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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-ninth Meeting
Montreal, 15-19 April 2013

PROJECT PROPOSAL: TIMOR-LESTE

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

Phase-out

- HCFC phase-out management plan (stage I, second tranche)

UNEP/UNDP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Timor-Leste

(I) PROJECT TITLE	AGENCY
HCFC phase out plan (Stage I, second tranche)	UNEP (lead), UNDP

(II) LATEST ARTICLE 7 DATA	Year: 2011	0.15 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2011	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-141b									
HCFC-141b									
HCFC-22					0.15				0.15

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	0.50	Starting point for sustained aggregate reductions:	0.50
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.05	Remaining:	0.45

(V) BUSINESS PLAN		2012	2013	2014	2015	Total
UNEP	ODS phase-out (ODP tonnes)	0.00	0.01	0	0.003	0.013
	Funding (US \$)	-	62,150	-	18,532	80,682
UNDP	ODS phase-out (ODP tonnes)	0.00	0	0	0.002	0.002
	Funding (US \$)	-	-	-	11,641	11,641

(VI) PROJECT DATA			2011	2012	2013	2014	2015	Total
Montreal Protocol consumption limits			n/a	n/a	0.50	0.50	0.45	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	0.50	0.50	0.45	n/a
Project Costs requested in principle(US\$)	UNDP	Project costs	96,120				10,680	106,800
		Support costs	8,651				2,132	21,437
	UNEP	Project costs	93,500		55,000		16,400	164,900
		Support costs	12,155		7,150		2,132	21,437
Funds approved by ExCom (US\$)	Project costs	189,620					189,620	
	Support costs	20,806					20,806	
Total funding requested at this meeting (US\$)	Project costs			55,000			55,000	
	Support costs			7,150			7,150	

Funding request:	Approval of funding for the second tranche (2013) as indicated above
Secretariat's recommendation:	Blanket approval

PROJECT DESCRIPTION

1. On behalf of the Government of Timor-Leste UNEP, as the lead implementing agency, has submitted to the 69th meeting of the Executive Committee a request for funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP) at a cost of US \$55,000, plus agency support costs of US \$7,150 for UNEP. No funding for UNDP is due at the second tranche of the HPMP. The submission included a progress report on the implementation of the activities in the first tranche (2011 and 2012) of the HPMP together with the tranche implementation plan for the second tranche (2013 and 2014).

Background

2. The stage I of the HPMP for Timor-Leste was approved by the Executive Committee at its 63rd meeting to completely phase-out CFCs and to reduce HCFC consumption by 10 per cent of the baseline by the end of 2014, at a total funding level approved in principle of US \$271,700, consisting of US \$164,900, plus agency support costs of US \$21,437 for UNEP, and US \$106,800, plus agency support costs of US \$9,612 for UNDP. The first tranche of stage I of the HPMP was approved at the amount of US \$210,426, consisting of US \$93,500, plus agency support costs of US \$12,155 for UNEP, and US \$96,120, plus agency support costs of US \$8,651 for UNDP.

Progress report on the implementation of the first tranche of the HPMP

3. The Stage I HPMP is the first ODS phase-out project for Timor-Leste as the country did not receive funding from the Multilateral Fund for CFC phase-out because of its late ratification of the Montreal Protocol. Due to the lack of basic infrastructure to support phase-out activities, the implementation of the first tranche focused on establishing the legal and institutional framework and accumulating experiences to support the country to sustain CFC phase-out and to achieve the Montreal Protocol phase-out targets for HCFCs. The results achieved so far are described below.

Regulatory and institutional action

4. The Government of Timor-Leste issued a Decree Law (Decree Law No. 36/2012), effective on 14 August 2012, which, inter alia, established a licensing and quota system to control the import and export of ODS including HCFCs and CFCs. This law also introduced a total ban on imports of CFCs and equipment containing/using CFCs. Total quotas for HCFC import in 2013 will be set at 0.50 ODP tonnes to comply with the Montreal Protocol control target.

5. The national ozone officer (NOO) and an assistant had been appointed in 2012. The NOO reports directly to the Secretary of State for Environment.

6. Five trainers from the customs office were trained on World Customs Organization Harmonized Commodity Description and Coding System (HS code). In order to prevent illegal trade through land borders with the only neighboring country, a dialogue between Timor-Leste Customs and Indonesia Customs has been initiated to form a memorandum of understanding on controlling ODS trade between the two countries.

Activities in the refrigeration servicing sector

7. The following activities in the refrigeration and air-conditioning servicing sector have been implemented:

- (a) The National Labour Force Development Institute (INDMO) had been identified as the national training centre for refrigeration and air-conditioning service. The first draft of

the agreement defining roles and responsibilities of INDMO and the national ozone unit (NOU) in delivering training programmes has been developed and is currently under discussion;

- (b) Procurement of tools and equipment is in process. A list of equipment with technical specifications has been finalised and the equipment is expected to be delivered by the first half of 2013;
- (c) Public awareness-raising and outreach programmes were conducted. Educational materials on the Montreal Protocol and the Decree Law were prepared and distributed to relevant governmental departments, importers, technicians and general public.

Project implementation and monitoring

8. The project implementation and monitoring responsibilities lie with the NOU. An international consultant has been employed to assist the Government in preparing the Decree Law as well as providing technical support on daily operation of the NOU. After the HPMP's approval, a preliminary consultation with stakeholders was conducted to allow for HPMP implementation. The State Secretary for Environment and the General Directorate for Customs were briefed on Timor-Leste's HPMP to gain their support and leadership. A database for HCFC importers, servicing workshops and equipment is being established.

Status of fund disbursement

9. As of January 2013, out of the US \$189,620 approved for the first tranche, US \$74,000 had been disbursed (US \$52,513) or committed (US \$21,487). The balance of US \$115,620 will be disbursed in 2013.

Annual implementation plans for the second tranche of the HPMP (2013-2014)

10. In addition to completing the activities planned in the first tranche of the HPMP, the following activities associated with the second tranche will be implemented:

- (a) Launching the Decree Law to governmental officials, importers, industrial stakeholders and service technicians and strengthening the licensing and quota system;
- (b) Conducting the second training course on the HS code-based data management for customs officers and importers and conducting two training workshops for customs officers (US \$11,000);
- (c) Distribution of tools and equipment, development of training materials, and conducting three training workshops for service technicians in good service practices, refrigerant recovery, reuse and retrofit (US \$16,500);
- (d) Development of public educational materials in national language, outreach and awareness-raising activities and information dissemination on CFC and HCFC phase-out, and the implementation of Decree Law (US \$11,500).

11. The project implementation and monitoring unit will continue to be operational (US \$16,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Operational license system

12. In line with decision 63/17, confirmation has been received from the Government that an enforceable national system of licensing and quotas for HCFC imports and exports is in place and that the system is capable of ensuring compliance with the Montreal Protocol.

CFC and HCFC consumption

13. No CFCs were imported into Timor-Leste since 2010. The HCFC consumption baseline for compliance has been established at 0.50 ODP tonnes, based on the actual consumption reported under Article 7 of the Montreal Protocol for 2009 and 2010 as shown in Table 1. The established baseline is slightly lower than that of 0.53 ODP tonnes estimated at the 63rd meeting in the Agreement between the Government of Timor-Leste and the Executive Committee. Therefore, the starting point and the maximum allowable level of HCFC consumption in the Agreement have been adjusted accordingly. The adjustment of the baseline does not have any impact on the funding level.

Table 1: HCFC-22 level of consumption in Timor-Leste (Article 7 data)

Years	2007	2008	2009	2010	2011	Baseline
HCFC-22 consumption (metric tonnes)	8.0	-	9.3	8.8	2.81	9.05
HCFC-22 consumption (ODP tonnes)	0.4	-	0.5	0.5	0.15	0.50

14. The HCFC-22 consumption decreased from 8.8 metric tonnes (mt) in 2010 to 2.81 mt in 2011. UNEP advised that the 2011 reported consumption was under estimated due to a large quantity of trade which is currently not possible to capture through customs registry.

15. The Secretariat raised concerns on the accuracy of the data reported under Article 7 of the Montreal Protocol in 2011 and its impact on the country's compliance status. It inquired about the measures to be implemented in the second tranche to improve data accuracy and the control of HCFC imports. UNEP responded that, based on the second round survey conducted in 2012, the total installed capacity for HCFC equipment is approximately 6 metric tonnes. This is similar to the data collected during the HPMP survey, which indicates that the HCFC equipment base remained stable in Timor-Leste. Therefore, it is expected that the current HCFC consumption would remain at a similar level within the baseline.

16. The Government has proposed several measures to be implemented during the second tranche to improve data accuracy, including customs training workshops on the use of HS code and identification of HCFCs; distribution of a document "Timor-Leste Montreal Protocol Record Keeping" for use by importers and end users; closer communication and coordination with the Customs department to monitor ODS trade using an HS code-based data management system; and continuous high level dialogues between the Customs departments of Indonesia and Timor-Leste on prevention of illegal ODS trade and data registry. The implementation of the licensing and quota system complemented with the above measures is expected to improve the data accuracy for 2013.

Revision to the Agreement of the HPMP

17. The HPMP for Timor-Leste was approved prior to the establishment of the HCFC baseline for compliance. Accordingly, in approving the HPMP the Executive Committee requested the Secretariat to *inter alia*, update Appendix 2-A (“The targets, and funding”) to the Agreement with the figures for the maximum allowable consumption, and to notify the Committee of the resulting levels accordingly (decision 63/43(d)). Based on the data reported by the Government of Timor-Leste under Article 7 and its revised phase-out schedule, the relevant paragraphs of the Agreement have been updated, and a new paragraph has been added to indicate that the updated Agreement supersedes the original one reached at the 63rd meeting, as shown in Annex I to this document. The full revised Agreement will be appended to the final report of the 69th meeting.

RECOMMENDATION

18. The Fund Secretariat recommends that the Executive Committee:

- (a) Takes note of the progress report on the implementation of the first tranche of stage I of the CFC and HCFC phase-out management plan of (HPMP) in Timor-Leste;
- (b) Notes that the Fund Secretariat had updated paragraph 1, Appendices 1-A and 2-A of the Agreement between the Government of Timor-Leste and the Executive Committee, based on the established HCFC baseline for compliance, and a new paragraph 16 had been added to indicate that the updated Agreement superseded the Agreement reached at the 63rd meeting, as contained in Annex I to the present document; and
- (c) Further notes that the revised starting point for sustained aggregate reduction in HCFC consumption was 0.5 ODP tonnes, calculated using consumption of 0.5 ODP tonnes and 0.5 ODP tonnes reported for 2009 and 2010, respectively, under Article 7 of the Montreal Protocol.

19. The Fund Secretariat further recommends blanket approval of the second tranche of stage I of the HPMP for Timor-Leste, and the corresponding 2013 to 2014 tranche implementation plan, with associated support costs at the funding level shown in the table below:

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	HCFC phase-out management plan (stage I, second tranche)	55,000	7,150	UNEP

Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF TIMOR-LESTE AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF CHLOROFLUOROCARBONS AND HYDROCHLOROFLUOROCARBONS

(Relevant changes are in bold font for ease of reference)

1. This Agreement represents the understanding of the Government of Timor-Leste (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 **0.45** ODP tonnes prior to 1 January 2015 in compliance with Montreal Protocol schedules.

16. This updated Agreement supersedes the Agreement reached between the Government of Timor-Leste and the Executive Committee at the 63rd meeting of the Executive Committee.

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	0.50
CFC-12 and CFC-115	A	I	0.00

APPENDIX 2-A: THE TARGETS, AND FUNDING

Row	Parameter/Year	2011	2012	2013	2014	2015	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	0	0	0.50	0.50	0.45	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	0	0	0.50	0.50	0.45	n/a
1.3	Montreal Protocol reduction schedule of Annex A, Group I substances (ODP tonnes)	0.0	0.0	0.0	0.0	0.0	n/a
1.4	Maximum allowable total consumption of Annex A, Group I substances (ODP tonnes)	0.0	0.0	0.0	0.0	0.0	n/a
2.1	Lead IA UNEP agreed funding(US \$)	93,500	0	55,000	0	16,400	164,900
2.2	Support costs for Lead IA(US \$)	12,155	0	7,150	0	2,132	21,437
2.3	Cooperating IA UNDP agreed funding (US \$)	96,120	0	0	0	10,680	106,800
2.4	Support costs for Cooperating IA (US \$)	8,651	0	0	0	961	9,612
3.1	Total agreed funding (US \$)	189,620	0	55,000	0	27,080	271,700
3.2	Total support cost (US \$)	20,806	0	7,150	0	3,093	31,049
3.3	Total agreed costs (US \$)	210,426	0	62,150	0	30,173	302,749
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)						0.05
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)						n/a
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)						0.45
