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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-sixth Meeting
Montreal, 20-22 March 2002

PROJECT PROPOSALS: VENEZUELA

This document consists of the comments and recommendations of the Fund Secretariat on the following project and strategy:

Foam

- Phasing out CFC-11 by conversion to water system as a blowing agent in the manufacture of flexible polyurethane foams at Manufacturas Enveta, C.A. Cumana UNIDO
- Strategy plan of CFC-11 phase-out from the foam sector UNIDO

PROJECT EVALUATION SHEET VENEZUELA

SECTOR: Foam ODS use in sector (2000): 505 ODP tonnes

Sub-sector cost-effectiveness thresholds: Integral Skin US \$16.86/kg

Project Title:

- (a) Phasing out CFC-11 by conversion to water system as a blowing agent in the manufacture of flexible polyurethane foams at Manufacturas Enveta, C.A. Cumana

Project Data	Integral skin
	Enveta
Enterprise consumption (ODP tonnes)	32.00
Project impact (ODP tonnes)	32.00
Project duration (months)	24
Initial amount requested (US \$)	198,882
Final project cost (US \$):	
Incremental capital cost (a)	94,500
Contingency cost (b)	7,050
Incremental operating cost (c)	97,332
Total project cost (a+b+c)	198,882
Local ownership (%)	100%
Export component (%)	0%
Amount requested (US \$)	198,882
Cost effectiveness (US \$/kg.)	6.22
Counterpart funding confirmed?	Yes
National coordinating agency	FONDOIN
Implementing agency	UNIDO

<i>Secretariat's Recommendations</i>	
Amount recommended (US \$)	
Project impact (ODP tonnes)	
Cost effectiveness (US \$/kg)	
Implementing agency support cost (US \$)	
Total cost to Multilateral Fund (US \$)	

PROJECT DESCRIPTION

Sector Background

Latest available total ODS consumption (2000)	3,230.54 ODP tonnes
Baseline consumption of Annex A Group I substances (CFCs)	3,321.60 ODP tonnes
Consumption of Annex A Group I substances in the year 2000	1,501.03 ODP tonnes
Baseline consumption of CFCs in foam sector	637.00 ODP tonnes
Funds approved for investment projects in foam sector as of end of 2000	US \$3,460,533.00

Latest data as reported by the Government of Venezuela in the Foam Strategy Plan

Consumption of CFC in foam sector in 2000	505.00 ODP tonnes
Quantity of CFCs in approved investment projects not yet implemented as of end of 2000	132.20 ODP tonnes
Remaining CFC consumption in foam sector as of end of 2000	372.80 ODP tonnes
Consumption of CFC by enterprises established after July 1995	146.30 ODP tonnes
Remaining consumption eligible for funding under the Multilateral Fund	226.50 ODP tonnes

1. At its 34th Meeting, while approving a foam project for Venezuela, the Executive Committee requested the Government of Venezuela to submit a status report of the foam sector indicating the current consumption of ODS, progress of the phase out of ODS and a plan to complete the phase out of the remaining consumption in the sector as a prerequisite for further funding of projects in the sector. The decision arose from discrepancies in the sector CFC consumption data that were identified during project review.

2. In line with the Executive Committee decision, Venezuela has prepared a “Strategy Plan of CFC-11 Phase-out from the Foam Sector in Venezuela” which is submitted together with this project for consideration of the Committee. A summary of the key ODS consumption data in the strategy plan is provided above. According to the strategy plan the remaining eligible consumption of CFC in the foam sector in 2000 was 226.5 tonnes.

Integral skin

Phasing out of CFC11 by conversion to water system as blowing agent in the manufacture of flexible polyurethane foams at Manufacturas Enveta

3. This project will phase out the use of CFC-11 in the production of molded polyurethane flexible foams at Manufacturas Enveta, C.A. in Cumana (Venezuela). The chosen replacement is a 100% water-blown system. The conversion to this 100% water-blown system includes, the retrofitting of two existing HP machines, and the retrofitting of one existing LP foaming machine, water based heating system for mould temperature control and modifying moulds for temperature control. Incremental operating costs are also included for one and a half years. The replacement alternative and the time frame for phasing out ODS will be in line with the

programme for phasing out ODS of the Government of Venezuela. After conversion of this project, the sub-sector of flexible PU molded foams will be definitively closed in the country.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

Manufacturas Enveta

4. The project meets the requirements of Executive Committee Decision 33/2.
5. The Fund Secretariat and UNIDO have discussed and agreed the costs of the project.
6. As of time of dispatch of documentation, Venezuela had not declared its preferred option for starting point for implementation of its national aggregate consumption (Decision 35/57). The 32 tonnes to be phased out by the Enveta project when approved should be deducted from Venezuela's national aggregate consumption when this is determined in Venezuela.

RECOMMENDATIONS

7. The project is submitted for individual consideration together with the Strategy Plan on account of the Executive Committee decision relating to further funding of projects in the foam sector.

STRATEGY PLAN OF CFC-11 PHASE-OUT FROM THE FOAM SECTOR OF VENEZUELA

COMMENTS OF THE FUND SECRETARIAT

8. The Executive Committee at its 34th Meeting requested the Government of Venezuela to submit a status report of the foam sector indicating the current consumption of ODS, progress of the phase out of ODS and a plan to complete the phase out of the remaining consumption in the sector as a prerequisite for further funding of projects in the sector. The attached document is submitted by the Government of Venezuela in response to this request.

9. The document consists of an Executive Summary and the Strategy Plan. The strategy plan document consists of an introduction that describes the issue and method of preparation of the strategy, background information that describes the background data, sources of supply of CFCs and description of the remaining CFC-11 consuming enterprises in the foam sector, strategy for the implementation of the plan, three sections that deal with cost issues and finally policy and legislative matters. Tables showing approval and status of implementation of foam projects, profile of the remaining enterprises including their dates of establishment and baseline conditions are also provided.

10. The strategy plan is based on data from the CFC producers, systems houses, distributors of imported chemicals, foam manufacturers, etc, collected by a specialized group of experts set up for the study. In all, 49 enterprises with CFC consumption ranging from 0.2 to 17 ODP tonnes are identified as enterprises eligible for Multilateral Fund assistance. They all produce rigid foam products and account for total consumption of 194.5 tonnes. One enterprise, Enveta is the sole producer of flexible molded foam accounting for 32 tonnes of the remaining consumption. An individual project has been submitted for Enveta for approval at the 36th Meeting. The total consumption of CFC-11 in the foam sector in 2000 was determined to be 505 ODP tonnes, of which 226 ODP tonnes was determined to be eligible for funding. The total funding required to phase out the eligible consumption was calculated to be US \$1.7 million.

11. Since the remaining enterprises are predominantly SMEs and in only one sub-sector, the Government of Venezuela expects to address their needs through three umbrella projects, the third one being a terminal umbrella project to address mainly the enterprises without any baseline equipment.

12. The summary of the status of the foam sector as at the end of 2000 is provided in the table below:

Status of the foam sector as of end of 2000

Total consumption of Annex A Group I substances in 2000 (ODP tonnes)	1,501.03
CFC-11 consumption in foam sector in 2000 (ODP tonnes)	505.00
CFC-11 consumption of enterprises established after July 1995 and insulation foam for the refrigeration sector (ODP tonnes)	146.30
CFC-11 consumption approved to be phased out but not yet implemented (ODP tonnes)	132.20
Remaining CFC consumption eligible for funding (ODP tonnes)	226.50
CFC-11 consumption of eligible enterprises other than small enterprises (ODP tonnes)	190.80
Number of enterprises	23
Estimated level of funding for the 23 enterprises (two umbrella projects and one individual project (Enveta) (US \$)	1,251,607
Average cost-effectiveness US \$/kg	6.2
CFC-11 consumption of eligible small enterprises (ODP tonnes)	35.70
Number of enterprises	27
Estimated level of funding (terminal project) (US \$)	423,500
Cost-effectiveness (US \$/kg)	11.90
Total estimated required funding for remaining eligible enterprises	1,675,107

RECOMMENDATIONS

13. The Executive Committee is invited:

- (a) To take note with appreciation the Strategy Plan of CFC-11 Phase-out for the Foam Sector of Venezuela submitted by the Government of Venezuela;
- (b) To approve the project for phasing out CFC-11 in the manufacture of flexible polyurethane foams at Manufacturas Enveta, C.A. Cumana, with the level of funding of US \$198,882 and agency support cost of US \$25,855.
