



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/74/26
16 April 2015

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fourth Meeting
Montreal, 18-22 May 2015

PROJECT PROPOSAL: COSTA RICA

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

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Costa Rica

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	UNDP (lead)	64 th	35% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2013	12.6 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2013	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123					0.1				0.1
HCFC-124					0.0				0.0
HCFC-141b					2.6				2.6
HCFC-141b in imported pre-blended polyol					0.0				0.0
HCFC-142b					0.2				0.2
HCFC-22					10.0				10.0

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	14.1	Starting point for sustained aggregate reductions:	32.21
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	18.93	Remaining:	13.28

(V) BUSINESS PLAN		2015	2016	2017	2018	2019	Total
UNDP	ODS phase-out (ODP tonnes)	1.0	0.0	1.7	0.0	0.9	3.7
	Funding (US \$)	66,650	0	113,950	0	60,200	240,800

(VI) PROJECT DATA		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Montreal Protocol consumption limits		n/a	n/a	14.10	14.10	12.69	12.69	12.69	12.69	12.69	9.17	12.69
Maximum allowable consumption (ODP tonnes)		n/a	n/a	14.10	14.10	12.69	12.69	12.69	12.69	12.69	9.17	12.69
Agreed funding (US\$)	UNDP Project costs	761,523	0	168,000	0	62,000	0	106,000	0	56,000	0	1,153,523
	Support costs	57,114	0	12,600	0	4,650	0	7,950	0	4,200	0	86,514
Funds approved by ExCom (US\$)	Project costs	761,523	0	168,000	0	0.0	0	0	0	0	0	929,523
	Support costs	57,114	0	12,600	0	0.0	0	0	0	0	0	69,714
Total funds requested for approval at this meeting (US\$)	Project costs	0	0	0	0	62,000	0	0	0	0	0	62,000
	Support costs	0	0	0	0	4,650	0	0	0	0	0	4,650

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Costa Rica, UNDP as the designated implementing agency, has submitted to the 74th meeting a request for funding for the third tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$62,000, plus agency support costs of US \$4,650. The submission includes a progress report on the implementation of the second tranche and the tranche implementation plan for 2015 to 2017.

Report on HCFC consumption

HCFC consumption

2. The Government of Costa Rica reported an estimated consumption of 12.59 ODP tonnes of HCFC in 2014. The 2010-2014 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Costa Rica (2010-2014 Article 7 data)

HCFC	2010	2011	2012	2013	2014*	Baseline
Metric tonnes						
HCFC-22	170.95	338.62	308.67	178.161	178.27	181.88
HCFC-123	0.00	0.06	0.54	2.78	2.90	0.35
HCFC-124	1.95	0.00	2.31	0.83	0.90	3.95
HCFC-141b	36.89	28.43	48.62	23.41	23.14	32.58
HCFC-142b	7.15	0.00	9.36	2.42	2.43	6.17
Total HCFCs (mt)	216.94	367.11	369.5	207.601	207.64	216.94
HCFC-141b in imported pre-blended polyols	161.56	170.00	0.00	0.00	0.00	164.61**
ODP tonnes						
HCFC-22	9.40	18.62	16.98	9.80	9.80	10.00
HCFC-123	0.00	0.00	0.01	0.06	0.06	0.01
HCFC-124	0.04	0.00	0.05	0.02	0.02	0.09
HCFC-141b	4.06	3.13	5.35	2.58	2.55	3.58
HCFC-142b	0.46	0.00	0.61	0.16	0.16	0.40
Total HCFCs (ODP tonnes)	13.96	21.75	23	12.62	12.59	14.08
HCFC-141b in imported pre-blended polyols`	17.77	18.70	0.00	0.00	0.00	18.11**

*Estimated 2014 consumption, neither Article 7 data nor country programme data submitted

**Average consumption 2007-2009

3. The reported HCFC data for 2013 showed a 10 per cent reduction from the baseline of Costa Rica. The estimated data for 2014, which is based on the licensing system, shows a similar consumption, but needs to be verified with data from the Customs department. Since 2012, there has been no import of pre-blended polyols based on HCFC-141b. The decrease in consumption between 2012 and 2013 is explained through the strict implementation of the quota system and the reduction, by over 50 per cent, of the consumption of HCFC-141b after 2012.

Country programme (CP) implementation report

4. The Government of Costa Rica reported sector HCFC consumption data for 2013 under CP implementation report which is consistent with the data reported under Article 7. The 2014 CP data report is due by 1 May 2015.

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

Legal framework

5. The Government of Costa Rica's import/export licensing system, covering HCFCs, has been in force since 2010, and the quota system has been operational since 2013. During the implementation of the

previous tranches, the Directorate General of Customs and the national ozone unit (NOU) developed an online system to facilitate and strengthen monitoring of HCFC imports. This system provides a mechanism through which import permits issued by the Ministry of the Environment (MINAE) could be cross-checked and monitored online by the customs office. Applications for import permits can also be done online and will allow the Government to regularly review the quota system and make adjustments as necessary to sustain compliance with Montreal Protocol measures.

6. Training was provided for over 220 users of the customs data system in order to fully implement the online monitoring system.

Manufacturing sector

7. Stage I of the HPMP included the conversion of Atlas Industrial, SA, a subsidiary of Mabe, and the leading manufacturer of domestic refrigeration equipment and the largest consumer of HCFC-141b contained in imported pre-blended polyols in the country. The enterprise converted to the use of cyclopentane as a blowing agent for polyurethane insulation foam. The project was completed in July 2013, and the handover protocol was completed in September 2013, resulting in the phase-out of 14 ODP tonnes of HCFC-141b contained in imported pre-blended polyols. UNDP reported that no major challenges were faced during the implementation of the project.

Refrigeration servicing sector

8. The focus of the Government was to improve the capacities of national institutions for training for service technicians, through the completion of a new good practices curriculum that would become part of the courses offered by the national training institute (INA). Such specialized courses will be available from 2015 onwards. INA also worked closely with a technical institute based in Colombia (National Apprenticeship Service, SENA), that specializes in industrial refrigeration and air-conditioning (RAC), to finalize curriculum requirements, assess instructional needs, and train teachers/professors. In 2014, 17 INA instructors received training certification of from SENA. In partnership with a training institution based in Brazil, a course on the use of ammonia as a refrigerant is currently in development.

9. In order to strengthen the capacity for HCFC recovery and reuse, five recovery units, ten 30-pound and one 1000-pound cylinders were purchased and distributed to the technical training institutes.

Project implementation and monitoring unit (PMU)

10. Project management and monitoring of the HPMP is done through the NOU, with the support of an inter-agency commission led by the Department of Environment and other agencies that are responsible for meeting compliance with the Montreal Protocol. The commission provides guidance to the NOU for its work schedule related to HPMP implementation, and allocation of tasks and responsibilities. The NOU leads interaction with stakeholders on project implementation, information outreach and day-to-day management of HPMP activities.

Level of fund disbursement

11. As of March 2015, of the US \$929,523 so far approved, US \$801,769 (86 per cent) had been disbursed. The disbursement rate for the second tranche was reported at 39 per cent of the approval (US \$66,998 out of US \$168,000). The balance of US \$127,754 will be disbursed in 2015.

Implementation plan for the third tranche of the HPMP

12. During the third funding tranche of the HPMP, the following activities will be implemented:
- (a) Strengthen the capacity of service technicians by integrating good practices training to the curriculum of training institutes, promote the use of natural refrigerants, strengthen the refrigeration association, continue technician training through the national training institute, and complete the technician certification process (US \$50,000);
 - (b) Train additional 125 customs officers on the new online licensing system (US \$4,500);
 - (c) Complete the development of a system of eco-labelling for energy-efficient RAC equipment by having at least four types of systems certified and getting the commitment of four companies to import eco-efficient equipment (US \$5,000); and
 - (d) Technical assistance to project activities (PMU) (US \$2,500).
13. Funds remaining from the previous tranche will be used to develop a system of managing unwanted ODS, including HCFCs, which was part of the stage I plan for Costa Rica.

SECRETARIAT'S COMMENTS AND RECOMMENDATION**COMMENTS**Progress report on the implementation of the second tranche of the HPMP*Legal framework*

14. The Government of Costa Rica has issued HCFC import quotas for 2015 at 11.29 ODP tonnes, lower than the maximum allowable consumption under the Montreal Protocol (12.89 ODP tonnes), and the Agreement between the Government and the Executive Committee.

Refrigeration servicing sector

15. The Government believes that activities to develop new curricula with specialized training topics on industrial RAC, in collaboration with INA, will ensure the sustainability of these trainings even after the HPMP funding is exhausted. The goal of the new curricula is to equip the institutions, and train trainers and professors so that they are able to provide affordable training and certification to RAC technicians. Once stage I of the HPMP is completed, the training institutions will be responsible for the maintenance of the equipment that was provided to them.

16. The Secretariat also noted that the training programmes/courses currently being developed focus on the use of natural refrigerants, particularly ammonia and other similar refrigerants. UNDP indicated that it will ensure that the use of these substances, as well as the servicing of equipment, will strictly adhere to standards of safety.

17. With regard to the use of HCFC-141b for cleaning systems in the refrigeration sector, UNDP confirmed that assistance is being provided to technicians to help them identify possible alternatives for flushing, some of which are available in the region. This issue is being addressed in the training material that will be integrated with the national training centre.

Conclusion

18. The Secretariat noted that Costa Rica was in compliance with the Montreal Protocol in 2013 and that the estimated consumption of HCFCs in 2014 was below the allowable consumption for that year, and continued, with progress, its activities planned under stage I. The country has an operation licensing system (supported by an online system), which will further increase monitoring of the quota system, and sustain compliance. The investment project for Atlas Industrial, SA has been completed and has phased out 14 ODP tonnes of HCFC-141b contained in imported pre-blended polyols. The overall level of disbursement is 86 per cent. Therefore, the conditions for release of the third tranche have been met.

RECOMMENDATION

19. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan of (HPMP) for Costa Rica; and further recommends blanket approval of the third tranche of stage I of the HPMP for Costa Rica, and the corresponding 2015-2017 tranche implementation plan, at the funding level shown in the table below, on the understanding that if Costa Rica were to decide to proceed with retrofits and associated servicing to flammable and toxic refrigerants in refrigeration and air-conditioning equipment originally designed for non-flammable substances, it would do so assuming all associated responsibilities and risks and only in accordance with the relevant standards and protocols:

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, third tranche)	62,000	4,650	UNDP
