split and window), chillers, and mobile air-conditioning (MAC) systems, as shown in table 2. HCFC-22 represents 27.8 per cent of refrigerants used in the servicing sector, along with R-410A, R-404A, R-407C, HFC-32, HFC-134a, and R-600a.

Table 2. Estimation of demand for HCFC-22 in the RAC servicing sector in Turkmenistan in 2024

Sector/Application	(a) Equipment inventory	(b) Average annual recharge (kg)	(a*b) /1,000 Annual need for servicing (mt)
Residential split AC units	300,000	0.10	30.00
Window AC units	20,000	0.05	1.00
Commercial AC (rooftop and multi-split units)	n/a	n/a	n/a
Chillers	150	43.00	6.45
MAC (buses, etc.)	400	1.25	0.50
Commercial refrigeration (medium condensing units)	6,000	1.50	9.00
Industrial refrigeration (medium to large condensing units, centralized systems)	500	27.00	13.50
Transport refrigeration (trucks, containers)	400	10.00	4.00
Total			**64.45**

Phase-out strategy

14. Stage III of the HPMP will focus on strengthening the oversight of HCFC management via environmental and customs controls, promoting technologies with zero or low GWP, continued training and certification of RAC specialists, and the development of an ODS and HFC recovery, recycling, reclamation and destruction system. Stage III activities will be implemented in an integrated manner with stage I of the Kigali HFC implementation plan (KIP) approved at the 93rd meeting.

Proposed activities

15. Activities proposed for implementation in the servicing sector under stage III and in the first tranche and their cost breakdown for UNIDO are presented in table 3.

Table 3. Servicing sector activities and their cost for UNIDO under stage III of the HPMP for Turkmenistan, as submitted

Activity	Cost (US $)	
	Stage III	**First tranche**
Component 1: Strengthening the environmental and customs controls		
1.1 Procurement of a laboratory-grade gas chromatograph system for the Ecology Control Service and provision of training on its use to strengthen the environmental and customs controls by enabling refrigerant analysis whose results can serve as evidence in court cases concerning compliance with environmental legislation	60,000	60,000
Subtotal 1	***60,000***	***60,000***
Component 2: Promoting technologies with zero or low GWP		
2.1 Development of a multilingual knowledge hub embedded in the MEPT website, containing all relevant legislative measures, licensing and quota procedures, training materials and reporting tools for HCFC phase-out and HFC phase-down	25,000	15,400
2.2 Technology demonstration project at several cold-storage facilities to facilitate and study transition from HCFC-22 to ammonia, carbon dioxide or hydrocarbon systems in high ambient-temperature conditions, including procurement of a refrigeration system package[4] (US $70,000), equipment commissioning, installation and performance monitoring (US $8,000), development of technical guidelines and training materials (US $5,000), training on the installation, servicing and maintenance of new equipment provided to 15-20 technicians, and two workshops held to promote the project's results (US $7,000)	90,000	0
2.3 Targeted technical support to refrigeration enterprises transitioning to zero- and low-GWP technologies with their own means: organization of study tours for enterprise owners or chief engineers to similar facilities in other countries, consultations with experts from those countries and facilities, and design of individual technology transition plans	27,500	27,500
Subtotal 2	***142,500***	***42,900***
Component 3: Training and certification		
3.1 Development of a certification and qualification recognition system for RAC technicians, including theoretical and practical examinations	45,000	17,500
3.2 Capacity building for RAC specialists, including updates to training material, printing of new manuals, infrastructure upgrade of the university training centre, expansion and strengthening of the certification scheme for specialists and enterprises, and organization of training workshops with local and international experts across the country	22,000	0
Subtotal 3	***67,000***	***17,500***
Component 4: Nationwide scheme for the safe collection, storage and recovery of ODSs and HFCs		
4.1 Upgrading and operationalization of the HCFC recovery and reclamation centre with additional equipment	24,250	24,250
Subtotal 4	***24,250***	***24,250***
Component 5: Project monitoring and evaluation	***15,000***	***5,000***
Total	**308,750**	**149,650**

Project implementation and monitoring

16. The system established under stages I and II of the HPMP will continue into stage III, with the national ozone unit (NOU) and UNIDO monitoring activities, reporting on progress, and working with stakeholders to phase out HCFCs. The cost of those activities amounts to US $15,000 for UNIDO, including

[4] Including two low-charge refrigeration units, pumping station, and a safety and monitoring system.

project staff and consultants (US $6,000), domestic travel (US $3,000), meetings and workshops (US $3,000), and other miscellaneous costs (US $3,000).

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

17. The total cost of stage III of the HPMP for Turkmenistan has been requested at US $308,750 (plus agency support costs), as originally submitted, for achieving a 97.5 per cent reduction by 2030. The proposed activities and cost breakdown are summarized in table 3 above.

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

18. The first funding tranche of stage III of the HPMP in the total amount of US $149,560 will be implemented between July 2026 and June 2028. Detailed information on the activities included in the first tranche, indicating adjustments made and the level of funds agreed, is presented in paragraph 28 below.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

19. The Secretariat reviewed stage III of the HPMP in light of stages I and II, the policies and guidelines of the Multilateral Fund, including the criteria for funding HCFC phase-out in the consumption sector for stage II of HPMPs (decisions 74/50 and 90/31), and the 2026–2028 business plan of the Multilateral Fund.

Overarching strategy

20. The Government of Turkmenistan proposes to meet the 100 per cent reduction of its HCFC baseline consumption by 2030, and to maintain a maximum annual consumption of HCFCs in the period of 2030 to 2040 at a level consistent with Article 5, paragraph 8 ter(e)(i) of the Montreal Protocol.[5] The quantities imported during 2030–2040 will be limited to the servicing tail permitted under the Montreal Protocol through the established licensing and quota system, exclusively for servicing the existing RAC equipment in critical applications where immediate replacement is not yet technically or economically feasible, and limited servicing needs for older transport refrigeration and MAC systems. Turkmenistan is committed to enforcing strict import licensing and quota controls, customs monitoring of HCFC imports, technician certification and training programmes, promotion of refrigerant recovery, recycling and reuse practices, and continued awareness-building activities to encourage transition to low-GWP alternatives. These measures will ensure that HCFC consumption continues to decline steadily, consistent with the country's obligations under the Montreal Protocol.

21. In line with decision 86/51, to allow for consideration of the final tranche of its HPMP, the Government of Turkmenistan agreed to submit a detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption was in compliance with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the period 2030–2040, and the expected annual HCFC consumption in Turkmenistan for the period 2030–2040.

Legal and regulatory framework

22. The Government of Turkmenistan has issued HCFC import quotas for 2026 and 2027 in accordance with the Montreal Protocol control targets. Activities implemented under the HPMP and the KIP between 2026 and 2030 are expected to minimize the growth of high-GWP HFCs as replacements for HCFCs.

[5] 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.

Technical and cost-related issues

23. The proposal includes a technology demonstration project focused on the installation, testing and performance verification of equipment based on low-charge ammonia (NH_3) at one cold-storage facility under local conditions. The number of cold-storage facilities in Turkmenistan is estimated at approximately 500, mostly consisting of small and medium-sized facilities, with HCFC-22 consumption amounting to 12.5 mt. Funding is requested for select system components rather than full system replacement. The indicative equipment includes components for low-charge NH_3, compressors and heat exchange elements, as well as safety, control and monitoring equipment. The primary objective is to generate practical technical evidence, operational data and safety guidance to support replication of results and transition to low-GWP alternatives across the sector, as well as to integrate the lessons learned into the national training, certification and safety standards. The beneficiary enterprise will provide co-financing, retain full operational responsibility, and will not receive financial incentives for conversion, its role limited to hosting the demonstration and enabling knowledge dissemination. The proposal has met eligibility criteria under decision 92/36(b), (c) and (e) since it is designed for a limited number of end users, has been submitted under the HPMP, and contributes to the sustainability and scalability of the adoption of low-GWP alternatives by end users.

24. Upon the Secretariat's query regarding the possibility of submitting the demonstration project under decision 89/6, UNIDO clarified that the country preferred to submit it as part of the HPMP. On the type of systems to be replaced, UNIDO explained that a low-charge NH_3 system (i.e., vapour-compression refrigeration unit fitted with a positive displacement compressor) would be installed at a cold-storage facility with a refrigerated chamber volume of 300-400 cubic meters to replace an HCFC-22 system. UNIDO calculated, on an indicative basis, the potential energy savings, where the estimated energy demand for a new low-charge NH_3 system was 64-94 MWh/year, compared to 75–110 MWh/year for an existing HCFC-22 system. Expected electricity savings are estimated at 1-1.3 MWh/month; however, these values may vary depending on the characteristics of the facility and final installation setup, as well as the supplied equipment. A national expert will be engaged to assess baseline energy consumption and identify any additional measurements required for the project.

25. In line with decision 92/36(g), UNIDO, upon completion of the end-user demonstration project included in stage III of the HPMP, will submit a final report on the implementation, including the HCFC phase-out and energy-efficiency gains achieved.

26. In response to the Secretariat's question about a potential overlap between the upgrades to the HCFC recovery and reclamation centre and similar activities comprised in stage II of the HPMP and stage I of the KIP for Turkmenistan, UNIDO clarified that the activities were complementary and formed a coherent system, without duplication of scope or funding. The activities planned under stage III of the HPMP will support the operationalization of equipment procured under stage II, but additional equipment is required to ensure full functionality, including the handling, storage, and processing of recovered refrigerants. Conversely, the focus of the KIP will be on strengthening the broader refrigerant management framework, including the engagement of servicing technicians and development of good practices.

Total project cost

27. The total cost of stage III of the HPMP amounts to US $309,000, with US $250 added to the capacity-building of RAC and heat pump (RACHP) specialists, based on decision 74/50(c)(xii) on the eligible funding level for low-volume-consuming countries, with a corresponding adjustment to support costs. The funding for the first tranche was revised from US $149,650 to US $143,650 by moving US $6,000 requested for the upgrading and operationalization of an HCFC recovery and reclamation centre to the third tranche. Funding for building the capacity of RACHP specialists was adjusted to US $12,350 in the second tranche and US $9,900 in the third tranche, in order for the third and final tranche to equal

10 per cent of total funding for stage III. The Secretariat clarified that final stages of HPMPs should be for achieving a total rather than a 97.5 per cent per cent reduction by 2030, and UNIDO agreed.

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

28. The agreed plan of action will include the following activities to be implemented by UNIDO:

(a) *Strengthening of the environmental and customs controls*: Procurement of a gas chromatograph for refrigerant analysis, including base unit, flame ionization detector and accessories (US $55,000); and training of 10-12 specialists in using the gas chromatograph and procedural framework development (US $5,000) (total of US $60,000);

(b) *Training and certification*: Strengthening of the national technician certification system through development of theoretical and practical examinations based on the approved training materials (US $17,500);

(c) *Promoting technologies with zero or low GWP*: Development of an online knowledge platform in Turkmen, Russian, and English as part of the MEPT website to support both HPMP and KIP activities, including information technology support, technical assignment preparation and concept design, user needs analysis and functional structure development, content development, regulatory document adaptation, and translation costs (US $15,400); and targeted support for enterprises ready to adopt zero- or low-GWP technologies, including organization of a study tour for five or six enterprise owners or chief engineers to countries with practical experience in the application of zero- or low-GWP technologies, national consultations, and preparation of enterprise-specific transition plans (US $27,500) (total of US $42,900);

(d) *Nationwide scheme for the safe collection, storage and recovery of ODSs and HFCs*: Upgrading and operationalization of the HCFC recovery and reclamation centre through provision of equipment and accessories[6] to ensure effective operation (US $18,250); and

(e) *Project monitoring*: Fees for two locally recruited consultants (US $2,000), meetings (US $1,000), travel (US $1,000) and other costs (US $1,000) (total of US $5,000).

Co-financing

29. Co-financing will be provided by stakeholders in the form of in-kind contributions, including facilities, staff time, and operational support. The Ecology Control Service will provide laboratory space, infrastructure, personnel, and long-term maintenance. Beneficiary cold-storage enterprises will prepare sites, manage installation and operational disruptions, retrain staff, and support safe waste management. The university training centre will offer institutional backing, updated curricula, training equipment maintenance, and support for the outreach and skill-development activities. The refrigerant-management scheme beneficiaries will prepare collection sites, cover operational costs, maintain records, train personnel, and support awareness-building activities.

2026–2028 draft business plan of the Multilateral Fund

30. UNIDO is requesting US $309,000, plus agency support costs, for the implementation of stage III of the HPMP for Turkmenistan. The total requested value of US $297,567, including agency support costs for the period of 2026–2028, is US $33,063 below the amount in the business plan.

[6] Including inter alia portable and high-capacity refrigerant recovery units, cylinders, digital scales, manifolds, vacuum pumps, leak detectors, and basic safety equipment.

Gender policy implementation

31. In line with decisions 84/92(d), 90/48(c) and 92/40(b), UNIDO intends to apply the operational gender policy of the Multilateral Fund throughout the implementation of stage III, inter alia by actively promoting the participation of women in technical and engineering fields. A female instructor at the Yagshygeldi Kakayev International University of Oil and Gas is engaged in training and educational activities. Supporting women's involvement in the RAC sector and ensuring equal access to technical professions will be prioritized. The participants' gender ratio for training workshops and awareness-building programme will be monitored and analysed. Women's participation in training sessions, consultation meetings and decision-making will be facilitated where applicable, *inter alia* through increasing the awareness of the opportunities for women to participate in the RAC industry, particularly for ODS phase-out projects. The position of women at potential beneficiary enterprises will be considered when selecting candidates for technical assistance.

Sustainability of the HCFC phase-out and assessment of risks

32. The sustainability of HCFC reductions achieved so far and proposed under stage III of the HPMP will be ensured through a comprehensive regulatory, enforcement, and monitoring framework that will remain in place after the completion of project activities. The national licensing and quota system, managed by the MEPT and implemented through the Turkmenhimiya State Concern, will continue to control HCFC imports and maintain consumption levels well below the Montreal Protocol limits. The State Customs Service will enforce those measures at border entry points, verifying import licenses and quota allocations, cross-checking shipments and preventing illegal trade. Regular monitoring of HCFC-consuming sectors will be carried out through the collection and analysis of data from importers, distributors, and servicing enterprises. The 2016 ban on the import of HCFC-based equipment will continue being enforced alongside mandatory record-keeping and reporting by all registered importers and distributors. Training and capacity-building programmes for customs officers and inspectors of the Customs training centre and for RAC technicians through the Certification and Training Centre of the Yagshygeldi Kakayev International University of Oil and Gas will continue, ensuring long-term availability of qualified personnel and proper application of good servicing practices. These combined actions, including the ongoing enforcement, systematic data reporting, institutional coordination, and continuous training, will guarantee the sustainability of achieved reductions and prevent any rebound in HCFC consumption. They will also provide a solid foundation for Turkmenistan's full compliance with the Montreal Protocol's control measures and the progressive phase-down of HFCs under the Kigali Amendment.

Impact on the climate

33. The activities proposed in the servicing sector, including better refrigerant containment through training and provision of equipment, will reduce the use of HCFC-22 in servicing. Each kilogram of HCFC-22 not emitted due to better refrigeration practices results in the savings of approximately 1.8 CO_2-equivalent tonnes. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Turkmenistan, including its efforts to promote low-GWP alternatives, as well as the establishment of an ODS collection programme and of the refrigerant recovery and recycling centre, indicate that the implementation of the HPMP will reduce refrigerant emissions in the atmosphere, resulting in climate benefits.

Draft Agreement

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

<u>Coordination of activities in the servicing sector under HCFC phase-out and HFC phase-down plans</u>

35. UNIDO confirmed that activities under the HPMP would be systematically integrated with those of the KIP to ensure complementary implementation and to minimize duplication. The two plans were designed to complement and support each other in a harmonized implementation approach, including joint planning and implementation of awareness-building activities, policy development, customs training, servicing sector capacity-building, and project management and coordination. Equipment procurement for training centres and other activities will ensure the adoption of low- or lower-GWP alternative technologies in line with both the HPMP and the KIP.

RECOMMENDATION

36. The Executive Committee may wish to consider:

(a) Approving, in principle, stage III of the HCFC phase-out management plan (HPMP) for Turkmenistan for the period from 2026 to 2030 for the complete phase-out of HCFC consumption, in the amount of US $309,000, plus agency support costs of US $21,630, for UNIDO, on the understanding that no more funding from the Multilateral Fund will be provided for the phase-out of HCFCs;

(b) Noting the commitment of the Government of Turkmenistan to completely phase out HCFCs by 1 January 2030, and that HCFCs will not be imported after that date, except for those allowed for a servicing tail between 2030 and 2040, where required, consistent with the provisions of the Montreal Protocol;

(c) Noting that, upon completion of the end-user demonstration project included in stage III of the HPMP, UNIDO will submit a final report on the implementation in line with decision 92/36(g), including the HCFC phase-out and energy-efficiency gains achieved;

(d) Deducting 2.21 ODP tonnes of HCFCs from the remaining HCFC consumption eligible for funding;

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

(f) That, to allow for consideration of the final tranche of its HPMP, the Government of Turkmenistan should submit:

(i) A detailed description of the regulatory and policy framework in place to implement measures to ensure that HCFC consumption was in compliance with paragraph 8 ter(e)(i) of Article 5 of the Montreal Protocol for the period 2030–2040;

(ii) The expected annual HCFC consumption in Turkmenistan for the period 2030–2040; and

(g) Approving the first tranche of stage III of the HPMP for Turkmenistan, and the corresponding tranche implementation plan, in the amount of US $143,650, plus agency support costs of US $10,056, for UNIDO.

Annex I

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

Purpose

1. This Agreement represents the understanding of the Government of Turkmenistan (the "Country") and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODSs) set out in Appendix 1-A ("The Substances") to a sustained level of 0 ODP tonnes by 1 January 2030 in compliance with Montreal Protocol schedule.

2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A ("The Targets, and Funding") in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in 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 III of the HCFC phase-out management plan approved ("the Plan"). In accordance with subparagraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.

Conditions for funding release

5. The Executive Committee will only provide the Funding in accordance with the Funding Approval Schedule when the Country satisfies the following conditions at least eight weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:

(a) That the Country has met the Targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years since the year in which this Agreement was approved. Years for which there are no due country programme implementation reports at the date of the Executive Committee meeting at which the funding request is being presented are exempted;

(b) That the meeting of these Targets has been independently verified for all relevant years, unless the Executive Committee decided that such verification would not be required;

(c) That the Country had submitted a Tranche Implementation Report in the form of Appendix 4-A ("Format of Tranche Implementation Reports and Plans") covering each previous calendar year; that it had achieved a significant level of implementation of activities initiated with previously approved tranches; and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and

(d) That the Country has submitted a Tranche Implementation Plan in the form of Appendix 4-A covering each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen.

Monitoring

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A ("Monitoring Institutions and Roles") will monitor and report on implementation of the activities in the previous Tranche Implementation Plans in accordance with their roles and responsibilities set out in the same Appendix.

Flexibility in the reallocation of funds

7. The Executive Committee agrees that the Country may have the flexibility to reallocate part or all of the approved funds, according to the evolving circumstances to achieve the smoothest reduction of consumption and phase-out of the Substances specified in Appendix 1-A:

(a) Reallocations categorized as major changes must be documented in advance either in a Tranche Implementation Plan as foreseen in subparagraph 5(d) above, or as a revision to an existing Tranche Implementation Plan to be submitted eight weeks prior to any meeting of the Executive Committee, for its approval. Major changes would relate to:

(i) Issues potentially concerning the rules and policies of the Multilateral Fund;

(ii) Changes which would modify any clause of this Agreement;

(iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches;

(iv) Provision of funding for activities not included in the current endorsed Tranche Implementation Plan, or removal of an activity in the Tranche Implementation Plan, with a cost greater than 30 per cent of the total cost of the last approved tranche;

(v) Changes in alternative technologies, on the understanding that any submission for such a request would identify the associated incremental costs, the potential impact to the climate, and any differences in ODP tonnes to be phased out if applicable, as well as confirm that the Country agrees that potential savings related to the change of technology would decrease the overall funding level under this Agreement accordingly;

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

(c) Any remaining funds held by the bilateral or implementing agencies or the Country under the Plan will be returned to the Multilateral Fund upon completion of the last tranche foreseen under this Agreement.

Considerations for the refrigeration servicing sector

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

(a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and

(b) The Country and relevant bilateral and/or implementing agencies would take into consideration relevant decisions on the refrigeration servicing sector during the implementation of the Plan.

Bilateral and implementing agencies

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. UNIDO has agreed to be the lead implementing agency (the "Lead IA") in respect of the Country's activities under this Agreement. The Country agrees to evaluations, which might be carried out under the evaluation work programme of the Multilateral Fund or of the Lead IA taking part in this Agreement.

10. The Lead IA will be responsible for ensuring coordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per subparagraph 5(b). The 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 subparagraph 5(d) and paragraph 7, the completion of the Plan will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per subparagraphs 1(a), 1(b), 1(d), and 1(e) of Appendix 4-A will continue until the time of the completion of the Plan unless otherwise specified by the Executive Committee.

Validity

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

16. This Agreement may be modified or terminated only by mutual written agreement between the Government of the Country and the Executive Committee of the Multilateral Fund.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	6.8

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Particulars	2026	2027	2028	2029	2030	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	2.21	2.21	2.21	2.21	0.00	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	2.21	2.21	2.21	2.21	0.00	n/a
2.1	Lead IA (UNIDO) agreed funding (US $)	143,650	0	134,450	0	30,900	309,000
2.2	Support costs for Lead IA (US $)	10,056	0	9,411	0	2,163	21,630
3.1	Total agreed funding (US $)	143,650	0	134,450	0	30,900	309,000
3.2	Total support costs (US $)	10,056	0	9,411	0	2,163	21,630
3.3	Total agreed costs (US $)	153,706	0	143,861	0	33,063	330,630
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)						2.21
4.1.2	Phase-out of HCFC-22 to be achieved in the previous stages (ODP tonnes)						4.59
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)						0

* Date of completion of stage II as per stage II Agreement: 31 December 2026

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

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

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

1. The submission of the Tranche Implementation Report and Plans for each tranche request will consist of five parts:

(a) A narrative report, with data provided by tranche, describing the progress achieved since the previous report, reflecting the situation of the Country in regard to phase out of the Substances, how the different activities contribute to it, and how they relate to each other. The report should include the amount of ODS phased out as a direct result from the implementation of activities, by substance, and the alternative technology used and the related phase-in of alternatives, to allow the Secretariat to provide to the Executive Committee information about the resulting change in climate relevant emissions. The report should further highlight successes, experiences, and challenges related to the different activities included in the Plan, reflecting any changes in the circumstances in the Country, and providing other relevant information. The report should also include information on and justification for any changes vis-à-vis the previously submitted Tranche Implementation Plan(s), such as delays, uses of the flexibility for reallocation of funds during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes;

(b) An independent verification report of the Plan results and the consumption of the Substances, as per subparagraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in subparagraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;

(c) A written description of the activities to be undertaken during the period covered by the requested tranche, highlighting implementation milestones, the time of completion and the interdependence of the activities, and taking into account experiences made and progress achieved in the implementation of earlier tranches; the data in the plan will be provided by calendar year. The description should also include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall Plan that are foreseen. The description should also specify and explain in detail such changes to the overall plan. This description of future activities can be submitted as a part of the same document as the narrative report under subparagraph (a) above;

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

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

2. In the event that in a particular year two stages of the Plan are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:

(a) The Tranche Implementation Reports and Plans referred to as part of this Agreement, will exclusively refer to activities and funds covered by this Agreement; and

(b) If the stages under implementation have different HCFC consumption targets under Appendix 2-A of each Agreement in a particular year, the lower HCFC consumption target will be used as reference for compliance with these Agreements and will be the basis for the independent verification.

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The national ozone unit (NOU), under the Ministry of Environmental Protection of Turkmenistan (MEPT), is responsible for coordinating the Country’s action plan with respect to ozone layer protection

and facilitation of ODS phase-out. The NOU is in charge of coordinating all monitoring activities and implementing the country programmes under the Montreal Protocol. Implementation of the planned project activities will thus be allocated to the NOU in cooperation with the Lead IA. The NOU as a management body has responsibility towards the MEPT as a decision-making body.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities, including at least the following:

(a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's Plan;

(b) Assisting the Country in preparation of the Tranche Implementation Reports and Plans as per Appendix 4-A;

(c) Providing independent verification to the Executive Committee that the Targets have been met and associated tranche activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;

(d) Ensuring that the experiences and progress is reflected in updates of the overall plan and in future Tranche Implementation Plans consistent with subparagraphs 1(c) and 1(d) of Appendix 4-A;

(e) Fulfilling the reporting requirements for the Tranche Implementation Reports and Plans and the overall plan as specified in Appendix 4-A for submission to the Executive Committee;

(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 Plan's results and the

consumption of the Substances mentioned in Appendix 1-A, as per subparagraph 5(b) of the Agreement and subparagraph 1(b) of Appendix 4-A.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US $180 per ODP kg of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met, on the understanding that the maximum funding reduction would not exceed the funding level of the tranche being requested. Additional measures might be considered in cases where non-compliance extends for two consecutive years.

2. In the event that the penalty needs to be applied for a year in which there are two Agreements in force (two stages of the Plan being implemented in parallel) with different penalty levels, the application of the penalty will be determined on a case-by-case basis taking into consideration the specific sectors that lead to the non-compliance. If it is not possible to determine a sector, or both stages are addressing the same sector, the penalty level to be applied would be the largest.