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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-second Meeting
Montreal, 12-16 May 2014

PROJECT PROPOSAL: IRAN (Islamic Republic of)

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

Phase-out

- HCFC phase-out management plan (stage I, third tranche) UNDP/Germany/UNEP/UNIDO

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Iran (Islamic Republic of)

(I) PROJECT TITLE	AGENCY
HCFC phase out plan (Stage I)	Germany, UNDP (lead), UNEP, UNIDO

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2012	376.3 (ODP tonnes)

(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-141b		115.5		94.4					209.9
HCFC-22		1.5		79.3	86.0				166.7

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	380.5	Starting point for sustained aggregate reductions:	380.5
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	101.3	Remaining:	279.2

(V) BUSINESS PLAN		2014	2015	Total
UNIDO	ODS phase-out (ODP tonnes)	0.0	2.7	3.7
	Funding (US $)	0	295,439	404,498
UNDP	ODS phase-out (ODP tonnes)	0.0	4.7	9.5
	Funding (US $)	0	511,625	1,025,277
Germany	ODS phase-out (ODP tonnes)		2.86	2.86
	Funding (US $)		321,326	321,326

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	Total
Montreal Protocol consumption limits			n/a	n/a	380.5	380.5	342.45	342.45	342.45	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	380.5	380.5	342.45	342.45	323.42	n/a
Agreed Funding (US$)	Germany	Project costs	2,063,000	534,233			288,582			2,885,815
		Support costs	234,079	60,617			32,744			327,440
	UNDP	Project costs	2,242,000	1,370,000	477,816		475,930			4,565,746
		Support costs	168,150	102,750	35,836		35,695			342,431
	UNEP	Project costs	262,000							262,000
		Support costs	34,060							34,060
	UNIDO	Project costs	1,300,000	830,000	101,450		274,827	0	0	2,506,277
		Support costs	97,500	62,250	7,609		20,612	0	0	187,971
Funds approved by ExCom (US$)		Project Costs	5,867,000	2,734,233	0	0	0	0	0	8,601,233
		Support Costs	533,789	225,617	0	0	0	0	0	759,406
Total funds requested for approval at this meeting (US$)		Project Costs	0	0	579,266	0	0	0	0	579,266
		Support Costs	0	0	43,445	0	0	0	0	43,445

Secretariat's recommendation:	For individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of the Islamic Republic of Iran, UNDP as the lead implementing agency, has submitted to the 72nd meeting of the Executive Committee a request for funding for the third tranche of stage I of the HCFC phase-out management plan (HPMP)[1] at the amount of US $622,711, consisting of US $477,816, plus agency support costs of US $35,836 for UNDP, and US $101,450, plus agency support costs of US $7,609 for UNIDO, as originally submitted. The submission includes a progress report on the implementation of the second tranche of the HPMP together with the tranche implementation plan for 2014.

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

2. The main activities to be implemented during stage I of the HPMP are: the foam sector plan to eliminate the consumption of 62.7 ODP tonnes of HCFC-141b, the conversion of one air-conditioning manufacturing enterprise to phase out 29.3 ODP tonnes of HCFC-22, and the sector plan for the refrigeration and air-conditioning servicing sector, which is expected to reduce 9.3 ODP tonnes of HCFC-22. The results achieved so far are described below.

Activities in the foam manufacturing sector

3. *Conversion of one systems house (UNDP):* The Memorandum of Agreement (MOA) has been finalized but has not been signed yet by the enterprise, which is exploring low-global warming potential (GWP) technology options that are technically and commercially feasible for its customer enterprises. So far no feasible technology has been identified for the conditions prevailing in the country.

4. *Conversion of 15 enterprises in the rigid polyurethane foam and integral skin subsector (UNIDO):* One enterprise (Gol Asay Sarma, 2.77 ODP tonnes) completed the conversion to hydrocarbon (HC) technology. Three additional enterprises received equipment and will complete installation and commissioning in April 2014, and another three will receive equipment during the third quarter of 2014. One additional enterprise has completed the bidding process, issued purchase order and is expected to receive equipment during the second quarter of 2014. The total aggregated amount of HCFC-141b to be phase out once these seven enterprises are converted is 12.9 ODP tonnes.

5. The current status of the foam industry in the Islamic Republic of Iran can be categorized as follows:

(a) A substantial increase in the consumption of HCFC-141b (from 35.7 ODP tonnes in the baseline years to 72.6 ODP tonnes in 2012 in the three largest local enterprises) used for the manufacturing of insulation foam for domestic refrigerators (as the local production of equipment has increased given that the cost of imported ones has more than tripled) and for the manufacturing of discontinuous panels used in the construction sector;

(b) A decline in the consumption of HCFC-141b used for integral skin foam components for the automobile industry, which is not growing due to import embargos;

(c) The use of cyclopentane-polyol formulations selected by four integral skin foam enterprises included in stage I of the HPMP is currently not technically and economically viable. The use of water-blown technology tested by two integral skin foam enterprises was also unviable. Methyl formate was also considered as a potential technology,

[1] The HPMP for the Islamic Republic of Iran was approved by the Executive Committee at its 63rd meeting to reduce HCFC consumption by 10 per cent of the baseline by 1 January 2015.

however, under the current circumstances in the country, this technology is not yet available; and

(d) After site verification to foam enterprises, it was confirmed that two of them (Yakhchavan[2] with a consumption of 4.6 ODP tonnes of HCFC-141b and Nobough, with a consumption of 3.8 ODP tonnes) included in stage I of the HPMP are non-eligible.

6. Based on the above circumstances, the Government of the Islamic Republic of Iran is proposing, under the flexibility clause of the Agreement, modifications to the activities in the foam manufacturing sector included in stage I of the HPMP as follows:

(a) Defer to stage II of the HPMP conversion of the following four integral skin foam enterprises: Erish Khodro (with a 2012 consumption of 4.4 ODP tonnes of HCFC-141b); Sanat Foam Iran (0.9 ODP tonnes); Royan Polymer Co. (2.6 ODP tonnes); and Zivar Khodro Co. (1.4 ODP tonnes);

(b) Defer to stage II of the HPMP conversion of Homa Sanat, a discontinuous sandwich panels manufacturer, which consumption decreased from a baseline of 0.7 ODP tonnes of HCFC-141b to 0.2 ODP tonnes in 2012;

(c) Include in stage I of the HPMP the conversion of three enterprises manufacturing insulation foam for domestic refrigerators with a total consumption of 72.6 ODP tonnes in 2012 as shown in Table 1[3]; and

Table 1. New foam enterprises to be included in stage I of the HPMP

Enterprise	HCFC-141b consumption (ODP tonnes)				Baseline equipment
	2010	2011	2012	Baseline	
Himalia (1992)	11.6	12.1	13.2	10.7	2 high-pressure (HP) (2003) 2 HP (2006)
Emersun (1992)	36.3	34.1	34.1	18.4	2 HP (1999)
Niksun Sanat Saveh (1993)	20.8	22.4	25.3	6.6	2 Low-pressure (LP) (1994, 1996) 1 HP (2010, non-eligible)
Total	**68.7**	**68.6**	**72.6**	**35.7**	

(d) Reallocate the funds associated with the four integral skin foam (US $840,105) and the discontinuous panels manufacturers (US $150,000) to stage II, and the costs associated with one of the non-eligible enterprises (i.e., Nobough (US $97,172)) to the cost of the conversion of the three new plants.

7. The three new enterprises to be included in stage I of the HPMP are locally owned, were established before the cut-off date, and will convert to cyclopentane technology. Conversions will include installation of storage tanks and handling systems; premixing stations; additional polyol buffer tanks; retrofitting of high-pressure foam machines and replacement of low-pressure foam machines; safety-related equipment for the use of a flammable blowing agent; retrofit of jigs and moulds; civil and electrical works; training, trials, testing and certification; and contingencies. The funding to be reallocated

[2] At its 68th meeting, the Executive Committee decided to deduct the cost associated to Yakhchavan (US $173,550) from the third tranche of stage I of the HPMP (decision 68/26 (a) (ii)).

[3] The three enterprises are second-stage conversions: Emerson received funding at the 28th meeting (IRA/REF/28//INV/42), Himalia received funding at the 31st meeting (IRA/REF/31/INV/69) and Niksun Sanat Saveh received funding under UNDP's component of the CFC national phase-out plan (IRA/PHA/42/INV/165). The three enterprises converted to HCFC-141b.

to these conversions is US $1,087,277 with an impact of 72.6 ODP tonnes. Given the number of productions lines and size of the operation by these enterprises, they have agreed to contribute with a significant level of co-financing.

8. *Conversion of eight enterprises in the continuous panels sector (Government of Germany):* Further to delays that were experienced in the procurement process, equipment for five enterprises has been delivered in March 2014. Installation will take place between April and June 2014. The remaining three enterprises are at different stages of procurement and will complete their conversions during 2014. The total aggregated amount of HCFC-141b to be phase out once these eight enterprises are converted is 30.7 ODP tonnes. The development of the standard for foam manufacturing is underway and expected to be completed before enterprises start to manufacture with HC-based formulations. A foam technology workshop was organized and a Memorandum of Understanding was signed by foam enterprises to form a legally recognised foam association.

Activities in the air-conditioning manufacturing sector (UNDP)

9. The MOA for the implementation of the project for the conversion of one enterprise in the residential air-conditioning manufacturing sector was signed in October 2012. The redesign of products and plant layout to manufacture air-conditioners using HFC-410A was completed in December 2012. Equipment procurement process was finalized by the end of 2013 and the enterprise is expected to commence prototype manufacturing of air-conditioners in April 2014. The project completion is expected by December 2014.

Activities in the refrigeration and air-conditioning servicing sector (Government of Germany and UNEP)

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

(a) Ten supermarkets were selected for demonstration of reductions in HCFC leakage rates. They are receiving monitoring tools to track leakage and refrigerant consumption in their systems, followed by technical assistance to modify the systems to reduce leaks. Logbooks and specific documentation for each condensing unit system were prepared and provided to the supermarkets. Demonstration in one supermarket started in January 2014, where one condensing unit has been modified to create a sealed system;

(b) A workshop on the use of refrigeration and air-conditioning equipment in supermarkets was organized, including leak reduction and improved energy efficiency, good practices in servicing, alternative refrigerants and standards;

(c) The web-based monitoring tool was developed and will formally be introduced on-line when the translation to local language and first test runs are completed;

(d) A three-day train-the-trainer workshop on good practices in refrigeration servicing was conducted in February 2013. A total of 34 trainers from 20 provinces of the country attended this programme who, in turn, will train other technicians; and

(e) The Government of Germany has prepared documentation for leakage control and sealed systems design that has been released in local language as guidelines.

Project implementation and monitoring unit (PMU)

11. The PMU continued to provide support to the National Ozone Unit (NOU) on the implementation of HCFC quotas for the registered and licensed importers, coordination and interaction with beneficiary

enterprises on project implementation and on day-to-day management of the HPMP activities including administration and coordination with other agencies.

Verification report

12. An interim verification report for the year 2013 was submitted subsequent to the tranche request. The report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports and that the total consumption of HCFCs for 2013 was 358.00 ODP tonnes. A final verification report will be produced after the submission of the country programme implementation report in May 2014.

Status of fund disbursement

13. As of March 2014, of the US $8,601,233 approved for the first and second tranches, US $3,950,613 had been disbursed. The balance of US $4,650,620 will be disbursed in 2014 and 2015 (Table 2).

Table 2. Financial report of the first and second tranches of the HPMP for the Islamic Republic of Iran

TRANCHES	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNDP	2,242,000	809,000	1,370,000	658,000	3,612,000	1,467,000
UNIDO	1,300,000	1,239,733	830,000	149,261	2,130,000	1,388,994
Germany	2,063,000	936,830	534,233	54,495	2,597,233	991,325
UNEP	262,000	103,294	0	0	262,000	103,294
Total	5,867,000	3,088,857	2,734,233	861,756	8,601,233	3,950,613
Disbursement rate (%)	53		32		46	

Implementation plan for the third tranche of the HPMP

14. During the third funding tranche of the HPMP, the Government of the Islamic Republic of Iran will continue to enforce the HCFC licensing and quota system, the MOA for the systems house will be signed to start the development of low-GWP polyols formulations, the implementation of the investment project in the air-conditioning manufacturing sector will be completed, and the projects for six foam enterprises in the continuous panels sector and seven foam enterprises in the discontinuous panels sector will also be finalized. If a request for replacement of enterprises in the foam sector is approved by the Executive Committee, conversion of three new projects in the domestic refrigeration sector will start for completion in 2015.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Operational licensing system

15. The Government of the Islamic Republic of Iran has already issued HCFC import quotas for 2013 and 2014 in accordance with the Montreal Protocol control targets.

HCFC consumption and verification

16. The 2009-2013 HCFC consumption in the Islamic Republic of Iran is shown in Table 3. The HCFC consumption in 2012 and the estimated HCFC consumption in 2013 are below the baseline for compliance.

Table 3. HCFC consumption in the Islamic Republic of Iran (Article 7, 2009-2012, 2013 estimated)

HCFC	2009	2010	2011	2012	2013 (*)	Baseline
Metric tonnes						
HCFC-22	2,841.75	3,107.31	3,024.98	3,029.06	2,887.00	2,974.6
HCFC-141b	1,870.90	2,071.54	1,913.72	1,906.46	1,806.00	1,971.2
Total (mt)	**4,712.65**	**5,178.85**	**4,938.70**	**4,935.52**	**4,693.00**	**4,945.8**
ODP tonnes						
HCFC-22	156.30	170.90	166.37	166.60	159.00	163.6
HCFC-141b	205.80	227.87	210.51	209.71	199.00	216.9
Total (ODP tonnes)	**362.10**	**398.80**	**376.88**	**376.31**	**358.00**	**380.5**

* Interim independent verification based on preliminary data for 2013.

Systems house

17. Noting difficulties faced by the systems house USC during the last three years to identify a suitable technology for the Iranian market, the Secretariat requested UNDP to re-evaluate the role of this systems house in stage I and provide a revised project approach and implementation frame that takes into account current local conditions. UNDP is still discussing with the systems house the feasibility of introducing alternative blowing agents at present. Based on the outcomes of the discussions, UNDP would propose an alternative course of action which could possibly include identification of an eligible foam enterprise that can be converted, and postponement of USC to stage II.

Proposal to replace enterprises in the foam sector

Withdrawal of the proposal submitted to the 71st meeting

18. UNIDO's proposal had been submitted to the 71st meeting and withdrawn as it was found upon verification that one of the new proposed enterprises (Ayra Baron) was already being assisted by the Government of Germany. This was not noted initially by UNIDO as the enterprise is also known as Electrosteel. In view of this, a modified proposal is being submitted to the 72nd meeting to include the enterprise Niksun Sanat Saveh instead of Ayra Baron.

19. Bearing in mind the misunderstanding occurred with Ayra Baron/Electrosteel, and the fact that during implementation of the HPMP another two enterprises were found to be non-eligible upon verification, following the Secretariat's request, relevant agencies confirmed that all remaining enterprises being assisted are currently consuming HCFC-141b and are eligible for funding, and provided information on all different names used by each enterprise and the HCFC-141b consumption levels.

New proposal submitted to the 72nd meeting

20. In reviewing UNIDO's proposal to postpone the conversion of five enterprises to stage II and use the associated funds to include three new enterprises in stage I, the Secretariat noted the following:

(a) The conversion of the three new enterprises is more cost-effective than that of the ones being deferred to stage II. The cost-effectiveness of the foam component being implemented by UNIDO would change from US $8.60/kg as originally approved to

US $3.13/kg, taking into account that 88.1 ODP tonnes will be phased out instead of 32.0 ODP tonnes, at the same level of funding;

(b) UNIDO proposes that the US $97,172 associated to Nobough which was found not to be eligible is reallocated to the new eligible enterprises to be included in stage I, noting that Nobough's consumption of 3.8 ODP tonnes will remain deducted from the starting point as the enterprise will be converted to non-HCFC technology with its own resources;

(c) As a result of the larger consumption being addressed in stage I, additional 63.1 ODP tonnes of HCFC-141b will be deducted from the remaining eligible consumption; and

(d) The new proposal would ensure that practically all the eligible domestic refrigeration enterprises receive comparable assistance, thus minimizing distortions in the sector.

21. The revised activities in the foam component being implemented by UNIDO in stage I of the HPMP for the Islamic Republic of Iran are presented in Table 4.

Table 4. Revised activities in UNIDO's foam component in stage I of the HPMP

Subsector	Enterprise	Consumption (ODP tonnes)	Cost US $)
Enterprises currently in implementation*			
Domestic refrigerator	Azar Soozan Tabriz (Silwan)	2.0	
Domestic refrigerator	Gol Asay Sarma	2.6	
Domestic refrigerator	Golbin	1.2	
Domestic refrigerator	Soren Neishaboor	1.3	
Discontinuous panels	Ammut panel	1.1	1,419,000
Discontinuous panels	Paya Telec. Industries Co.	1.4	
Discontinuous panels	Poushesh Fomdare Gharb Co.	2.0	
Discontinuous panels	Parsin Gostar Jonoub Co.	3.9	
Sub-total		**15.5**	
New additional enterprises**			
Refrigeration	Himalia	13.2	390,000
Refrigeration	Emerson	34.1	477,277
Refrigeration	Niksun Sanat Saveh	25.3	220,000
Sub-total		**72.6**	**1,087,277**
Impact revised plan (funded activities)		**88.1**	**2,506,277**
Non-eligible enterprises			
Discontinuous panels	Nobough Sarmayesh Co.	3.8	0
Domestic refrigeration	Yakhchavan Co.	4.6	0
Sub-total non-eligible enterprises		**8.4**	0
Total impact eligible and non-eligible enterprises		**96.5**	**2,506,277**
Enterprises to be postponed to stage II			
Integral skin foam	Erish Khodro	4.4	
Integral skin foam	Sanat Foam Iran	0.9	
Integral skin foam	Royan Polymer Co.	2.6	
Integral skin foam	Zivar Khodro Co.	1.4	
Discontinuous panels	Homa Sanat	0.2	
Total impact enterprises to be postponed to stage II		**9.5**	

*To be finalized by 2014.

**To start implementation with funds from the third tranche.

Second stage conversions analysis

22. As the three enterprises are second-stage conversions, the following analysis was undertaken in line with decision 60/44(b) and 62/16 (Table 5).

Table 5. Second-stage conversions analysis

Description	Impact (ODP)	Funding (US$)	CE (US$/kg)	CE (U$ $/ODPt)
Foam (continuous panels) stage I	24.4	1,725,240	7.78	70.71
Foam (panels) future stages*	37.3		7.78	70.71
Foam (rigid) included in stage I	6.1	377,575	6.81	61.90
Foam (rigid PU others) future stages*	18.4		6.81	61.90
Foam (integral skin) stage I	7.6	840,105	12.16	110.54
Foam (integral skin) future stages*	7.6		12.16	110.54
Foam (discount. panels) stage I	13.9	1,003,175	12.13	110.24
Foam (discount. panels) stage I but found non-eligible – Nobough	3.8	97,172	2.81	25.57
Foam (domestic refrigeration) stage I but found non-eligible – Yakhchavan	4.6	173,550	4.15	37.73
Foam (domestic refr.) stage I	7.2	565,825	8.64	78.59
Foam (domestic refr.) future stages*	3.4		8.64	78.59
XPS Foam (not included)*	2.3		5.23	77.26
Residential air-conditioning stage I	29.3	3,860,246	7.25	131.75
Residential air-conditioning future stages	11		7.25	131.75
Commercial air-conditioning (not included)	1.7		4.50	81.82
Industrial air-conditioning (chillers)*	19.4		4.50	81.82
Commercial refrigeration (future stages)*	39.2		4.50	81.82
Industrial refrigeration (future stages)*	9.9		4.50	81.82
Transport refrigeration(future stages)*	0.6		4.50	81.82
Foam (domestic refrigeration) added to stage I - 2nd stage (Himalia)	10.7	390,000	3.25	29.54(**)
Foam (domestic refrigeration) added to stage I - 2nd stage (Emerson)	18.4	477,277	1.53	13.99(**)
Foam (domestic refrigeration) added to stage I - 2nd stage (Niksun Sanat Saveh)	18.7	220,000	1.46	8.69(**)
Total manufacturing	**295.4**			
Servicing	85.2			
Total baseline	**380.5**			

*Estimated.
**Cost effectiveness calculated based on 2012 consumption.

23. Based on Table 5, it is concluded that although the second-stage conversions are not required to achieve the 35 per cent reduction target, they are the most cost-effective activities in ODP tonnes that can be carried out in the manufacturing sector in the Islamic Republic of Iran. Therefore, in accordance with existing policies, these enterprises would be eligible for total incremental cost funding.

Commitment to reduce HCFC consumption from the baseline

24. Stage I of the HPMP for the Islamic Republic of Iran was approved at the 63rd meeting to meet the 10 per cent reduction of the HCFC baseline by 1 January 2015. The activities approved under stage I had HCFC consumption reductions for 101.3 ODP tonnes (26 per cent of the baseline). With the revised foam sector plan proposed by UNIDO, funded activities would reduce 164.4 ODP tonnes, which corresponds to 43.2 per cent of the baseline. Taking this into account and keeping in mind the timeline

associated with project implementation, the Government commits to reduce its HCFC consumption by 15 per cent of the baseline by 1 January 2017.

Revision to the Agreement of the HPMP

25. Based on the revised foam sector plan submitted by UNIDO, the relevant paragraphs and appendices of the Agreement have been updated, and a new paragraph 16 has been added to indicate that the updated Agreement supersedes that reached at the 68th meeting, as shown in Annex I to this document. The full revised Agreement will be appended to the final report of the 72nd meeting.

Conclusion

26. The Secretariat notes that the implementation of the HPMP for the Islamic Republic of Iran is progressing. The investment projects in the air-conditioning and foam manufacturing sectors continue to be implemented for completion in 2014, and activities in the refrigeration servicing sector continue to be implemented as planned. Although the systems house project has encountered difficulties with the selection of a low-GWP technology, the conversion will assist foam enterprises during stage II. The level of disbursement from the second tranche was above 20 per cent at the time of submission.

27. The Government is requesting approval of a proposal to replace five eligible enterprises in the integral skin and discontinuous panels foam sector by three enterprises in the domestic refrigeration sector at the same cost but with a larger amount of HCFC to be phased out. The cost allocated to one enterprise found non-eligible would also be reallocated to the new enterprises. In addition, the proposal results in a more cost-effective plan, larger HCFC reductions and a commitment by the Government to reduce HCFC consumption by 15 per cent of the baseline by 1 January 2017.

28. A final verification will be submitted within the next months. Taking into account that a verification of 2013 consumption is a precondition to funding for tranches in 2014, but also that the present tranche request was originally submitted to the 70th and the 71st meetings in 2013, that the change to two Executive Committee meetings placed the first meeting of the year just after 1 May giving limited time for a complete verification of 2013 data, and that no additional foam projects could start without the approval of the tranche, the Secretariat suggests to approve the tranche on the understanding that the funds will not be transferred to UNDP and UNIDO until the Secretariat has received a verification report confirming that in 2013 the Government of the Islamic Republic of Iran was in compliance with the Montreal Protocol and the Agreement between the Government and the Executive Committee.

RECOMMENDATION

29. The Executive Committee may wish to consider:

(a) Noting:

(i) The progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan (HPMP) in the Islamic Republic of Iran;

(ii) The change in the foam sector plan proposed by UNIDO and that the amount of US $97,127 associated to one non-eligible foam enterprise (Nobough) will be reallocated to the three new eligible enterprises manufacturing insulation foam for domestic refrigerators added to stage I, but its tonnage reduction (3.8 ODP tonnes) will continue to be deducted from the starting point;

(iii) That the Government of the Islamic Republic of Iran commits to reduce its HCFC consumption by 15 per cent of the baseline by 1 January 2017;

(iv) That the Fund Secretariat had updated paragraph 1, Appendix 2-A of the Agreement between the Government of the Islamic Republic of Iran and the Executive Committee, based on the revised sector plan submitted by UNIDO, and that a new paragraph 16 had been added to indicate that the updated Agreement superseded that reached at the 68th meeting, as contained in Annex I to the present document;

(b) Deducting additional 63.1 ODP tonnes from the remaining eligible consumption; and

(c) Approving the third tranche of stage I of the HPMP for the Islamic Republic of Iran, and the corresponding 2014 tranche implementation plan, at the amount of US $622,711, consisting of US $477,816 plus agency support costs of US $35,836 for UNDP, and US $101,450, plus agency support costs of US $7,609 for UNIDO, on the understanding that the approved funds will not be transferred to UNDP and UNIDO until the Secretariat has received a verification report confirming that the Government of the Islamic Republic of Iran was in compliance with the Montreal Protocol and the Agreement between the Government and the Executive Committee.

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Annex I

TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF IRAN AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

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

1. This Agreement represents the understanding of the Government of the Islamic Republic of Iran (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 **323.42** ODP tonnes by 1 January 2017 in compliance with Montreal Protocol schedules.

16. This updated Agreement supersedes the Agreement reached between the Government of the Islamic Republic of Iran and the Executive Committee at the 68th meeting of the Executive Committee.

APPENDIX 2-A: THE TARGETS, AND FUNDING

		2011	2012	2013	2014	2015	2016	2017	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes) *	n/a	n/a	380.5	380.5	342.45	**342.45**	**342.45**	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	380.5	380.5	342.45	**342.45**	**323.42**	n/a
2.1	Lead IA UNDP agreed funding(US $)	2,242,000	1,370,000	477,816	0	475,930	0	0	4,565,746
2.2	Support costs for Lead IA(US $)	168,150	102,750	35,836	0	35,695	0	0	342,431
2.3	Cooperating IA UNEP agreed funding (US $)	262,000	0	0	0	0	0	0	262,000
2.4	Support costs for Cooperating IA (US $)	34,060	0	0	0	0	0	0	34,060
2.5	Cooperating IA UNIDO agreed funding (US $)	1,300,000	830,000	101,450		274,827	0	0	2,506,277
2.6	Support costs for Cooperating IA (US $)	97,500	62,250	7,609		20,612	0	0	187,971
2.7	Cooperating agency Germany agreed funding (US $)	2,063,000	534,233	0	0	288,582	0	0	2,885,815
2.8	Support costs for Cooperating agency (US $)	234,079	60,617	0	0	32,744	0	0	327,440
3.1	Total agreed funding (US $)	5,867,000	2,734,233	579,266	0	1,039,339	0	0	10,219,838
3.2	Total support cost (US $)	533,789	225,617	43,445	0	89,051	0	0	891,902
3.3	Total agreed costs (US $)	6,400,789	2,959,850			1,128,390			11,111,740
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)								38.6
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)								-
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)								125.0
4.2.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)								**125.8**
4.2.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)								-
4.2.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)								**91.1**