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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fifth Meeting
Montreal, 16-20 November 2015

PROJECT PROPOSAL: NEPAL

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, second tranche) UNEP and UNDP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Nepal

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	UNDP, UNEP (lead)	62 nd	35% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2014	0.83 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2014	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.8				0.83

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	1.10	Starting point for sustained aggregate reductions:	1.27
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.64	Remaining:	0.63

(V) BUSINESS PLAN		2014	2015	2016	2017	2018	2019	2020	Total
UNDP	ODS phase-out (ODP tonnes)		0.1	0.0	0.0	0.0	0.0	0.0	0.1
	Funding (US \$)		36,624	0	0	0	0	9,156	45,780
UNEP	ODS phase-out (ODP tonnes)		0.2					0.0	0.2
	Funding (US \$)		56,952					14,238	71,190

(VI) PROJECT DATA		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	
Montreal Protocol consumption limits		n/a	n/a	1.1	1.1	1.0	1.0	1.0	1.0	1.0	0.7	n/a	
Maximum allowable consumption (ODP tonnes)		n/a	n/a	1.1	1.1	1.0	1.0	1.0	1.0	1.0	0.7	n/a	
Agreed funding (US\$)	UNDP	Project costs	0	42,000	0	0	33,600	0	0	0	0	8,400	84,000
		Support costs	0	3,780	0	0	3,024	0	0	0	0	756	7,560
	UNEP	Project costs	0	63,000	0	0	50,400	0	0	0	0	12,600	126,000
		Support costs	0	8,190	0	0	6,552	0	0	0	0	1,638	16,380
Funds approved by ExCom (US\$)	Project costs	0	105,000	0	0	0	0	0	0	0	0	105,000	
	Support costs	0	11,970	0	0	0	0	0	0	0	0	11,970	
Total funds requested for approval at this meeting (US\$)	Project costs	0	0	0	0	50,400	0	0	0	0	0	50,400	
	Support costs	0	0	0	0	6,552	0	0	0	0	0	6,552	

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Nepal, UNEP as the lead implementing agency, has submitted to the 75th meeting a request for funding for the second tranche of stage I of the HCFC phase-out management plan (HPMP), at a total cost of US \$93,576, consisting of US \$50,400, plus agency support costs of US \$6,552 for UNEP, and US \$33,600, plus agency support costs of US \$3,024 for UNDP. The submission includes a progress report on the implementation of the first tranche, and the tranche implementation plan for 2015 to 2019.

Report on HCFC consumption

HCFC consumption

2. The Government of Nepal reported a consumption of 0.83 ODP tonnes of HCFC in 2014. The 2010-2014 HCFC consumption is shown in Table 1.

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

HCFC-22	2010	2011	2012	2013	2014	Baseline
Metric tonnes	20.0	20.0	13.50	12.00	15.0	23.0
ODP tonnes	1.10	1.10	0.74	0.66	0.83	1.1

3. A slight increase in the consumption between 2013 and 2014 was due to some stockpiling by the few importers before the next control measure effective in 2015. Measures in place to control this growth include reduction in the allowed import quantity for each importer (i.e., decreased from 5 mt to 2 mt per year), and enforcement of the quota system.

Country programme (CP) implementation report

4. The Government reported HCFC sector consumption data under the 2014 CP implementation report, which is consistent with the data reported under Article 7 for that year.

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

5. Stage I of the HPMP for Nepal was approved in principle at the 62nd meeting but funding was released only at the 66th meeting when the country ratified the Copenhagen Amendment¹. The work plan has been revised to be consistent with the later disbursement.

Legal framework

6. The Government implemented a licensing and quota system for HCFCs through the Ozone Depleting Substance Consumption (Control) Rules promulgated in 2001. The regulations require all HCFC importers to comply with the quota monitoring and reporting requirements. The import quota is regulated by the Ministry of Science, Technology and Environment (MSTE). At present, Nepal allocates 85 per cent of its maximum allowable consumption as the annual quota for HCFCs; the balance is set aside as a buffer. The Government has also enforced a maximum quota for each importer at 2 mt.

7. The Government issued a policy to ban the import of HCFC-based equipment which will be enforced in January 2017.

¹ Decisions 62/53 and 66/38

8. Two enforcement training sessions had been conducted for a total of 60 customs officers, policy and media personnel. A manual on the national regulations and import and exporting licensing system was published in 2013 and amended in 2015.

Refrigeration servicing sector

9. An implementation plan for the recovery and reuse of HCFCs was finalized in April 2015; procurement of one reclamation machine, 30 two-stage vacuum pumps and 30 four-way gage manifolds by UNDP was delayed due to the earthquakes in Nepal in April and May 2015 and a change in procurement approach.

10. Seven good servicing practice training workshops for 217 technicians were held between 2012 and 2015.

Project implementation and monitoring unit (PMU)

11. The project implementation and monitoring unit was operational as of 2012 and is managed by the national ozone unit (NOU). The earthquakes in April and May 2015 caused structural damage to the NOU office slowing implementation of some activities of the HPMP. The implementation of activities is being coordinated by the NOU with the Joint UNEP/UN-Office for the Coordination of Humanitarian Affairs (OCHA) disaster management teams.

Level of fund disbursement

12. As of September 2015, of the US \$105,000 so far approved, US \$45,500 (43 per cent) had been disbursed (US \$37,500 for UNEP and US \$8,000 for UNDP). The balance of US \$59,500 will be disbursed in 2015-2016.

Implementation plan for the second tranche of the HPMP

13. The second funding tranche of the HPMP will be implemented between January 2016 and December 2019, and the following activities will be implemented:

- (a) Policy and enforcement training workshops and implementation of a streamlined HCFC quota system (UNEP) (US \$9,500);
- (b) Two training sessions for 200 technicians on good practices in refrigeration and air-conditioning (UNEP) (US \$11,900);
- (c) Implementation of pilot retrofit incentive support for end-users to low-global warming potential (GWP) alternatives yet to be decided, and the HCFC reuse programme and demonstration and experience sharing on replacing R-22-based refrigeration equipment (UNDP) (US \$23,600);
- (d) Procurement of additional recovery and reclamation equipment (UNDP) (US \$10,000);
- (e) Awareness raising activities including contributions to a media campaign, and production and distribution of information materials (UNEP) (US \$14,000); and
- (f) Project management, coordination and monitoring activities (UNEP) (US \$15,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

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

Legal framework

14. 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 2015 has been established based on 85 per cent of the maximum allowable consumption under the Montreal Protocol (i.e., 0.85 ODP tonnes).

Refrigeration servicing sector

15. The Secretariat noted the progress in the implementation of activities in the servicing sector. UNEP explained that the training for service technicians will include information on the introduction of new low-global warming potential (GWP) refrigerants, consider energy efficiency, and provide information on the safe handling of such refrigerants and products. Outreach activities for the sector will also focus on promoting ozone friendly and better energy efficiency RAC equipment.

16. The tools/equipment that are currently being procured would be used for the additional training planned in the second tranche, as well as for refresher courses for trained technicians that will be delivered in the same period.

Technical assistance for the servicing sector

17. Upon a request for clarification on the delays of equipment purchase under the UNDP component, UNDP explained that the delays were due to a change in the agreed modality for procuring equipment; initially this was the Government's responsibility but due to consequences related to the earthquake, was later transferred to UNDP. This required further review of the equipment specifications, type and number, which has now been finalized; delivery is expected by mid-2016.

18. The Secretariat inquired how the proposed pilot retrofit projects would take into account decisions of the Executive Committee (i.e., decision 72/17² and 73/34³) on retrofitting activities. UNDP explained that the Government is committed to ensuring that the safety related information and standards required for safe retrofitting of equipment will be put in place. Any retrofits that will use flammable alternatives will only be undertaken after a comprehensive assessment of the needs of the end-users, and will take into account the decisions of the Executive Committee on these activities. No decision has yet been made as to what alternative refrigerant would be used for the pilot project.

² To include in the approval of HPMPs, tranches, projects or activities that proposed the retrofit of HCFC-based refrigeration and air-conditioning equipment to flammable or toxic refrigerants that the Executive Committee notes that, if the country engages in retrofitting HCFC-based refrigeration and air-conditioning equipment to flammable or toxic refrigerants and associated servicing, it does so on the understanding that they assume all associated responsibilities and risks.

³ If a country were to decide, after taking into account decision 72/17, to proceed with retrofits that used flammable substances in equipment originally designed for non-flammable substances, it should be done only in accordance with the relevant standards and protocols.

Conclusion

19. The Secretariat notes that despite the earthquakes in April and May 2015, the implementation of stage I of the HPMP in Nepal is progressing. Several of the activities to support the refrigeration servicing sector continue to be implemented as planned; training of technicians and enforcement officers will be sustainable based on agreements made with industry associations which will assist in training delivery. Implementation of the delayed technical assistance activities had commenced and will be completed by mid-2016. In view of activities underway; the fact that their 2014 reported consumption of HCFCs (0.83 ODP tonnes) is 25 per cent below the country's baseline consumption of 1.10 ODP tonnes; the operational licensing and quota system in place; the progress achieved during the first tranche for the servicing sector; and the level of disbursement (43 per cent), the Secretariat recommends approval of the funding for the second tranche.

RECOMMENDATION

20. 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 of (HPMP) in Nepal; and further recommends blanket approval of the second tranche of stage I of the HPMP for Nepal, and the corresponding 2016-2019 tranche implementation plan, at the funding levels shown in the table below, on the understanding that if Nepal 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, second tranche)	50,040	6,552	UNEP
(b)	HCFC phase-out management plan (stage I, second tranche)	33,600	3,024	UNDP