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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Seventy-sixth Meeting  
Montreal, 9-13 May 2016

**PROJECT PROPOSAL: EGYPT**

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

Foam

- Demonstration of low cost options for the conversion to non-ODS technologies in polyurethane foams at very small users

UNDP

## PROJECT EVALUATION SHEET – NON-MULTI-YEAR PROJECT

## EGYPT

## PROJECT TITLE

## BILATERAL/IMPLEMENTING AGENCY

(a) Demonstration of low cost options for the conversion to non-ODS technologies in polyurethane foams at very small users	UNDP
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## NATIONAL CO-ORDINATING AGENCY

Egypt Environmental Affairs Agency,  
national ozone unit

## LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT

## A: ARTICLE-7 DATA (ODP TONNES, 2014, AS OF MARCH 2016)

HCFCs	320.3
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## B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2014, AS OF MARCH 2016)

HCFC-22	174.5
HCFC-123	0
HCFC-141b	123.1
HCFC-142b	9.5
HCFC-141b in imported pre-blended polyol	13.2

HCFC consumption remaining eligible for funding (ODP tonnes)	310.61
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CURRENT YEAR BUSINESS PLAN ALLOCATIONS		Funding US \$	Phase-out ODP tonnes
(a)		n/a	n/a

<b>PROJECT TITLE:</b>	
ODS use at enterprise (ODP tonnes):	n/a
ODS to be phased out (ODP tonnes):	4.4
ODS to be phased in (ODP tonnes):	n/a
Project duration (months):	12
Initial amount requested (US \$):	340,000
Final project costs (US \$):	
Incremental capital cost:	275,000
Contingency (10 %):	20,000
Incremental operating cost:	0
Total project cost:	295,000
Local ownership (%):	n/a
Export component (%):	n/a
Requested grant (US \$):	295,000
Cost-effectiveness (US \$/kg):	7.40
Implementing agency support cost (US \$):	20,650
Total cost of project to Multilateral Fund (US \$):	315,650
Status of counterpart funding (Y/N):	N
Project monitoring milestones included (Y/N):	Y

SECRETARIAT'S RECOMMENDATION	Individual consideration
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## PROJECT DESCRIPTION

### Background

1. At the 75<sup>th</sup> meeting, UNDP submitted a demonstration project on low-cost options for the conversion to non-ODS technologies in the polyurethane (PU) foams for very small users (VSUs), at the amount of US \$340,000, plus agency support costs of US \$23,800, as originally submitted<sup>1</sup>. Further to a discussion at a contact group that was established to consider all projects to demonstrate low-global warming potential (GWP) technologies submitted to the 75<sup>th</sup> meeting, the Executive Committee decided to defer consideration of the seven demonstration projects including the foam project for Egypt, to the 76<sup>th</sup> meeting (decision 75/42).

2. On behalf of the Government of Egypt, UNDP has re-submitted to the 76<sup>th</sup> meeting the above-mentioned demonstration project, at the amount of US \$340,000, plus agency support costs of US \$23,800.

### Project objectives

3. The foam sector encompasses a large number of VSUs that practice hand-mixing foaming operations, which gives rise to occupational health and safety issues related to the lack of emission controls or personal protection. Usually technical assistance is provided under the Multilateral Fund to phase-out HCFC-141b used by VSUs due to their very low levels of HCFC consumption (i.e., 100-200 kg per annum). In the case of the HCFC phase-out management plan (HPMP) for Egypt, systems houses received funding to *inter alia* provide basic foam equipment that could be rented by VSUs to phase out their consumption of HCFC-141b. However, no funding for research and development on new applications in the foam sector was provided.

4. The demonstration project proposes to develop a low-cost foam dispensing unit based on an air-compressor that is not dependant on electrical power, for pour-in-place (PIP) applications, or alternatively, explore options for reducing the cost of foam dispensers currently available in the market that could be used by VSUs. It also proposes to explore the option of pre-packaging PU foam systems that are sealed, have a long lifetime and can be used upon demand (they are currently in use in Colombia, Mexico, and the United States of America for certain applications).

### Project implementation

5. The development of a low-cost equipment foam dispensing unit requires the selection of an importer, assembler, or service provider of foam dispensers; the review of existing equipment and assessment of the modifications required; issuance of a request for proposals for manufacturing a new low-cost foam dispenser; validation and optimization of the dispenser; and a workshop to present the outcomes.

6. The development of pre-packaged fully developed polyol systems requires the selection of a systems house willing to participate in the project; evaluation of systems available in Egypt followed by other Article 5 countries with PU foam system houses; installation of a local production facility in the selected systems house; trials and testing at one or two foam enterprises; and a workshop to present outcomes.

7. Several equipment suppliers and possible systems houses have been identified as prospective bidders.

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<sup>1</sup> UNEP/OzL.Pro/ExCom/75/45.

8. The project is expected to be completed in 12 months.

#### Project costs

9. The total cost of the project, as originally submitted, has been estimated at US \$340,000 as detailed in Table 1.

**Table 1. Proposed project costs**

<b>Activity</b>	<b>Description</b>	<b>Cost (US \$)</b>
Project management	Local expert	30,000
	International expert	30,000
Identifying local capacity	Technical study tour on equipment	10,000
	Chemical study tour on chemistry	10,000
Production equipment development and prototyping	Optimization of existing equipment	50,000
	Development of new equipment	50,000
	Development of pre-packaged systems	25,000
Validation/field evaluation	Optimized existing equipment	20,000
	New equipment	20,000
	Pre-packaged systems	10,000
Technology dissemination workshop	Combined for all three approaches	25,000
Peer review/safety review/preparation	Safety audit, peer review, preparation costs	30,000
Contingency	(10 per cent, rounded)	30,000
<b>Total</b>		<b>340,000</b>

### **SECRETARIAT'S COMMENTS AND RECOMMENDATION**

#### **COMMENTS**

10. As compared to the project proposal submitted to the 75<sup>th</sup> meeting, the proposal submitted to the 76<sup>th</sup> meeting provided an additional justification for approving the project under decision 72/40, and a commitment from the Government of Egypt to deduct an additional amount of HCFC-141b from the remaining HCFC consumption eligible for funding. The Secretariat noted with appreciation, UNDP's efforts to design a project that would provide direct assistance to VSUs in the foam sector without preparatory funding from the Multilateral Fund.

11. For ease of reference, the results of the discussions between the Secretariat and UNDP on the demonstration project submitted to the 75<sup>th</sup> and 76<sup>th</sup> meetings are summarized below:

- (a) With regard to the additional justification for the submission and approval of the proposal, UNDP explained that the project would contribute to a more efficient utilization of low-GWP-foam systems (such as methyl formate and methylal) through equipment and system optimization, targeting VSUs that often do not receive direct assistance from the Multilateral Fund. While it could not guarantee that VSUs would not choose high-GWP-based foam systems, the availability of cheaper low-GWP-based foam systems would provide a better choice for VSUs;
- (b) UNDP explained that the new foam dispenser will be designed with simplified mixing heads and shorter hoses, a built-in compressor, and attached chemical tanks, at a total cost below US \$10,000. Therefore, the project has the potential to make low-cost foam dispensers available for use in countries with VSUs;
- (c) With regard to the selection of an enterprise where the project would be implemented, UNDP clarified that although some manufacturers have already expressed initial interest

in the development of the equipment, at this time enterprises cannot yet be selected as the selection would be subject to a bidding process;

- (d) With regard to the optimization of existing foam systems, UNDP indicated that it would be specific to VSUs with small foaming operations only requiring small amounts of foam systems. The project therefore foresees the manufacture of small, properly sealed packages with lifetime of up to two years; when needed, the packages can be punctured for use. The current assistance provided to the systems houses in Egypt does not include the possibility of actualizing these innovations; and
- (e) With regard to rationalizing the cost of the project<sup>2</sup>, UNDP adjusted the project budget from US \$340,000 to US \$295,000, as detailed in Table 2.

**Table 2. Revised project costs**

<b>Activity</b>	<b>Description</b>	<b>Cost (US \$)</b>
Project management	Local expert	30,000
	International expert	30,000
Identifying local capacity	Technical study tour on equipment	7,500
	Chemical study tour on chemistry	7,500
Production equipment development and prototyping	Optimization of existing equipment	50,000
	Development of new equipment	50,000
	Development of pre-packaged systems	25,000
Validation/field evaluation	Optimized existing equipment	20,000
	New equipment	20,000
	Pre-packaged systems	10,000
Technology dissemination workshop	Combined for all three approaches	0
Peer review/safety review/preparation	Safety audit, peer review, preparation costs	25,000
Contingency	(10 per cent, rounded)	20,000
<b>Total</b>		<b>295,000</b>

12. The project proposal submitted to the 75<sup>th</sup> meeting had an associated phase-out of 2.4 ODP tonnes (22.7 metric tonnes (mt)) of HCFC-141b, while the phase-out included in the proposal submitted to the 76<sup>th</sup> meeting had been increased to 4.4 ODP tonnes (40.0 mt) with the Government's commitment to deduct it from the remaining HCFC consumption eligible for funding under stage II of the HPMP for Egypt. The project proposal, as revised, is contained in Annex I to the present document.

### Conclusion

13. The Secretariat notes that while the implementation of this project could benefit VSUs of foam systems by reducing the cost of a foam dispenser and providing pre-packaged low-GWP based foam systems that could easily be used when required, the proposal does not strictly demonstrate new low-GWP alternatives to HCFCs as it uses already commercially available technology. The Secretariat further notes that UNDP has adjusted the total cost of the project from US \$340,000 to US \$295,000, and that the Government commits to deduct 4.4 ODP tonnes of HCFC-141b from Egypt's remaining consumption eligible for funding during consideration of stage II.

<sup>2</sup> Through decision 74/21(c), bilateral and implementing agencies were requested to rationalize the costs of the demonstration projects to enable the approval of a larger number of demonstration projects under the available funding of US \$10 million, in line with decision 72/40, and to further explore other sources of additional funding.

## RECOMMENDATION

14. The Executive Committee may wish to consider:
- (a) The project on demonstration of low cost options for the conversion to non-ODS technologies in polyurethane foams at very small users in Egypt, in the context of its discussion on proposals for demonstration projects for low-global warming potential alternatives to HCFCs as described in the document on the Overview of issues identified during project review (UNEP/OzL.Pro/ExCom/76/12);
  - (b) Approving the project on demonstration of low cost options for the conversion to non-ODS technologies in polyurethane foams at very small users in Egypt, in the amount of US \$295,000, plus agency support costs of US \$20,650 for UNDP, in line with decision 72/40;
  - (c) Urging the Government of Egypt and UNDP to complete the project as planned in 12 months, and submitting a comprehensive final report soon after project completion; and
  - (d) Deducting 4.40 ODP tonnes of HCFCs from the from the remaining HCFC consumption eligible for funding under stage II of the HCFC phase-out management plan for Egypt.
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**Annex I**

**COUNTRY: Egypt**

**IMPLEMENTING AGENCY: UNDP**

**PROJECT TITLE: Demonstration of Low Cost Options for the Conversion to non-ODS Technologies in PU Foams at Very Small Users (VSUs)**

**PROJECT IN CURRENT BUSINESS PLAN: Based on ExCom Decision 72/40**  
**SECTOR: Foams**  
**Sub-Sector: Rigid and Integral Skin PU Foams**  
**ODS USE IN SECTOR: 227.95 ODP (including 98.34 ODP as polyols)**  
**BASELINE ODS USE: 484.61 ODP**  
**PROJECT IMPACT (ODP targeted): 4.4 ODP (demonstration project)**  
**PROJECT DURATION: 12 months**  
**PROJECT COSTS: US\$ 295,000**  
**LOCAL OWNERSHIP: 100%**  
**EXPORT COMPONENT: n/a**  
**REQUESTED MLF GRANT: US\$ 295,000**  
**IMPLEMENTING AGENCY SUPPORT COST: US\$ 20,650**  
**TOTAL COST OF PROJECT TO MLF: US\$ 315,650**  
**COST-EFFECTIVENESS: 7.4 US\$/kg**  
**PROJECT MONITORING MILESTONES: Included**  
**NTL. COORDINATING AGENCY: Egypt Environmental Affairs Agency (EEAA),  
National Ozone Unit**

## **PROJECT SUMMARY**

The objective of this project is support very small PU users in a cost-effective way by:

- optimizing, validating and disseminating easy to use low cost PU metering equipment and
- introducing pre-packaged systems

While the earmarked technologies will be applicable to VSUs anywhere in the world, the country selected for implementation is Egypt. Egypt is a Party to the Vienna Convention and the Montreal Protocol and ratified the London, Copenhagen and Montreal amendments. The country is fully committed to the phaseout of HCFCs and willing to take the lead in assessing and implementing new HCFC phaseout technologies, particularly in the foam sector—as it did for CFCs in 1992 when it submitted and completed the first foam sector investment projects ever under the MLF. Egypt has local PU system houses that frequently combine importations and distributions for major international chemical and equipment manufacturers with local blending for SMEs. In addition, most international PU chemicals suppliers are represented with offices or their own system houses. Its existing HCFC phaseout program has a section dedicated to VSUs that is in need for the outcome of this demonstration project but will not require additional investment funding. Similar projects in Brazil, Mexico and Nigeria are also in need to address its VSU customers.

### **IMPACT OF PROJECT MONTREAL PROTOCOL OBLIGATIONS RELATED TO VSUs**

This project is a pilot project aimed to optimize PU sector technologies and will contribute indirectly to the fulfillment of Montreal Protocol obligations in any country with a VSU subsector. In Egypt, Mexico and Nigeria this will facilitate existing, approved programs and NOT lead to additional funding—just better implementation because, if successfully validated, the optimized technology will contribute to availability of better and cost-effective phaseout options.

**Prepared by: Bert Veenendaal**

**Date: March, 2016**



**PROJECT OF THE GOVERNMENT OF EGYPT  
DEMONSTRATION OF LOW COST OPTIONS FOR THE CONVERSION TO NON-ODS  
TECHNOLOGIES IN PU FOAMS AT VERY SMALL USERS (VSUs)**

## **1. PROJECT OBJECTIVES AND RATIONALE**

The objectives of this project are to:

- Optimize and validate low cost chemical and equipment options for ODS phaseout at VSUs;
- Demonstrate these in downstream operations;
- Transfer the technology to interested system houses and other users around the world, and
- Use the outcome in existing projects thus, at no additional costs, improving the success of these projects.

## **2. CONTEXT**

### **2.1 MARKETS/APPLICATIONS**

While VSUs are not limited in applications—rather in size—there are typical applications. They are:

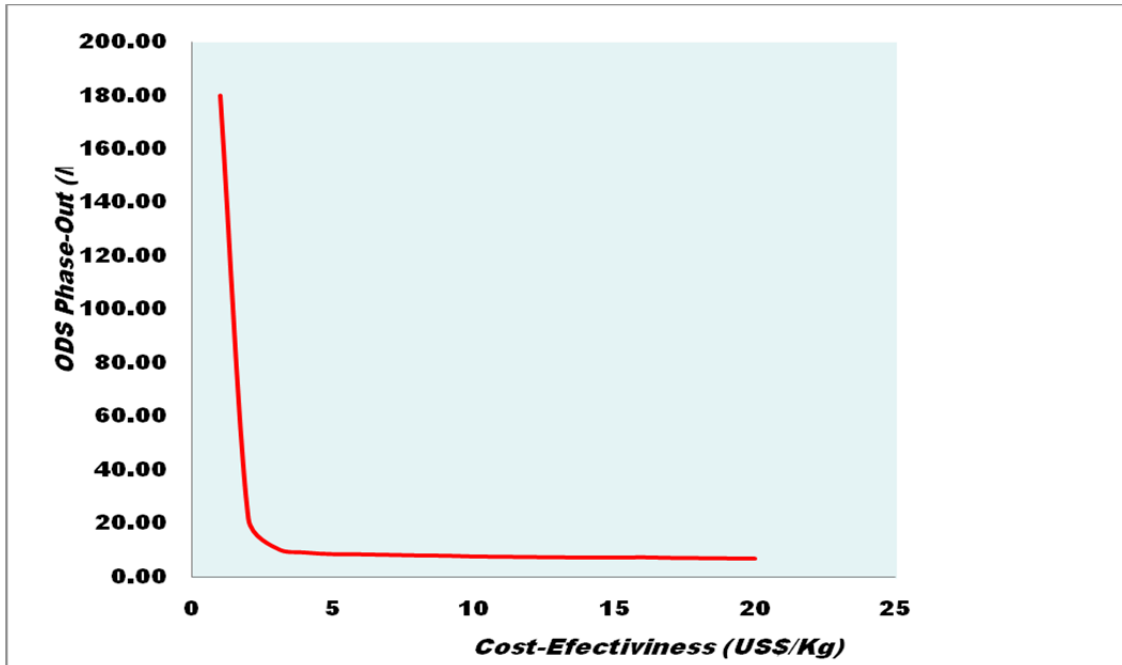
- |                        |                                                                                                                                                                                                                                                                            |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| For Rigid PU Foam      | <ul style="list-style-type: none"><li>- boat insulation</li><li>- repair of existing insulation</li><li>- home insulation improvement</li><li>- making disposable molds (mostly in ceramic applications)</li><li>- marine fenders</li><li>- concrete replacement</li></ul> |
| For Integral Skin Foam | <ul style="list-style-type: none"><li>- bicycle saddles</li><li>- safety coatings in exercise equipment</li><li>- fenders</li><li>- furniture parts</li></ul>                                                                                                              |

### **2.2 PREVIOUS WORK WITH VSUs**

MLF projects are since 1993 subject to Cost-Effectiveness (C/E) Thresholds. These thresholds are not taking consumption volumes into account and therefore are frequently difficult to meet by very small users (VSUs). Many VSUs practice hand-mix, an operation deemed an industrial hygienic concern as no emission control or personal protection is used. These companies need low cost/easy to use equipment that meets applicable limits on cost-effectiveness. Others use infrequently PU foams and have problems with inventories in view of the relatively short life time of existing systems (3-6 months).

A first attempt to deal fairly and effectively with small users (SMEs) was a 1995 study by UNDP called "*Determination of Cost-Effective Phaseout Approaches for Enterprises with relatively Small ODS Use*". The Multilateral Fund Secretariat (MFS) prepared, based on this study, Document 17/55 (June 30, 1995) called "Strategy Paper for Small Foam producing Enterprises". It recommended dividing projects by size and foam category; to assign to large and medium sized enterprises specific C/E thresholds and to make the approval of small projects subject to specific cost containment procedures. This would have addressed the issue. However, the study was not accepted at that time and was never transformed into a formal policy. Nevertheless, anybody who reads the document and is familiar with approval procedures will recognize later use of many of the proposed elements.

The cost effectiveness increases exponentially when the consumption decreases as following graph shows:



Following approaches have been tried by UNDP to obtain cost containment when dealing with SMEs:

- Management : Use local experts; work with group projects
- Technology : Evaluate and validate new technologies
- Equipment : Use more retrofit; develop low-cost equipment
- Trials/Tests : Get suppliers involved
- IOCs : Regardless of the technology applied, calculate IOCs based on the lowest cost (validated) technology

The largest success has been creating ODS projects using PU System Houses as project managers. This approach provided not only local project management but also larger economy of scale and supplier-arranged trials/tests.

The validation of new technologies was almost equally successful. UNDP conducted in the foam sector ten (10) demonstration projects to evaluate new—or to modify existing—technologies. Through this program, methyl formate (MF) and methylal (ML)—both oxygenated hydrocarbons or HCOs—are already approved in over 10 countries -- Brazil, Cameroon, Dominican Republic, Egypt, El Salvador, Nigeria, Russia, South Africa and Trinidad-Tobago and in several of these countries by now successfully completed. One system house in Mexico offers successfully preblended hydrocarbons, including smaller users in sprayfoam. While some of the demonstrated technologies suffer under economic constraints, such as high license fees (supercritical CO<sub>2</sub>) or high operating costs (HFOs) the program in general has saved the MLF millions of dollars in project costs.

Attempts to decrease equipment costs had mixed results. UNDP has, as part of CFC as well as HCFC phaseout plans, consistently searched for lower cost equipment as described in detail above. Such attempts had mixed results:

- Retrofit of equipment has significantly decreased costs when using water, MF or ML technologies (Mexico, Dominican Republic, El Salvador);
- Renting out equipment to very small users (VSUs) failed because of frequent mishandling of equipment as well as chemicals (Egypt, Mexico);
- An attempt to import low cost equipment in one country (Colombia) failed because of lack of training and local equipment service;

- An attempt to lower costs of ISF equipment in Mexico was very successful but still is off UNDP's goal and requires further fine-tuning;
- Infrequent use leads to aging issues with chemicals.

### 2.3 PROPOSED EFFORTS RELATED TO THIS DEMONSTRATION PROJECT

a) One issue identified by UNDP was that all Pour-in-Place (PIP) equipment is based on sprayfoam equipment—being relatively low cost equipment and easily fitted for PIP operations. However, such spray-foam equipment has features that are not needed for PIP operations such as:

- High pressure pumps
- Long supply hoses, and misses features such as:
- Built-in compressor
- Two phase electrical hook-up
- Chemical tanks

UNDP therefore looked in the market for equipment that would fit better the purpose of PIP applications. Equipment found suitable—albeit not ideal—was equipment from Pumer/Brazil (see picture below):



**Pumer-1000 DT medium pressure injector**

While this dispenser cuts the current price of a PIP dispenser considerably, it still does not meet several of UNDP's criteria:

- It is still too expensive
- It has medium injection pressure rather than the desired low pressure
- It has no built-in compressor

UNDP has had discussions with the manufacturer and believes that further economizing and adaptation will be possible. Other companies have offered to prepare bids based on UNDP's design criteria which are

- Better efficiency in the use of chemicals;
- Economizing (cost reduction) of existent equipment or
- Developing new, low cost equipment;

- Easy in operation and maintenance
- Ready to use with just a two phase electrical connection.

b) For integral skin equipment a similar program will be based on a previous attempt to economize equipment in Mexico for that particular purpose:



**Low cost ISF Foam Dispenser, developed by Zadro/Mexico**

For this application, different properties are required:

- Variable chemical ratios
- Gear pumps allowing high viscosity
- Heating for chemicals

In addition, in both cases, the issue of local maintenance needs to be addressed. Emphasis will be put on local, sustainable capacity for training and equipment service to ensure the required level of sustainability of results.

c) Another issue is infrequent use of chemicals such as for setting poles for fences, electricity, etc. This application requires small, pre-determined amounts of chemical to set a pole—much like cement but much faster in solidifying. Because of irregular, in field use, users in this application have problems with chemical life time—now typically 3-6 months. A life time of at least one year is desired. UNDP located a US company that manufactures prepackaged chemicals for pole setting applications with a life time of up to 2 years and intends to bring this technology to existing system house in, initially, Egypt but later in any country that has system houses and is interested.

#### **2.4. Estimated Potential Project Impact**

Depending of the stage of development and the size of a country, VSUs' market share in foam applications can range from 5%--such as Egypt—to more than 30%-- such as Nigeria.

Indeed, the Egyptian HPMP mentions that “from available information it has been determined that “Micro Users” (=VSUs) account for 22.3 t HCFC-141b and, assuming an average use of 250 kg/y per company, include up to 100 companies.”

The current demonstration project will contribute to a complementary phase-out of 4.4 ODP tons at VSUs unaccounted in HPMP-I and now being identified as additional VSUs under HPMP-II preparation process.

Other countries such as Brazil, India, Mexico and Nigeria will have much larger VSU sub-sectors and many more VSUs and the outcomes of this demonstration program are essential to ensure smooth HPMP implementation in VSU sector.

The amount of HCFC-141b phase-out that may benefit from this project, or the number of VSUs that would apply the solutions proposed in sections A, B and C of the previous section 2.3 would be very hard to estimate, but may very well amount to over 600 metric tons of HCFC-141b and thousands of VSU enterprises globally.

## **2.5 CHOICE OF HCFC REPLACEMENT TECHNOLOGY**

Foam dispensers in general—but small, low cost ones in particular—are based on blending two reactive components: isocyanate, and polyol blend. The polyol blend includes polyol as main component but also other, minor, components such as blowing agent(s), stabilizer, catalysts etc. When blended, this leads to a controlled blowing and polymerization reaction, resulting in polyurethane foam.

The foam dispenser poses in principle no restriction on the type of blowing agent. This implies that any HCFC replacement can be used. However, there are safety considerations to be taken into account. Based on such considerations, flammable systems have in general been avoided unless special safety features have been incorporated. However, one cannot take the flammability of a pure component to predict the flammability of a blend or mixture. If the blowing agents are water, methyl formate (up to 5.5%), methylal (up to 5%), HFCs or HFOs—or combinations of these—then the blend is non-flammable. If the blend contains hydrocarbons (HCs) then the result is as a rule flammable. Methyl formate and methylal blends, if properly prepared, can thus be treated the same way as water, HFCs and HFOs. As blends are prepared by System Houses these have to take safety precautions when blending the original components.

A new development might change this situation: preblending of HCs at system house level. Up to recently, the normal procedure would be that the end processor had to blend hydrocarbons in-house. UNDP discovered exceptions in the market where the end processor, to save the costly preblending installation, received preblended HC systems (Bayer) or injected HCs directly in the mixing head (Elastogran/BASF). UNDP analyzed both approaches in a previous pilot project in Egypt and concluded that both approaches are feasible and can save costs. One system house in Mexico has taken up this approach and is investigating its use, along with commercial refrigeration and panel applications, in sprayfoam and small injections ("pour-in-place" or PIP) with remarkable good and safe results. The equipment has to be pneumatic or, in case of electric, explosion proof. As this project envisions to include pneumatic equipment, it will therefore include this substance in the HCFC replacement technologies that will be evaluated on the selected equipment.

## **3. PROJECT DESCRIPTION**

The concept of this project is to develop:

- Easy-to-use and maintain low-cost foam dispensing units for PIP Rigid Foam applications that include air compressors and is relying on two phase electrical power;
- Low-cost variable ration foam dispensers for integral skin applications Alternatively, look into lowering the costs of existing low-cost equipment already on the market; and
- For infrequent PU users, make available the option of prepackaging PU systems that are sealed, have a long lifetime and can be used upon demand.

The implementation of the equipment part of the project will be staged as follows:

1. The selection of an importer/installer/service provider – based on an open call bidding via requests for proposals (latter giving better flexibilities with previously untried approaches);
2. Review of existing offerings of low-cost equipment followed by negotiations with selected providers on required modifications and potential cost savings – on modifications it currently roughly estimated to be

below US\$ 10,000 per PIP simplified machine (below US\$ 10,000 for ISF and US\$ 5,000 for RPF machine with modifications in electronics, removal of spray function and less hosing, gun cleansing mechanisms with simplified mixing heads and better local service for sustained operations), but yet to be tested on the actual costs below this target threshold;

3. Selection of equipment to be validated;
4. Purchase and validate the most promising equipment (1-2 different dispensers);
5. Workshop to present the outcome(s).

Interested equipment suppliers that can potentially meet requirements from the project are listed below as prospective bidders to provide such services (selection is subject to universal UN procurement procedures which apply to projects under implementation):

- Pumer	Belo Horizonte	Brazil	RPF only
- Cannon	Milano	Italy	ISF and RPF
- Zadro	Guadalajara	Mexico	ISF only
- Tec Mac	Milano	Italy	ISF and RPF
- FSI	St. Louis	USA	RPF only

The implementation of the chemical part of the project is envisioned as follows:

1. Selection of a system house willing to cooperate on this approach;
2. Identification of existing prepackaged systems with stable storage life-time/easy component perforation when in need for field application. One making these is “Foam Supplies, Inc. (FSI) in the USA but there might be more companies on the global market. Evaluate this technology at the selected system house;
3. If successful, install a local component facility and/or assembly facility;
4. Conduct trials/tests to assure that the equipment is suitable for the earmarked ODS phaseout technologies;
5. Include the outcome in the mentioned workshop in technology section.

VSUs currently use the — unprotected — hand-mix approach, opening and blending from containers delivered by system houses and mixing these with a stick or electrical mixer. The main issue is, of course, the unprotected use of PU chemicals, but also the issue of lifetime of the chemicals is important. Systems normally have a lifetime of 3-6 months and VSUs frequently exceed this. In addition, they do not properly protect chemicals from humidity, thus further lowering life time.

The project foresees the manufacture of small, properly sealed packages that, when needed, are punctured and used. This avoids exposure to emission and skin. That is not the case with current smaller system houses’ deliveries in, 200 l drums. Previous experience taught that local, knowledgeable service and availability of spare parts are essential to success. Therefore, the consideration for local production/assembly of selected equipment is essential. Likewise, prepackaged systems have only a chance in the market when produced and marketed —or at least backed-up—by a local system house.

While the project includes trials/tests, these will be conducted to the extent possible at system house development facilities and with one or two selected customers. Industrialization should take place through National Phaseout Plans.

It should be noted that these plans for Egypt and Mexico have already funds dedicated to VSUs. More specifically, it should be emphasized that the results of this pilot project will be immediately applicable in already approved VSU projects in Mexico, Brazil, Egypt and Nigeria without rising costs to MLF (currently designed approach of renting equipment to VSUs does not work), as well as in future such programmes in other countries, as such optimized equipment can be then purchased from ready developer at lower cost.

In summary, a successful cost reduction program requires following features:

- An effective local commercial operation providing importation, sales as well as after sales support;



### MILESTONES FOR PROJECT MONITORING

TASK	MONTH*
(a) Receipt of funds	2
(b) Project document signatures	3
(c) Bids prepared and requested	5
(d) Contracts Awarded	6
(e) Equipment Delivered	8
(f) Training Testing and Trial Runs	10
(g) Completion	11
(h) Dissemination/reporting	12

\* As measured from project approval

The project document includes the customary implementation and milestones achievement plan and meets decision 72/40 requirement to be completed in one year. The project will be backed by two missions from assigned international expert during its lifetime of 12 months, and from UNDP MPU office to ensure progress is achieved in accordance with plan of actions.

With the team present on the ground (HPMP team) the daily supervision will be ensured. With respect to the equipment development process, since it being simpler than the three-way injection machine with SAIP in the previous project, it is not seen as a major barrier in delaying the project's outcomes.

## 6. PROJECT JUSTIFICATION

### 6.1 CONFORMANCE WITH APPLICABLE POLICIES

The project is submitted in response to ExCom Decision 72/40. The relevant part of this decision states as follows, and the way UNDP has addressed them are added in **bold**.

*(i) The following criteria would be applied when selecting projects:*

*a. The project offered a significant increase in current know-how in terms of a low-GWP alternative technology, concept or approach or its application and practice in an Article 5 country, representing a significant technological step forward;*

**While the first part of the condition recommends that the demonstration should relate to a low-GWP alternative, the second part of the sentence also allows for “applications and practices representing a significant technological step forward”. This demonstration clearly falls under the latter category as described in paragraphs 2 and 3 above. As mentioned, it will save a significant amount of funds to the MLF by addressing very small users (VSUs).**

**That said, the project will also result in a conversion of HCFCs to low-GWP solutions in VSUs. While in theory, they may shift to HFCs, these alternatives would typically be more expensive than if they were to go to solutions involving low-GWP. It is anticipated in fact that a vast majority of the VSUs – if given the proposed technology solutions of this demonstration – would select water-blown technology, while others may use methyl formate, methylal, HFOs, etc. There would therefore be a positive climate impact, albeit hard to quantify. Having said that, the use of HCs for foams in VSUs is very unlikely due to safety concerns.**



*b. The technology, concept or approach had to be concretely described, linked to other activities in a country and have the potential to be replicated in the medium future in a significant amount of activities in the same sub-sector;*

**Paragraphs 2 and 3 above provide a detailed description of the context and the proposed approach, and linkages to the replication of VSUs in other article-5 countries are provided.**

*c. For conversion projects, an eligible company willing to undertake conversion of the manufacturing process to the new technology had been identified and had indicated whether it was in a position to cease using HCFCs after the conversion;*

**Despite being a demonstration project, certain complementary phase-out is expected. New equipment and systems will be developed with equipment suppliers, to be then used in a system house in Egypt, to ensure proper implementation of the VSU component which otherwise is likely to fail in other similar VSU programmes.**

**That said, section 2.4 above tries to estimate the potential impact that this project may have in Egypt and worldwide, if it succeeds to address the VSU problematic being tackled in this demonstration.**

*d. The project proposals should prioritize the refrigeration and air-conditioning sector, not excluding other sectors;*

**This demonstration falls into the latter category (VSUs in foams). While the first category of project proposals seem to allow to test newer technologies in selected enterprises before these can be replicated elsewhere, the current proposal reaches out to very small users level with low GWP solutions to comprehensively cover PU foam sector from largest to smallest companies. This ensures a full sector coverage which in UNDP view is considered the intended end result of testing new non-ODS/low GWP technologies as in foams so in other sectors.**

*e. They should aim for a relatively short implementation period in order to maximize opportunities for the results to be utilized for activities funded by the Multilateral Fund as part of their stage II HCFC phase-out UNEP/OzL.Pro/ExCom/72/47 36 management plans (HPMPs);*

**Implementation time for this project is considered 12 months as required by the decision 72/40.**

*f. The project proposals should promote energy efficiency improvements, where relevant, and address other environmental impacts;*

**The relevance of this aspect for foam projects may be linked to the insulation value as compared to HCFCs baseline, and incremental improvements could be achieved.**

**The other fact that the use of high-pressure spray foam equipment would be replaced by low-pressure simplified machines may result in some energy savings, but these would be minor and hard to quantify in a short timescale of a demo project. The use of small-packaged systems of chemicals would result in a decrease of chemical waste and unwanted chemical emissions as well.**

**While the current window for these projects prefers demonstration projects for the HVAC sector, it does clearly not exclude other sectors. Therefore UNDP requests to consider this project in the foam sector based on:**

- **UNDP's success rate in demonstration projects for this sector that has led to**
  - **Lower project costs (MF, ML, pre-blended/direct injected HCs with low GWPs)**
  - **New or modified ODS phaseout technologies that decrease cost thresholds**
- **Despite of past successes, there is still need to find solutions for very small users (VSUs);**

- **There is a need to redirect funds already approved and earmarked for VSUs that were based on approaches that proved untenable such as the provision of rental of equipment through system houses – this will help spread the existing low GWP technologies in this sector to a wider clientele to ensure more comprehensive uptake of these on national levels.**

**The projects includes some elements that could be seen as project preparation but most of that preparation—i.e. the basic outline of requirements for systems as well as equipment—has been finalized and the submittal of just a project preparation request would delay the eventual outcome unnecessary.**

**The project further cannot be seen as resulting in HCFC reduction targets being not associated with direct phase-out at any recipient system house, but is more geared towards optimization of general costs of equipment and preparing easy-to-use formulations for VSUs to assist in implementation of already approved VSUs sub-projects in the mentioned countries, as well as in future programmes of this type elsewhere.**

## **6.2 SELECTION OF IMPLEMENTATION LOCATION**

Egypt has been selected for this project because it has in its HPMP a sub-project for VSUs using rental equipment for very small users. After this approach has shown in Mexico to be untenable (rental equipment is damaged by inappropriate use, despite provision of application instructions; chemical are not cleaned out, causing clogging....), UNDP plans to redirect the funds to a low equipment cost approach. However, such an approach needs a proper and comprehensive study.

Several potential importers/service providers have already been located—which will speed up the implementation. For the systems, a system house that is willing to cooperate has also been identified.

Finally, overall, provided accumulated experience with the low cost HC technology optimization via three-way injection and preparation of pre-blended HC polyols in Egypt, the main technology report was submitted expediently (decision 66/15 approved it) for consideration of the Executive Committee where this technology further recommended for replication. Follow-on political changes in the country did not allow to make a complementary investigation study on density optimization at UNDP's initiative; which is now complete and complementary report was submitted to the Executive Committee at its 75<sup>th</sup> meeting (decision 75/21). Nonetheless, with the restoration of stable situation end of 2014, UNDP is confident that the current demonstration project is implementable, aided by the fact that less complex equipment, compared to the low cost HCs, is in focus of the current project.

## **7. RISKS AND BARRIERS**

There have already been several successful attempts to address the needs of SMEs. This has led to adjustment in approaches (group projects around system houses, alternative, more affordable technologies). No approach, however, has been successful with VSUs. While this approach addresses past shortcomings such as local service, it is an uncharted way and therefore success is not secure. However, UNDP has shown in other demonstration projects that by and large, success of its approaches in more likely than not.

A potential barrier is the attitude of VSUs. For these companies, PU foam is often a very small part of their production—even a necessary evil—and changes do not always get the required attention and dedication. Working with local system house of distributors—very small users frequently do not buy directly—can reduce this barrier. Users are always considered a barrier for any project's successful implementation—in terms of not inclined to change, lacking financial means, not looking for additional work, etc. VSUs are not different. MLF-financed projects are designed to counter that attitude with a mixture of Government regulations, technical support and financial assistance. This is the case with MF, ML and low-cost HCs programmes.

VSUs are included in foam sector plans in programmes such as Mexico, Egypt, Nigeria and other countries, and the outcomes of this proposed project will help address HCFC consumption in such approved and future funded foam

sector plans here in the former group there are now challenges discovered with the rental of equipment to VSUs as described in the current project document. This sector was accepted as eligible by the MLF Secretariat and then by the Executive Committee in approving such sector plans, and it needs, based on current HPMP implementation experience, a better approach from the chemical and equipment side, as proposed in this project.

If no remedies are obtained such as being proposed in this project, the situation in current sector plans will be left unaddressed with resulting non-compliance prospects.

## **8. REPORTING**

A final report can be expected 12 months after project approval. Interim reporting will follow existing reporting guidelines.