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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-third Meeting
Montreal, 4-8 April 2011

PROJECT PROPOSAL: SEYCHELLES

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

Phase-out

- HCFC phase-out management plan (first tranche) Germany

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Seychelles

(I) PROJECT TITLE	AGENCY
HCFC phase-out management plan (first tranche)	Germany (lead)

(II) LATEST ARTICLE 7 DATA	Year: 2009	1.4 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP)								Year: 2009			
Chemical	Aerosol	Foam	Fire	Refrigeration		Solvent	Process	Lab	Total sector		
				Manufacturing	Servicing						
HCFC123											
HCFC124											
HCFC141b											
HCFC142b											
HCFC22					1.4					1.4	

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	To be determined	Starting point for sustained aggregate reductions:	1.4
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.0	Remaining:	

(V) BUSINESS PLAN		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Germany	ODS phase-out (ODP tonnes)	2.9		2.3						0.6		5.7
	Funding (US \$)	265,000	0	212,000	0					53,000		530,000

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits (estimate)			n/a	n/a	1.38	1.38	1.24	1.24	1.24	1.24	1.24	0.90	
Maximum allowable consumption (ODP tonnes)			n/a	n/a	0.9	0.7	0.5	0.4	0.3	0.0	0.0	0.0	
Project Costs requested in principle(US\$)	Germany	Project costs	200,000		160,000		180,000					60,000	600,000
		Support costs	25,333		20,267		22,800					7,600	76,000
Total project costs requested in principle (US \$)			200,000	0	160,000	0	180,000	0	0	0	0	60,000	600,000
Total support costs requested in principle (US \$)			25,333	0	20,267	0	22,800	0	0	0	0	7,600	76,000
Total funds requested in principle (US \$)			225,333	0	180,267	0	202,800	0	0	0	0	67,600	676,000

(VII) Request for funding for the first tranche (2011)		
Agency	Funds requested (US \$)	Support costs (US \$)
Germany	200,000	25,333

Funding request:	Approval of funding for the first tranche (2011) as indicated above
Secretariat's recommendation:	For individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of Seychelles the Government of Germany, as the designated implementing agency, has submitted to the 63rd Meeting of the Executive Committee an HCFC phase-out management plan (HPMP) at a total cost of US \$1,406,000 as originally submitted. Of this total original submission, US \$776,000 (excluding agency support costs) is being requested from the Multilateral Fund with the Government of Seychelles providing co-funding of US \$630,000. The HPMP proposes strategies and activities to achieve a 100 per cent reduction by 2020.
2. The first tranche for the HPMP being requested at this meeting amounts to US \$318,000 plus agency support of US \$41,340 for the Government of Germany, as originally submitted.

Background

ODS regulations

3. The Ministry of Home Affairs, Environment and Transport is the national body responsible for the implementation of the Montreal Protocol in Seychelles. The National Ozone Unit (NOU) was established within the Ministry as a focal point for coordinating activities related to phase-out of Ozone Depleting Substances (ODS). The Government of Seychelles passed the Ozone Protection Regulations in 2001 which, *inter alia*, controlled the import and export of all ODS. The regulations were amended in 2007 and further in 2010 to include HCFCs and HCFC-based equipment in the licensing system. The amendments to the regulations in 2010 also set the policy for the complete phase-out of HCFCs by 2020. Seychelles has established a quota system to ensure that the import of HCFCs will decline in accordance with the HPMP phase-out schedule.

HCFC consumption

4. All of the HCFCs used in Seychelles are imported as the country does not have any HCFC production capacity. The survey undertaken during the HPMP preparation showed that HCFC-22 accounts for 98 per cent of the total HCFC consumption and was used predominantly in servicing refrigeration and air conditioning (RAC) equipment. A small quantity of HCFC-141b, HCFC-142b and HCFC-124 was also consumed as a flushing agent and in refrigerant blend R-409A respectively. In 2009, the total refrigerant consumption in Seychelles was 75.40 metric tonnes (mt), of which HCFC-22 accounted for 25.4 mt (1.40 ODP tonnes), or 34 per cent. The HCFC consumption data obtained from the survey is consistent with the Article 7 data. Table 1 shows the level of HCFC consumption in Seychelles.

Table 1: HCFC level of consumption as per Article 7 data

Year	Metric tonnes	ODP tonnes
2005	6.64	0.38
2006	10.68	0.59
2007	42.09	2.32
2008	10.68	0.59
2009	25.82	1.44

Sectoral distribution of HCFCs

5. The survey undertaken covered all stakeholders and representative service workshops. The survey data gave the number and type of equipment installed and the amount of HCFCs required to service the equipment. The total number of RAC units installed in the country using HCFC-22 was 28,254 in 2009. The average charge for different types of equipment was estimated and used to calculate

the total installed capacity. The average leakage rate was approximately 50 per cent. A summary of HCFC consumption by sector is shown in Table 2.

Table 2: HCFC consumption by sector based on the 2009 survey

Type	Total number of units	Total charge of refrigerant (tonnes)		Service demand (tonnes)	
		Metric	ODP	Metric	ODP
Commercial refrigeration	3,250	15.00	0.80	7.00	0.39
Central AC	4	1.00	0.05	0.40	0.02
Residential and commercial ACs	25,000	37.00	2.00	18.00	0.99
Total	28,254	53.00	2.85	25.40	1.40

Estimated baseline for HCFC consumption

6. The estimated baseline is calculated as 24.89 mt (1.38 ODP tonnes) using the average of reported 2009 consumption of 25.82 mt (1.44 ODP tonnes) in the Article 7 data and the actual import of 23.95 mt (1.32 ODP tonnes) in 2010. In line with decision 60/44(e), the estimated baseline will be adjusted accordingly when the actual Article 7 data of 2010 is reported.

Forecast of future HCFC consumption

7. The HPMP indicated that HCFC imports into Seychelles have been fluctuating, but show an overall increasing trend due to the promotion of tourism and increased investment in hotels. The average consumption from 2005 to 2009 was 19.18 mt per year. Seychelles projected its future HCFC consumption at a 5 per cent annual growth under the unconstrained scenario. The forecast consumption under the constrained scenario follows the proposed accelerated phase-out schedule. Table 3 below provides a summary of HCFC consumption forecast in Seychelles.

Table 3: Forecast consumption of HCFC

	Year	2009*	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Constrained HCFC consumption	MT	25.82	23.95	22.75	22.75	17.06	12.80	9.60	7.20	5.40	0.00	0.00	0.00
	ODP	1.44	1.32	1.25	1.25	0.94	0.70	0.53	0.40	0.30	0.00	0.00	0.00
Unconstrained HCFC consumption	MT	25.82	26.67	28.00	29.40	30.87	32.41	34.03	35.74	37.53	39.40	41.37	43.44
	ODP	1.44	1.47	1.54	1.62	1.70	1.78	1.87	1.97	2.06	2.17	2.28	2.39

*actual reported Article 7 data

HCFC phase-out strategy

8. The Government of Seychelles is proposing a single-stage approach to achieve complete phase out of HCFCs by 2020 with no additional service tail. The decision to phase out HCFCs earlier than the Montreal Protocol schedule is based on the country's commitment to meet challenges for ozone protection and climate impact mitigation at the same time. The Government had provided its commitment to this accelerated phase-out in a written communication to the Multilateral Fund Secretariat, a copy of which is attached to this document. Seychelles is aiming to achieve zero impact on ozone and climate during the HCFC phase-out by using low global warming potential (GWP) hydrocarbon alternative technologies and by phasing out HFC consumption alongside with HCFCs. The phase-out schedule proposed by Seychelles is shown as follows.

- (a) 9 per cent reduction by 1 January 2012;

- (b) 32 per cent reduction by 1 January 2013;
- (c) 49 per cent reduction by 1 January 2014;
- (d) 62 per cent reduction by 1 January 2015;
- (e) 71 per cent reduction by 1 January 2016;
- (f) 78 per cent reduction by 1 January 2017;
- (g) Ban HCFC imports on 1 January 2018; and
- (h) 100 per cent phase out by 1 January 2020.

9. Seychelles plans to reduce HCFC demand through refrigerant recovery and reuse, improving service practice and retrofitting HCFC-based equipment to hydrocarbon technology. Equipment that cannot be retrofitted will be replaced. Training of technicians is planned to build their capacity for better service practice.

10. Seychelles will implement licensing and quotas system for the import of HCFCs and HCFC-based equipment to ensure that the bulk of HCFCs and HCFC-based equipment is controlled according to the accelerated phase-out schedule. The summary of activities and proposed implementation period is shown in Table 4.

Table 4: Specific activities of the HPMP and proposed period of implementation

Description of activities	Implementation schedule
Enforcement of policies and regulations: training of customs and enforcement officers, providing refrigerant identifiers and testing equipment to assist in refrigerant identification	2011-2020
Training of technicians on recovery, reuse and retrofitting to hydrocarbon refrigerants; providing tools for training; and implementing retrofit programme	2011-2020
Demonstration project on solar air-conditioning system using hydrocarbon refrigerant	2012-2014
Communication, public education and awareness campaign	2011-2020
Project monitoring, coordination and reporting	2011-2020

Cost of the HPMP

11. The total cost of the HPMP for Seychelles has been estimated at US \$1,406,000 to achieve a complete phase out of HCFCs (24.89 mt) by 2020. The detailed cost breakdown is listed in Table 5.

Table 5: Total cost of the HPMP

Project component	MLF (US \$)	Co-funding (US \$)	Total budget (US \$)
Enforcement of policies and regulations	121,000	90,000	211,000
Refrigeration servicing improvement and retrofit	300,000	320,000	620,000
Demonstration project for ozone climate benefit	175,000	160,000	335,000

Project component	MLF (US \$)	Co-funding (US \$)	Total budget (US \$)
Education and awareness programme	80,000	60,000	140,000
Project monitoring, coordination and reporting.	100,000	-	100,000
Total	776,000	630,000	1,406,000

SECRETARIAT COMMENTS AND RECOMMENDATION

COMMENTS

12. The Secretariat reviewed the HPMP for Seychelles in the context of the guidelines for the preparation of HPMPs (decision 54/39), the criteria for funding HCFC phase-out in the consumption sector agreed at the 60th Meeting (decision 60/44), subsequent decisions on HPMPs made at the 62nd Meeting and the 2011-2014 business plan of the Multilateral Fund.

Overarching strategy

13. The Secretariat raised concerns on the proposed strategy for complete phase-out of HCFC consumption by 2020. It queried the overall national commitment, the readiness of stakeholders to implement such accelerated phase-out, its national capacity to achieve reduction targets, and the impact of the accelerated phase-out on the country's economy.

14. The Government of Germany indicated that Seychelles is highly committed to mitigating climate impact and aims to achieve carbon neutrality by 2020. As a small island developing country, Seychelles is cognizant of the fact that potential impacts of climate change could have important negative impacts on its socio-economic development. Seychelles had set a target, in its national climate change strategy, to reduce its greenhouse gas (GHG) emission and to achieve carbon neutrality by 2020. Although Seychelles' strategy for GHG emission reduction mainly focuses on improving energy efficiency and developing clean energy, HCFC phase-out is considered to be a cost effective way by the Government to reduce carbon emission due to the high GWP value of HCFCs.

15. The complete phase-out of HCFCs (and HFCs) by 2020, using low GWP alternatives as planned under the HPMP, will assist in realizing the GHG emission targets and achieving the carbon neutrality target. The Government of Germany further indicated that the commitment for accelerated phase-out was made at the highest level of the Government to ensure that ozone protection and climate impact mitigation can be achieved at the same time. Seychelles has provided a copy of its national climate strategy as well as a letter from the Ministry of Home Affairs, Environment and Transport (attached to the present document) to demonstrate a strong commitment to the accelerated phase-out of HCFCs. The Government's strong commitment is further demonstrated by the provision of co-funding for the implementation of the HPMP. The Government agreed initially to provide co-funding of US \$630,000, which was increased to US \$650,000 to compensate for the adjustment of the funding from Multilateral Fund.

16. The Government of Germany informed the Secretariat that Seychelles is well prepared for implementing an accelerated phase-out as it had already commenced implementing the quota system to regulate the import of HCFCs and HFCs, from January 2010. Seychelles plans to place a ban on imports of HCFC-based equipment in 2011. Importers have been advised to import only equipment using natural refrigerants.

17. In responding to the Secretariat's concern on national capacity for the accelerated phase-out, Seychelles advised that the service industry is building up its capacity to handle natural refrigerant. Training on handling hydrocarbon refrigerants started in 2005, and has been incorporated into the curriculum of the national training institute. As a part of this training programme, six hotels have already been retrofitted to hydrocarbon refrigerants. During the HPMP implementation period, retrofit of HCFC-based equipment will start with hotels and offices, and will be done by previously trained technicians, to ensure safety regulations are strictly adhered to.

18. The service industry is expected to further strengthen its capacity through this initial retrofitting, and then be in a position to adopt natural refrigerant as the standard refrigerant. Activities of training technicians and provision of tools and equipment proposed in the HPMP will further assist the industry to meet the challenges in retrofitting to hydrocarbon technology and to ensure a smooth implementation of HCFC phase-out.

19. In responding to the Secretariat's concern on the economic impact of the accelerated phase-out, the Government of Germany provided background information on the recent economic difficulties that have been overcome. It also said that although the economy has been stabilized, the vulnerability of the Seychelles' economy to global shocks cannot be underestimated.

Starting point for aggregate reduction in HCFC consumption

20. The Government of Seychelles agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the average level of actual consumption in 2009 and the estimated consumption in 2010, resulting in an estimate of 1.38 ODP tonnes. The business plan indicated a baseline of 1.5 ODP tonnes.

Technical and cost issues

21. The Secretariat noted the small consumption of HCFC-141b and HCFC refrigerant blend R-409a and queried whether these HCFCs will be phased out as a priority due to higher ODP values than HCFC-22. The Government of Germany advised that the practice of using HCFC-141b as a flushing agent has already been discontinued since 2010. There was no import of HCFC-141b in 2010. The total amount of refrigerant blend R-409a imported in 2009 was 1.33 mt. Seychelles will apply strict quotas to phase out these two chemicals as a priority.

22. The Secretariat raised concerns on the total funding of US \$776,000 requested from the Multilateral Fund as originally submitted. This exceeds the eligible funding of US \$600,000 for a low-volume-consuming (LVC) to achieve the complete phase-out as set out in decision 60/44. The Secretariat discussed the cost issues with the Government of Germany and reminded that the Executive Committee at its 62nd Meeting discussed the accelerated phase out for LVCs and suggested that the funding would not be additional to that provided in decision 60/44 (decision 62/10). Based on the discussion, the Government of Germany adjusted the total funding requested from the Multilateral Fund to US \$600,000. To compensate for the reduction in funding, the Government of Germany adjusted the activities and total cost of the HPMP to US \$1,250,000.

23. In line with decision 60/44, the total funding for Seychelles HPMP was agreed at US \$600,000 to completely phase out HCFC consumption in Seychelles which equals a phase out of 24.89 mt (1.38 ODP tonnes) by 2020 as shown in Table 6.

Table 6: Agreed level of funding of the HPMP

Activities	MLF (US \$)	Co-funding (US \$)	Budget (US \$)
Enforcement of policies and regulations	91,000	90,000	181,000
Refrigeration servicing improvement and retrofit	229,000	320,000	549,000
Demonstration project for ozone climate benefit	165,000	160,000	325,000
Education and awareness programme	35,000	80,000	115,000
Project monitoring, coordination and reporting	80,000	0	80,000
Total (US \$)	600,000	650,000	1,250,000

Impact on the climate

24. The proposed technical assistance activities in the HPMP, which include the introduction of better servicing practices and enforcement of HCFC import controls, will reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogramme (kg) of HCFC-22 not emitted due to better refrigeration practices results in the savings of approximately 1.8 CO₂-equivalent tonnes saved. Although a calculation of the impact on the climate was not included in the HPMP, the activities planned by Seychelles, in particular retrofitting and replacing existing equipment with hydrocarbon refrigerant indicate that it is likely that the country will surpass the 18,860 CO₂-equivalent tonnes that would not be emitted into the atmosphere as estimated in the 2011-2014 business plan. However, at this time, the Secretariat is not in a position to quantitatively estimate the impact on the climate. The impact might be established through an assessment of implementation reports by, *inter alia*, comparing the levels of refrigerants used annually from the commencement of the implementation of the HPMP, the reported amounts of refrigerants being recovered and recycled, the number of technicians trained and the HCFC-22 based equipment being retrofitted.

Co-financing

25. In response to decision 54/39(h) on potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties, the Government of Germany explained that Seychelles has pledged US \$650,000 to support the implementation of the HPMP.

2011-2014 business plan of the Multilateral Fund

26. The Government of Germany is requesting US \$600,000 plus support costs for the full implementation of the HPMP following an accelerated phase-out by 2020. The total value requested for the period 2011-2014 of US \$405,600 including support cost is within the total amount of US \$530,000 submitted by the Government of Germany in the business plan.

27. Based on the estimated HCFC baseline consumption in the servicing sector of 24.89 mt, Seychelles' allocation up to the 2020 phase-out of 35 per cent reduction should be US \$210,000 in line with decision 60/44.

Monitoring and coordination

28. Project monitoring and coordination of activities are planned to take place throughout the implementation period. The NOU will monitor the progress of the HPMP implementation using individual work plans for each of the components. Reporting on the progress made during the implementation will be also carried out by the NOU with support from the Government of Germany.

Draft agreement

29. A draft Agreement between the Government of Seychelles and the Executive Committee for HCFCs phase out is contained in Annex I to the present document.

RECOMMENDATION

30. The Executive Committee may wish to consider:

- (a) Approving, in principle, the HCFC phase-out management plan (HPMP) for Seychelles for the period 2011 to 2020, at the amount of US \$676,000, comprising of US \$600,000 and agency support costs of US \$76,000 for the Government of Germany on the understanding that no more funds will be eligible for HCFC phase-out in the country after 2020;
- (b) Noting that the Government of Seychelles had agreed at the 63rd Meeting to establish as its starting point for sustained aggregate reduction in HCFC consumption the estimated baseline of 1.38 ODP tonnes, calculated using actual consumption for 2009 and estimated consumption for 2010, and that this will remain as the starting point for funding for Seychelles in line with decision 60/44;
- (c) Approving the draft Agreement between the Government of Seychelles and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;
- (d) Requesting the Fund Secretariat, once the baseline data were known, to update draft Appendix 2-A to the Agreement to include the figures for maximum allowable consumption, and to notify the Executive Committee of the resulting change in the levels of maximum allowable consumption and of any potential related impact on the eligible funding level, with any adjustments needed to being made when the next tranche was submitted; and
- (e) Approving the first tranche of the HPMP for Seychelles, and the corresponding implementation plan, at the amount of US \$225,333, comprising of US \$200,000 and agency support costs of US \$25,333 for the Government of Germany.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF SEYCHELLES AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

1. This Agreement represents the understanding of the Government of Seychelles (the “Country”) and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODS) set out in Appendix 1-A (“The Substances”) to a sustained level of zero ODP tonnes prior to 1 January 2020 in compliance with Montreal Protocol schedules, with the understanding that this figure is to be revised one single time in 2011, when the baseline consumption for compliance would be established based on Article 7 data with the funding to be adjusted accordingly, as per decision 60/44.
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 which exceeds the level defined in row 1.2 of Appendix 2-A (“maximum allowable total consumption of Annex C, Group I Substances”; the Target) 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 which exceeds the level defined in rows 4.1.3 and 4.2.3 (remaining eligible consumption).
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 (“Targets and Funding”) 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 will accept independent verification, to be commissioned by the relevant bilateral or implementing agency, of achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) of this Agreement as described in sub-paragraph 5(b) of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 60 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets for all relevant years. Relevant years are all years since the year in which the hydrochlorofluorocarbons phase-out management plan (HPMP) was approved. Exempt are years for which no obligation for reporting of country programme data exists at the date of the Executive Committee Meeting at which the funding request is being presented;
 - (b) That the meeting of these Targets has been independently verified, except if the Executive Committee decided that such verification would not be required;

- (c) That the Country had submitted tranche implementation reports 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 and received approval from the Executive Committee for a tranche implementation plan in the form of Appendix 4-A (“Format of Tranche Implementation Reports and Plans”) 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.

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 plan in accordance with their roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in sub-paragraph 5(b).

7. The Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the smoothest phase-down and phase-out of the Substances specified in Appendix 1-A. Reallocations categorized as major changes must be documented in advance in a Tranche Implementation Plan and approved by the Executive Committee as described in sub-paragraph 5(d). Major changes would relate to reallocations affecting in total 30 per cent or more of the funding of the last approved tranche, issues potentially concerning the rules and policies of the Multilateral Fund, or changes which would modify any clause of this Agreement. 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 Tranche Implementation Report. Any remaining funds will be returned to the Multilateral Fund upon closure of the last tranche of the plan.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sub-sector, 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 the bilateral and implementing agencies involved will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the plan.

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

10. The Lead IA will be responsible for carrying out the activities of the plan as detailed in the first submission of the HPMP with the changes approved as part of the subsequent tranche submissions, including but not limited to independent verification as per sub-paragraph 5(b). The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 2.2 of Appendix 2-A.

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 amounts set out in Appendix 7-A in respect of each ODP tonne 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 these decisions are taken, this specific case will not be an impediment for future tranches as per paragraph 5.

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

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 information necessary to verify compliance with this Agreement.

14. The completion of the HPMP and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption has been specified in Appendix 2-A. Should at that time activities be still outstanding which were foreseen in the Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per Appendix 4-A (a), (b), (d) and (e) continue until the time of the completion if not specified by the Executive Committee otherwise.

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

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	1.36
HCFC-141b	C	I	0.02

APPENDIX 2-A: THE TARGETS, AND FUNDING

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)			1.38	1.38	1.24	1.24	1.24	1.24	1.24	0.90	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	1.25	1.25	0.94	0.70	0.53	0.40	0.30	0	0	0	n/a
2.1	Lead IA Gov. of Germany agreed funding(US \$)	200,000		160,000		180,000					60,000	600,000
2.2	Support costs for Lead IA(US \$)	25,333		20,267		22,800					7,600	76,000
3.1	Total agreed funding (US \$)	200,000		160,000		180,000					60,000	600,000
3.2	Total support cost (US \$)	25,333		20,267		22,800					7,600	76,000
3.3	Total agreed costs (US \$)	225,333		180,267		202,800					67,600	676,000
4.1.1	Total phase-out of HCFC 22 agreed to be achieved under this agreement (ODP tonnes)											1.36
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)											0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)											0
4.2.1	Total phase-out of HCFC 141b agreed to be achieved under this agreement (ODP tonnes)											0.02
4.2.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)											0
4.2.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)											0

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval not earlier than 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 Plan will consist of five parts:
 - (a) A narrative report regarding the progress in the previous tranche, reflecting on 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 further highlight successes, experiences and challenges related to the different activities included in the Plan, reflecting on changes in the circumstances in the Country, and providing other relevant information. The report should also include information about and justification for any changes vis-à-vis the previously submitted tranche plan, 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. The narrative report will cover all relevant years specified in sub-paragraph 5(a) of the Agreement and can in addition also include information about activities in the current year;

- (b) A verification report of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;
- (c) A written description of the activities to be undertaken in the next tranche, highlighting their interdependence, and taking into account experiences made and progress achieved in the implementation of earlier tranches. The description should also include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall plan foreseen. The description should cover the years specified in sub-paragraph 5(d) of the Agreement. The description should also specify and explain any revisions to the overall plan which were found to be necessary;
- (d) A set of quantitative information for the report and plan, submitted into a database. As per the relevant decisions of the Executive Committee in respect to the format required, the data should be submitted online. This quantitative information, to be submitted by calendar year with each tranche request, will be amending the narratives and description for the report (see sub-paragraph 1(a) above) and the plan (see sub-paragraph 1(c) above), and will cover the same time periods and activities; it will also capture the quantitative information regarding any necessary revisions of the overall plan as per sub-paragraph 1(c) above. While the quantitative information is required only for previous and future years, the format will include the option to submit in addition information regarding the current year if desired by the Country and the Lead IA; and
- (e) An Executive Summary of about five paragraphs, summarizing the information of above sub-paragraphs 1(a) to 1(d).

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. Under the terminal phase-out management plan, Seychelles monitored the activities through the National Ozone Unit (NOU) and was supported by the Government of Germany. Under the HPMP, the NOU will remain the focal point for monitoring the activities to be conducted in the country and will be supported by the Government of Germany. If during the course of implementation services of additional staff are required, the NOU will incorporate that into the project.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities. These can be specified in the project document further, but include 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 phase-out plan;
- (b) Assisting the Country in preparation of the Tranche Implementation Plans and subsequent reports as per Appendix 4-A;

- (c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;
- (d) Ensuring that the experiences and progress is reflected in updates of the overall Plan and in future Tranche Implementation Plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;
- (e) Fulfilling the reporting requirements for the tranches and the overall Plan as specified in Appendix 4-A as well as project completion reports for submission to the Executive Committee.
- (f) Ensuring that appropriate independent technical experts carry out the technical reviews;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (i) 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 each implementing or bilateral agency involved;
- (j) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (k) Providing assistance with policy, management and technical support when required.

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent organization to carry out the verification of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement and sub-paragraph 1(b) of Appendix 4-A.

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

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$180 per ODP kg of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met.

**Ministry of Home Affairs, Environment & Transport
Department of Environment
Division Of Climate & Environmental Services**

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Please address all correspondence to the Principal Secretary

*Your Ref. :
Our Ref. :
Enquiries to :
Telephone :
Date : 21st February 2011-02-22*

Secretariat
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SUBJECT: PROPOSED EARLY PHASE OUT OF HCFC REFRIGERANTS AND LINKAGES WITH THE CARBON NEUTRALITY POLICY

Dear Madam,

The Seychelles government continues to regard the protection of the Ozone layer as a priority and to this end is proposing an early phase out for HCFC use by 2020. At the same time it does not want this early phase out to contribute to other environmental problems, such as global warming, through the replacement of HCFCs with refrigerants of a higher Global Warming Potential (GWP), especially when there are environmentally safe alternatives available.

The Government of Seychelles has formulated a ten-year National Development Program (Seychelles Strategy 2017). The global national strategy is to double GDP by 2017 mainly through fisheries and tourism expansion, and the development of financial services industry. This growth is to be achieved while generating the maximum level of local participation, enhancing Seychelles' human resource capacity, securing high environmental protection and standards, creating efficient and transparent governance and fostering strategic national and international partnerships.

Whilst, the Seychelles National Climate Change Strategy (SNCCS) was launched in 2009 at COP15 in Copenhagen aims at supporting sustainable development through mitigation and adaptation policies to climate change, with concerted and proactive action at all levels of the society, and has five priority objectives:

- i. To advance in understanding of climate change, its impacts and appropriate responses
- ii. To put in place measures to adapt, build resilience and minimize country's vulnerability
- iii. To achieve sustainable energy security and reduce greenhouse gas emissions
- iv. To mainstream climate change considerations into national policies, strategies and plans
- v. To build capacity and social empowerment at all levels

"Winning for Seychelles"

This strategy is guided by the principles laid down in the Seychelles Strategy 2017, notably maximum local participation, enhancing human resource capacity, high environmental protection standards, efficient and transparent governance, and fostering strategic national and international partnerships. It is also based on Seychelles first national communications (2001) under the United Nations Framework Convention on Climate Change (UNFCCC), and on the second national communications of which the final report is expected at the end of November 2010.

This strategy requires that Seychelles will become a carbon neutral country by 2020 as is presently a net sink.

The Department of Environment recognizes that HFCs need to be controlled as part of its overall greenhouse gas reduction strategy in order to achieve carbon neutrality by 2020. The Terminal Phase out of HCFC Management Plan (HPMP) for Seychelles will use a combination of regulatory, capacity building, investment and awareness measures to assist the country with meeting its phase out obligations. Since ratification of the Montreal Protocol in 1993, the Seychelles has endeavoured to be in compliance with the freeze level requirements. With regards to HCFC however, the Seychelles has decided to make the Freeze level in country 2012 instead of the convention freeze level of 2013. This will allow effective phase out procedures and compliance for Phase Out in 2020. The Seychelles, however, will ban the importation of all HCFC or compound of HCFC in the country as of 2018, then allowing for a 2 year grace period for compliance. Total Phase Out will be reported in 2020.

The Seychelles HPMP is based on a wide participatory process and relies on a concerted effort by key players in government, the industry, in Non-Governmental Organisations (NGOs), the educational sector and civil society to achieve the set targets.

Regardless of whether there is funding for HCFC phase out activities Seychelles, HCFC refrigerants and HCFC based equipment will be replaced. However, without government intervention the replacements are likely to be refrigerants with high GWP. By funding the activities the Government of Seychelles will be able to ensure that the replacements are truly environmentally friendly.

I look forward to your favorable consideration of HPMP submission.



Wills Agricole
Director General

Extract of the Seychelles' National Climate Strategy

1.1 Objective 3 - To achieve sustainable energy security through reduction of greenhouse gas emissions

Although Seychelles is not required under the UNFCCC and its Kyoto Protocol to implement emission reductions, it is nevertheless of strategic and economic importance that Seychelles reduces its dependence on fossil fuels and embraces low carbon and in particular renewable forms of energy, which is abundant in Seychelles. Following the recent increases in oil prices, Seychelles realized that it needed to transform its energy sector and diversify into other forms of energy, especially those with little or no greenhouse gas potential. Seychelles also depends upon long-haul travel for its tourism industry, in view of its insularity. So mechanisms to reduce its tourism carbon footprint are critical to the continued development of the tourism industry in Seychelles.

However, the Legal framework for energy conservation is non-existent, thus there is no incentive, except through price signals to achieve innovation and implementation of energy efficiency in industry and domestic sectors. A number of initiatives aimed at energy conservation have been introduced with fixed success. However, a previous project to transfer users from kerosene to LPG for cooking has been very successful, which indicates that end-users are conscious of the issues and wish to engage further in conservation or transfer of technology within the energy sector. The demand for electric vehicles or hybrids is expected but not stimulated due to highly taxed vehicles in Seychelles. There is also concern that these technologies do not really bring any benefits to the climate change threat. The adoption of energy conservation in buildings is also lacking and was raised during the SWOT exercise as well as in the sector reports.

1.1.1 Implementation Arrangements and constraints

The establishment of the Seychelles Energy Commission (SEC) is expected to place energy at the centre of economic growth and development in Seychelles. A statutory law is being developed to legally institutionalize the SEC. A new energy policy, which will be coordinated by SEC, is also being developed.

A number of barriers impact on the ability of Seychelles to transfer to a clean energy framework. External constraints includes available of such technologies as affordable prices, at least on par with existing utility prices. The capacity to transfer such technologies, including support infrastructure is also lacking in Seychelles. The lack of appropriate regulatory and tax instruments to facilitate transfer of such technologies also places Seychelles at a disadvantage with the rest of the world.

One of the recurring constraints in undertaking greenhouse gas (GHG) emission inventories is the lack of data, or in many cases data are not properly kept. To enable better planning and assessment of GHG, the GHG emissions report makes a number of recommendations including the establishment of a database and repository for all archived data.

1.1.2 Action Plan

			Timescale	Priority	Lead Org.
Strategy	3.1	Diversify the energy portfolio of Seychelles towards renewable forms of energy			
Actions	3.1.1	Develop a comprehensive energy policy aimed at charting a strategy to achieve energy security	1 year	High & Ongoing	SEC ¹
	3.1.2	Feasibility studies for the establishment of wind, solar and waste-to-energy technologies	2 years	Moderate	SEC/PUC
	3.1.3	Upgrading of national grid to accommodate alternative sources of energy	4 years	Moderate	PUC
	3.1.4	Achieve energy independence in the next ten years, hence carbon neutrality	10 years	High	SEC
Strategy	3.2	Modernise the energy legislation and institutional framework to encourage innovation and transfer of technology in the energy sector			
Actions	3.2.1	Establish legally and strengthen the Seychelles Energy Commission to oversee energy management in Seychelles	1 year	Moderate	MoE
	3.2.2	Development of new Energy Act	1 year	High	SEC
	3.2.3	Develop and implement framework for enabling financial incentives, including feed-in tariffs, for technology transfer and conservation in the energy sector	2 years	High	MF
	3.2.4	Implement a market-based mechanisms to enhance energy efficiency in industry and other sectors	2 years	Moderate	MF
	3.2.5	Develop appropriate codes and specifications for energy efficiency in the transport, building and commercial sectors.	2 years	High	TCPA
		Establish a carbon market in Seychelles	2 years	Moderate	MoE
Strategy	3.3	Improve monitoring and assessment of energy use and emissions			
	3.3.1	Establish legal requirement for sharing of energy data	Ongoing	High	SEC/NSB ²
	3.3.2	Develop and maintain energy statistics	1 years	High	SEC/NSB

¹ Seychelles Energy Commission

² National Statistics Bureau

	3.3.3	Maintain data on other sources of GHG emissions as specified in the UNFCCC guidelines	2 years	Moderate	SEC/NSB
Strategy	3.4	Technology transfer in the energy production and transport sector			
Actions	3.4.1	Establishment of a clearinghouse and advisory services platform on efficient technologies and appliances	3 years	High	SEC
	3.4.2	Establish demonstration projects for various energy technologies with the participation of the private sector	2 years	High	SEC/Private Sector
	3.4.3	Create an enabling environment for the piloting and testing of new vehicle technologies	1 years	High	SEC/LTA ³

³ Land Transport Agency