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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-first Meeting
Montreal, 2-6 December 2013

PROJECT PROPOSAL: MONGOLIA

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

Phase-out

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

UNEP/Japan

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Mongolia

(I) PROJECT TITLE	AGENCY
HCFC phase out plan (Stage I)	Japan, UNEP (lead)

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2012	2.87 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)							Year: 2012		
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b									
HCFC-142b									
HCFC-22		1.53			1.34				2.9

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	1.4	Starting point for sustained aggregate reductions:	1.4
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.5	Remaining:	0.9

(V) BUSINESS PLAN		2013	2014	2015	2016	2017	2018	2019	2020	Total
UNEP	ODS phase-out (ODP tonnes)	0.1			0.1				0.1	0.2
	Funding (US \$)	73,450			77,970				41,810	193,230

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	
Montreal Protocol consumption limits			n/a	n/a	1.4	1.4	1.3	1.3	1.3	1.3	1.3	0.9	n/a	
Maximum allowable consumption (ODP tonnes)			n/a	n/a	1.4	1.4	1.3	1.3	1.3	1.3	1.3	0.9	n/a	
Agreed Funding (US\$)	Japan	Project costs	130,000	0	0	0	0	0	0	0	0	0	130,000	
		Support costs	16,900	0	0	0	0	0	0	0	0	0	16,900	
	UNEP	Project costs	65,000	0	65,000	0	0	69,000	0	0	0	0	37,000	236,000
		Support costs	8,450	0	8,450	0	0	8,970	0	0	0	0	4,810	30,680
Funds approved by ExCom (US\$)	Project Costs	195,000	0	0	0	0			0	0	0	0	195,000	
	Support Costs	25,350	0	0	0	0	0	0	0	0	0	0	25,350	
Total funds requested for approval at this meeting (US\$)	Project Costs	0	0	65,000	0	0	0	0	0	0	0	0	65,000	
	Support Costs	0	0	8,450	0	0	0	0	0	0	0	0	8,450	

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Mongolia UNEP, as the lead implementing agency, has submitted to the 71st meeting a request for funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP)¹ at the amount of US \$65,000, plus agency support costs of US \$8,450 for UNEP only. The submission includes a progress report on the implementation of the first tranche of the HPMP together with the tranche implementation plan for 2013 to 2015.

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

2. For the manufacturing sector which is being implemented by the Government of Japan through UNEP, the activities undertaken included site visits to the two enterprises producing extruded polystyrene (XPS) foam to finalize conversion plans and agree on specifications. A new agreement was drafted between the Government and the enterprises to finalize conversion by end of 2013. In line with these signed agreements, both enterprises have stopped the use of HCFC-22 in the manufacture of XPS foam from June 2013, and no quotas to import HCFC has been granted to them for 2013. The Government of Japan further reported that one company (Bilguun Trade) tested and is currently using DME as a replacement for HCFC-22 but continues to look for other alternatives including a mixture using DME. The other company (New Warm LLC) has stopped XPS production from May 2013 and is yet to find a suitable alternative technology.

3. Implementation of activities under the refrigeration servicing sector is on track. The Government had established an enforceable quota system and had set quotas for 2013 and subsequent years. It also included HCFCs in the list of toxic and hazardous chemicals list to be banned for use in the country. Other activities completed included the training of 255 enforcement officers on the control of HCFC imports and enforcement of the quota system and 145 service technicians on good refrigeration practices, distribution of one refrigerant identifier, strengthening of training centres by providing recovery and recycling equipment and other tools, development of e-learning modules for both customs officers and refrigeration technician training, and conducting awareness raising activities. The project management unit (PMU) has been ensuring the timely and smooth implementation of HCFC phase-out activities.

4. As of September 2013, of the total funding of US \$195,000 approved for the first tranche, US \$138,000 had been disbursed. The balance of US \$57,000 will be disbursed in early 2014.

Annual plans for the second tranche of the HPMP

5. The following activities will be implemented during the second tranche of stage I of the HPMP:
- (a) Additional activities to strengthen HCFC control policies/regulations including establishment of a database for HCFC-base equipment (US \$8,000);
 - (b) Continued capacity building for customs officers and enforcement officers by providing two additional trainings (US \$13,000);
 - (c) Additional good practices training programme for technicians which will include the provision of two additional sets of service equipment, and reviewing international standards related to HCFCs and their alternatives (US \$9,000);
 - (d) Awareness-raising and outreach (US \$5,000); and
 - (e) Project management unit (US \$30,000).

¹ The HPMP for Mongolia was approved by the Executive Committee at its 63rd meeting to reduce HCFC consumption by 35 per cent of the baseline by 1 January 2020.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Operational licensing system

6. 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. The HCFC import quota for 2013 had been established at 1.3 ODP tonnes, equivalent to the country's consumption baseline. For subsequent years, the annual quota will be based on the levels allowed under the Montreal Protocol.

HCFC consumption

7. The HCFC baseline for compliance has been established at 1.4 ODP tonnes, based on the actual consumption reported under Article 7 of the Montreal Protocol for 2009 and 2010 as shown in Table 1. At the 63rd meeting, the Government of Mongolia agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the estimated baseline of 1.31 ODP tonnes which is 0.09 ODP tonnes lower than the established baseline.

Table 1. HCFC consumption in Mongolia (2006-2012, Article 7)

Year	Article 7 data	
	mt	ODP tonnes
2006	19.12	1.1
2007	28.25	1.6
2008	39.88	2.2
2009	20.95	1.2
2010	26.5	1.5
2011	21.09	1.16
2012	52.17	2.87
Baseline	23.73	1.4

8. Between 2011 and 2012, HCFC consumption increased from 1.16 ODP tonnes to 2.87 ODP tonnes, due to stockpiling by importers, after discussions on the establishment of a quota system starting 2013. As of date, a ban has also been issued for the imports of HCFC-22 used for the production of XPS boards; therefore, imports will be limited for servicing needs only. UNEP further explained that the permits for importing HCFCs in 2013 were issued for only 1.27 ODP tonnes, which is lower than the established quota for the year.

Technical issues

9. The Secretariat sought clarification on dimethyl ether as the technology selected by the XPS enterprise (Bilguun, LLC). According to UNEP, this technology was selected as it was the cost-effective solution possible with the funding available. However, the company continues to look for other alternatives.

10. Noting that the other enterprise (New Warm, LLC) had stopped production of XPS boards, the Secretariat sought clarification from the Government of Japan on whether the remaining funds that have been provided for the conversion would be returned to the Multilateral Fund. It was clarified that it was

not yet possible to determine whether any funds are to be returned until the project, which is still on-going, is closed and has submitted the requirements for completion. This will be reported to a future meeting.

Revision to the Agreement of the HPMP

11. The HPMP for the Mongolia 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 62/47). Based on the data reported by the Government of the Mongolia under Article 7 and its revised phase-out schedule, the relevant paragraph of the Agreement has been updated, and a new paragraph has been added to indicate that the updated Agreement supersedes that reached at the 63rd meeting, as shown in Annex I to this document. The change in the baseline does not have any impact on the overall funding for the HPMP. The full revised Agreement will be appended to the final report of the 71st meeting.

Conclusion

12. The Secretariat noted that an import licensing and quota system is operational and will enable consumption reductions in line with the Montreal Protocol’s phase-out schedule. The activities for the conversion of the XPS sector are progressing and are expected to be completed in 2013 and a ban on the imports of HCFC-22 for use in XPS foam manufacturing is in place. Activities for the servicing sector have been developed with the participation of key stakeholders. As reported by UNEP, strengthening the training centres will ensure the long-term sustainability of the activities proposed in stage I of the HPMP.

RECOMMENDATION

13. The Fund Secretariat recommends that the Executive Committee:

- (a) Takes notes of the progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan of (HPMP) in Mongolia;
- (b) Notes that the Fund Secretariat has updated paragraph 1, Appendices 1-A and 2-A of the Agreement between the Government of the Gambia and the Executive Committee, based on the established HCFC baseline for compliance, and that 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) Notes that the revised starting point for sustained aggregate reduction in HCFC consumption was 1.4 ODP tonnes, calculated using actual consumption of 1.2 ODP tonnes reported for 2009 and 1.5 ODP tonnes reported for 2010, under Article 7 of the Montreal Protocol.

14. The Fund Secretariat further recommends blanket approval of the second tranche of stage I of the HPMP for Mongolia, and the corresponding 2014-2016 implementation plan, at the funding level with associated support costs as 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)	65,000	8,450	UNEP

Annex I

AGREEMENT BETWEEN THE GOVERNMENT OF MONGOLIA 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 Mongolia (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 **0.9** ODP tonnes prior to 1 January 2020 in compliance with Montreal Protocol schedules.

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

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	1.4

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)	n/a	n/a	1.4	1.4	1.3	1.3	1.3	1.3	1.3	0.9	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	1.4	1.4	1.3	1.3	1.3	1.3	1.3	0.9	n/a
2.1	Lead IA UNEP agreed funding(US \$)	65,000	0	65,000	0	0	69,000	0	0	0	37,000	236,000
2.2	Support costs for Lead IA(US \$)	8,450	0	8,450	0	0	8,970	0	0	0	4,810	30,680
2.3	Cooperating IA Japan agreed funding (US \$)	130,000	0	0	0	0	0	0	0	0	0	130,000
2.4	Support costs for Cooperating IA (US \$)	16,900	0	0	0	0	0	0	0	0	0	16,900
3.1	Total agreed funding (US \$)	195,000	0	65,000	0	0	69,000	0	0	0	37,000	366,000
3.2	Total support cost (US \$)	25,350	0	8,450	0	0	8,970	0	0	0	4,810	47,580
3.3	Total agreed costs (US \$)	220,350	0	73,450	0	0	77,970	0	0	0	41,810	413,580
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)											0.5*
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)											0.9

*Additional 0.54 ODP tonnes to be achieved under the investment component