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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: KENYA

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) France

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**Kenya**

(I) PROJECT TITLE	AGENCY
HCFC phase out plan (Stage I)	France (lead)

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2012	42.35 (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	Serviceing				
HCFC-22					42.4				42.4

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	52.2	Starting point for sustained aggregate reductions:	52.2
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	11.00	Remaining:	41.20

(V) BUSINESS PLAN		2014	2015	2016	2017	Total
France	ODS phase-out (ODP tonnes)	2.4	2.2	2.2	1.1	7.9
	Funding (US \$)	224,222	197,596	197,596	100,900	720,314

(VI) PROJECT DATA			2012	2013	2014	2015	2016	2017	Total
Montreal Protocol consumption limits			n/a	52.20	52.20	46.98	46.98	46.98	n/a
Maximum allowable consumption (ODP tonnes)			n/a	52.20	52.20	46.98	46.98	41.20	n/a
Agreed Funding (US\$)	France	Project costs	257,500		200,000	176,250	176,250	90,000	900,000
		Support costs	31,186		24,222	21,346	21,346	10,900	109,000
Funds approved by ExCom (US\$)		Project Costs	257,500	0	0	0	0	0	257,500
		Support Costs	31,186	0	0	0	0	0	31,186
Total funds requested for approval at this meeting (US\$)		Project Costs	0	0	200,000	0	0	0	200,000
		Support Costs	0	0	24,222	0	0	0	24,222

Secretariat's recommendation:	For blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Kenya, the Government of France, as the designated implementing agency, has submitted to the 72nd meeting of the Executive Committee a request for funding of the second tranche of stage I of the HCFC phase-out management plan (HPMP)¹ at the amount of US \$200,000, plus agency support costs of US \$24,222. The submission includes a progress report on the implementation of the first tranche of the HPMP, together with the tranche implementation plan for 2014.

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

2. The Government of Kenya ratified the Beijing Amendment in October 2013. The results achieved so far under stage I of the HPMP for Kenya are summarized below.

- (a) *ODS legislation:* Kenya has established an HCFC import/export licensing and quota system. The National Environmental Management Authority (NEMA) is responsible for issuing licenses and enforcing the ODS regulations in collaboration with the Customs Service Department and other Government agencies;
- (b) *HCFC stakeholders' workshop:* The National Ozone Unit (NOU) conducted a stakeholders' workshop to create awareness regarding HCFC-22 control measures and inform about the ODS regulations, procedures to obtain a license to import HCFCs, and penalties for non-compliance with ODS regulations;
- (c) *Strengthening of the enforcement agency:* Together with the NOU and the Kenya Revenue Authority (KRA), NEMA has focused on improving enforcement of the licensing system, registering importers and ensuring that licenses are issued as per the limits established under the HPMP. It has also collected import data for 2012 directly from importers, and compared it with data available at customs to determine discrepancies. Incentives have been given to officers who apprehend illegal consignments;
- (d) *Training of customs officers:* One customs training workshop was conducted in Mombasa in February 2013 to provide 32 customs and NEMA officers with the necessary skills to monitor and control trade of HCFCs and other ODS. Four ODS identifiers were provided to assist in the enforcement at the borders;
- (e) *Training of refrigeration servicing trainers and technicians:* Three lecturers from different training institutes were trained in Mauritius as trainers on the safe use of hydrocarbon (HC) refrigerants. Over 100 refrigeration servicing technicians have been trained in best practices and safe use of HCs in different regions of the country. Seven recovery units will be purchased for distribution to the servicing sector as a trial test to determine the interest, need and willingness of the industry to contribute towards such equipment; and

¹The HPMP for Kenya was approved by the Executive Committee at its 66th meeting to meet the 21.1 per cent reduction in HCFC consumption by 1 January 2017.

- (f) *Awareness activities:* Several public awareness activities have been carried out, mainly through the local newspaper, with the aim of informing about regulatory enforcements and supporting the HCFC phase-out in the refrigeration servicing sector.
- (g) *Project management unit:* The unit assisted the NOU in implementing the HPMP by facilitating engagement of trainers, procurement of material, supporting the organization of activities, advertising and liaising with the industry and other stakeholders.

Status of fund disbursement

3. As of December 2013, of the US \$257,500 approved for the first tranche, US \$204,201 had been disbursed (79 per cent). The balance of US \$53,299 (21 per cent) will be disbursed in 2014.

Implementation plan for the second tranche of the HPMP

4. The main activities to be implemented during the second tranche of stage I of the HPMP include:
- (a) *ODS legislation:* Further assistance to NEMA to improve enforcement of the licensing and import/export controls and to include in the ODS regulations certification of trained refrigeration service technicians and workshops; four training sessions for customs officers and other law enforcement bodies on the HCFC control measures and the identification of refrigerants; integration of ODS issues into the KRA's training curriculum, and improvements in the use of the Harmonized System (HS) codes by the KRA's system for controlling imports;
 - (b) *Refrigeration servicing sector:* Nine additional training workshops on good servicing practices and on safe handling of HCs, with the certification of at least 180 refrigeration service technicians; procurement of an estimated 10 additional portable recovery units following distribution of the units purchased in the first tranche; and pilot scale incentive scheme to explore replacement technology options for HCFCs in small air-conditioning units, in cooperation with suppliers of HC-based units;
 - (c) *Awareness activities:* At least two stakeholder meetings involving importers, distributors, end-users and the engineers' association to ensure awareness of HCFC phase-out schedules, and involvement in the implementation of the HPMP; and public awareness on ozone issues; and
 - (d) *Project management unit:* Continued support to the NOU in the implementation of planned activities and ensuring that the targets set under the second tranche are achieved.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Operational licensing system

5. 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 the country's compliance with the Montreal Protocol's HCFC phase-out schedule.

6. In consultation with the NOU, NEMA analyses all requests for licenses and import quantities received against the maximum allowable consumption established in the HPMP. If the requested quantities are found to exceed the total import limits, the excess is reduced from the larger requests. NEMA works with KRA to monitor the actual imports entering the country by cross checking actual imports against the issued licenses. This remains an issue at present as it appears that not all imports are being properly recorded in the KRA's data management system (SIMBA).

7. In 2013, 36 enterprises applied for licenses to import HCFCs. The total amount of HCFCs for which licenses were approved was approximately 900 mt and actual reported imports against these licenses appear to be lower. The licenses for 2014 have been issued to four enterprises so far.

HCFC consumption

Table 1. HCFC consumption in Kenya (2008-2012 Article 7, 2013 estimated)

Substance	2008	2009	2010	2011	2012	2013*	Baseline
Metric tonnes (mt)							
HCFC-22	991.2	995.0	901.3	884.00	770.00	507.80	948.15
HCFC-141b	30.0						
Total Article 7 data (mt)	1,021.2	995.0	901.3	884.00	770.00	507.80	948.15
ODP tonnes							
HCFC-22	54.5	54.7	49.6	48.62	42.35	27.93	52.2
HCFC-141b	3.3						
Total Article 7 ODP tonnes	57.8	54.7	49.6	48.62	42.35	27.93	52.2

* Preliminary data from the verification report.

8. As shown in Table 1, the consumption of HCFC-22 has been decreasing for the last three years. In 2012, Kenya consumed 42.35 ODP tonnes, which is already below the maximum allowed consumption of 46.93 in 2015 and close to the 2017 target for stage I of 41.15 ODP tonnes. The reductions in HCFC consumption since 2008 have been explained by possible use of HCFC in stockpile, a progressive replacement of HCFC-based equipment installed, mostly by equipment operating with HFC and HFC-blends, and a conscious effort to reduce the use of HCFC-22 for flushing during servicing, promoted by the HPMP. The Government of France considered that this change in practice will be sustained as the local prices of HCFC-22 rise, with more controls on imports coming into place. Vocational institutes are also training future technicians to use nitrogen for this purpose rather than HCFC-22.

Technical issues

9. With regard to the long-term sustainability of the training programme for technicians, the Secretariat enquired about the status of signing of the Memorandums of Understanding (MOUs) with training institutes to ensure the target of 2,800 technicians trained during stage I. The Government of France indicated that the MOUs have been drafted but not signed yet by the Ministry of Environment, Water and Natural Resources and the institutions. Therefore, the additional training given by the institutes will only start in 2014. Despite this, trainers are already providing training on best practices and safe use of HCs. On average, each institution has between 15 and 30 graduates per year as well as part time courses with 20 to 30 technicians. The Government of Kenya expects that the target of number of technicians trained directly or indirectly will be achieved.

10. The Secretariat followed up on specific activities being implemented to address the issue of a large number of individuals with no training who provide occasional servicing to refrigeration and air-conditioning equipment, resulting in large emissions of refrigerant. The Government of France explained that train-the-trainers courses have been completed for 11 local institutions, which have already conducted training of local technicians. Trainers will also take training equipment to smaller centres to reach more technicians. A code of practice is also being developed and will be part of the training. The

certification process is being done through local institutions and the NOU, with the NOU keeping a database of trained technicians who must undergo an assessment test before obtaining certification.

11. In order to address the increasing presence of HFC-based equipment on the market, the Government of France also clarified that the recovery units are suitable for dealing with HFC-410a as well as other refrigerants. The training programme covers good practices for all refrigerants, focusing on leak prevention as one of the most important issues and safety considerations when dealing with flammable refrigerants.

12. The Secretariat noted the efforts to encourage the import of HC-290-based air-conditioning systems, and discussed with the Government of France on the main economic, technical and regulatory challenges associated with this technology. While HC-290-based air-conditioning equipment has so far not been brought to Kenya through the project, an Indian manufacturing enterprise is planning to introduce them. The HPMP goal is to ensure technical know-how for handling such units by the time they enter the market. The Government of France indicated that efforts are focusing on adopting the code of practice to ensure that safety considerations are followed by technicians. The NOU, in cooperation with the Kenya Bureau of Standards, is exploring the best way to make such code of practice a possible standard in the country. Training on safe use of HCs is also being conducted. The incentive scheme will identify suitable beneficiaries for HC-290-based units to support the efforts of any manufacturer interested in supplying such equipment to Kenya. A few local enterprises are importing HC-290 into the country to service commercial refrigeration equipment (display units) already available in Kenya. The Secretariat noted that price is still a significant barrier as the price of HC-290 is still almost four times that of HCFC-22 and one and a half times that of HFC-410A.

13. The Government of France also indicated that one of the main suppliers of commercial refrigeration equipment for supermarkets and bottlers in the country is planning to introduce CO₂-based equipment and is currently discussing with clients the installation of some units in supermarkets. The enterprise has already trained its technicians in CO₂ technology. The NOU has contacted this enterprise to assist in promoting natural technologies in the country through the HPMP.

Verification

14. The Government of France submitted an independent verification of 2012 consumption and the preliminary 2013 consumption figure in Kenya. The verification concluded that Kenya is committed to HCFC phase-out. The country's ODS regulations and licensing quota system have improved and will lead to the reduction of HCFC-22 consumption. However, there are still enforcement challenges, including the need to reduce data discrepancies through improved data sharing between NEMA and the Customs Service Department; to improve the use of the HS customs code; to improve the SIMBA; and to train the officers at the Customs Services Department of KRA. Joint work between the NOU and NEMA with importers is also required to enhance accuracy on HCFC imports, intended use and destination.

15. The Secretariat and the Government of France discussed these issues and agreed that, while the licensing and quota system are operational and have ensured compliance for 2013, it is urgent to continue addressing the issues identified in the verification report. The Secretariat suggested that the approval of the next tranche would be subject to achieving the improvements highlighted in the report.

Conclusion

16. In view of activities underway, the fact that the estimated consumption of HCFCs of 27.9 ODP tonnes in 2013 is 19.1 ODP tonnes below the allowable consumption for 2015; the operational licensing and quota system in place; the reasonable progress achieved during the first tranche; and the large level of disbursement (79 per cent), the Secretariat recommends approval of the funding for the second tranche,

on the understanding that further funding will be subject to the Government of Kenya having addressed the improvements in the licensing and quota system highlighted in the verification report.

RECOMMENDATION

17. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the first tranche of stage I of the HCFC phase-out management plan (HPMP) for Kenya; and further recommends blanket approval of the second tranche of stage I of the HPMP for Kenya, and the corresponding 2014 tranche implementation plan, with associated support costs at the funding level shown in the table below, on the understanding that approval of further funding will be subject to satisfactorily addressing the issues on the licensing and quota system identified in the verification report.

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	HCFC phase-out management plan (stage I second tranche)	200,000	24,222	France
