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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-seventh Meeting
Montreal, 28 November - 2 December 2016

PROJECT PROPOSAL: MONGOLIA

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) UNEP and Japan

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Mongolia

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	Japan, UNEP (lead)	63 rd	35% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2015	0.64 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2015	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123				0.0	0.0				0.0
HCFC-124				0.0	0.0				0.0
HCFC-141b				0.0	0.0				0.0
HCFC-142b				0.0	0.0				0.0
HCFC-22				0.0	0.64				0.64

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	1.4	Starting point for sustained aggregate reductions:	1.4
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	1.0	Remaining:	0.4

(V) BUSINESS PLAN		2016	2017	2018	2019	2020	Total
UNEP	ODS phase-out (ODP tonnes)	0.2	0	0	0	0.1	0.3
	Funding (US \$)	77,970	0	0	0	41,810	119,780

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	
Montreal Protocol consumption limits			n/a	n/a	1.4	1.4	1.3	1.3	1.3	1.3	1.3	0.9	n/a	
Maximum allowable consumption (ODP tonnes)			n/a	n/a	1.4	1.4	0.77	0.77	0.77	0.77	0.77	0.4	n/a	
Agreed funding (US\$)	Japan	Project costs	130,000	0	0	0	0	0	0.0	0.0	0.0	0.0	130,000	
		Support costs	16,900	0	0	0	0	0	0.0	0.0	0.0	0.0	16,900	
	UNEP	Project costs	65,000	0	65,000	0	0	69,000	0.0	0.0	0.0	0.0	37,000	236,000
		Support costs	8,450	0	8,450	0	0	8,970	0.0	0.0	0.0	0.0	4,810	30,680
Funds approved by ExCom (US\$)		Project costs	195,000	0	65,000	0	0	0.0	0.0	0.0	0.0	0.0	260,000	
		Support costs	25,350	0	8,450	0	0	0.0	0.0	0.0	0.0	0.0	0.0	33,800
Total funds requested for approval at this meeting (US\$)		Project costs						69,000					69,000	
		Support costs						8,970						8,970

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Mongolia, UNEP as the lead implementing agency, has submitted to the 77th meeting 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 \$69,000, plus agency support costs of US \$8,970 for UNEP only. The submission includes a progress report on the implementation of the second tranche, the verification report on HCFC consumption and the tranche implementation plan for 2017 to 2019.

Report on HCFC consumption

HCFC consumption

2. The Government of Mongolia reported a consumption of 0.64 ODP tonnes of HCFC in 2015 which is 54 per cent below the country's baseline. The 2011-2015 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Mongolia (2011-2015 Article 7 data)

HCFC	2011	2012	2013	2014	2015	Baseline
Metric tonnes						
HCFC-22	21.09	52.17	16.99	6.85	11.56	23.73
HCFC-142b	-	-	0.064	0.0049	0.015	-
Total (mt)	21.09	52.17	17.05	6.85	11.58	23.73
ODP tonnes						
HCFC-22	1.16	2.87	0.94	0.38	0.64	1.4
HCFC-142b	-	-	0.004	0.0003	0.001	-
Total (ODP tonnes)	1.16	2.87	0.94	0.38	0.64	1.4

3. The increase in HCFC consumption between 2011 and 2012 was due to stockpiling, after discussions on the import quota for 2013. Subsequently the consumption decreased due to the issuance of a ban for the imports of HCFC-22 used for the production of extruded polystyrene (XPS) boards; the use of stockpiles of HCFCs; the implementation of the activities in the servicing sector; and a reduction on the economic growth experienced in the country between 2013 and 2014. The economic growth in 2015 resulted in an increase in the consumption from the previous year.

Verification report

4. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC imports and exports, and that the total consumption of HCFC for 2015 was 0.64 ODP tonnes, which is below the allowable level of consumption under the Montreal Protocol and the Agreement with the Executive Committee (which is being amended at the 77th meeting as explained in paragraph 16).

Country programme (CP) implementation report

5. The Government of Mongolia reported HCFC sector consumption data under the 2015 CP implementation report which is consistent with the data reported under Article 7 of the Montreal Protocol.

¹As per the letter of 4 August 2016 from the National Ozone Authority of Mongolia to UNEP.

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

Legal and Policy Framework

6. The Government of Mongolia continues to implement ozone regulations; HC-290, HFC-32, R-152a and R-477-based equipment is exempted from sales tax to encourage the use of low-global warming potential (GWP) refrigerants; a ban on new production of HCFC-22-based XPS foam is in place since 2013, inclusion of HCFC-141b in the list of banned substances in 2014; 126 Customs and enforcement officers were trained on control of import and export of ODS and two sets of ODS identifiers were provided; and the certification system for refrigeration and air-conditioning (RAC) servicing technicians was developed.

Manufacturing sector (XPS foam)

7. As of mid-2013, the two enterprises (Bilguun Trade LLC and New Warm LLC) discontinued the use of HCFC-22 for XPS foam production and phased out 9.9 mt (0.54 ODP tonnes).

8. In April 2014, the two enterprises selected HFC-152a as the replacement technology due to safety issues associated with the use of hydrocarbons (HC) on XPS boards (while HFC-152a is mildly flammable, it has low fire-generating and combustion qualities compared with HC and has also a low-GWP (i.e., GWP of 124)), and better options for the beneficiaries and their resulting products for market penetration. A technical assistance was carried out in September 2016 to verify that safety measures are in place, and to confirm the destruction of the old equipment. The project will be completed by December 2016, verification of the final conversion of these two enterprises is ongoing, and a final report should be ready by January 2017.

Refrigeration servicing sector

9. One hundred seventy-one technicians were trained on good refrigeration practices; training material was updated and translated into the local language; collaboration was established with the national training centre for technicians in cooperation with industry associations to ensure sustainability of technicians' training; certificates are being issued to the trained technicians by the national training centre, and an overall 160 certificates have been issued to date; a database containing an inventory of large HCFC-based equipment and information on alternative technologies was established in 2015.

10. Awareness programmes were implemented including a nationwide broadcast of a film on ozone protection and the phase-out of HCFCs.

Project implementation and monitoring unit (PMU)

11. The PMU (established by the National Ozone Authority (NOA) in August 2011) is working in collaboration with NOA to establish annual work plans and the enforcement of ODS regulations, monitor the implementation of the HPMP, and prepare progress reports.

Level of fund disbursement

12. As of October 2016, of the US \$260,000 so far approved, US \$236,000 had been disbursed (US\$116,000 for UNEP and US \$120,000 for the Government of Japan). The balance of US \$24,000 will be disbursed by the end of 2016 (Table 2).

Table 2. Financial report of stage I of the HPMP for Mongolia

Agency	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNEP	65,000	65,000	65,000	51,000	130,000	116,000
Japan	130,000	120,000	0	0	130,000	120,000
Total	195,000	185,000	65,000	51,000	260,000	236,000
Disbursement rate (%)	95		78		91	

Implementation plan for the third tranche of the HPMP

13. The following activities will be implemented by UNEP:
- (a) Strengthening of HCFC control policies/regulations by upgrading the certification system for RAC servicing technicians and organizing stakeholder meetings (US \$8,000);
 - (b) Capacity building for 100 Customs and enforcement officers through three training programmes on control of import and export of ODS; development of a pocketbook of ODS regulations and framework (US \$10,000);
 - (c) Good refrigeration practices training programme for technicians by building capacity of the National Training Centre through provision of equipment, train 15 trainers and 100 refrigeration service technicians, translation of training material on good servicing practices for RAC technicians, and organization of road show and study tour on alternative technology (US \$15,000);
 - (d) Awareness raising and outreach through development of general information materials on ODS and ODS alternatives-based equipment, and organization of annual Ozone Day celebration (US \$ 6,000); and
 - (e) Monitoring the activities of the HPMP, maintaining the database of alternative technologies, and ensuring enforcement of relevant laws and regulations (US \$30,000).

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

14. The Government of Mongolia has already issued HCFC import quotas for 2017 in line with its Agreement with the Executive Committee (0.77 ODP tonnes).

Refrigeration servicing sector

15. The Mongolian Refrigeration Association plays a significant role in the training of technicians, and is the NOU's partner to ensure sustainability. An agreement has been reached for this Association to be responsible for future trainings and strengthening of the institutionalized certification programme; and for review, adoption and harmonization international standards related to HCFCs, their alternatives and technology used in the RAC sector, especially for servicing.

Modifications to the Agreement

16. The Secretariat noted that the Agreement between the Government and the Executive Committee by mistake reported a consumption target of 0.40 ODP tonnes instead of 0.77 ODP tonnes² (row 1.2 and Appendix-2A) for the years 2015-2019 contained in Annex XIV to the report of the 71st meeting.³ To correct this error, the Agreement is modified and contained in Annex I to the present document, noting that the updated Agreement supersedes that reached at the 71st meeting. The full updated Agreement will be appended to the final report of the 71st meeting.

Conclusion

17. The Secretariat noted that an import licensing and quota system is operational and will enable consumption reductions in line with the Montreal Protocol’s phase-out schedule. The activities for the conversion of the XPS foam sector have been completed and a ban on the imports of HCFC-22 for use in XPS foam manufacturing is in place. Activities for the servicing sector have been developed with the participation of key stakeholders. Strengthening the training centres will ensure the long-term sustainability of the activities proposed in stage I of the HPMP.

RECOMMENDATION

18. The Fund Secretariat recommends that the Executive Committee:
- (a) Takes note of progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan (HPMP) for Mongolia; and
 - (b) Notes that the Fund Secretariat had updated paragraphs 1 and 1b, Appendix 2-A of the Agreement between the Government of Mongolia and the Executive Committee to correctly reflect the maximum allowable consumption values for the years 2015-2019, and to indicate that the updated Agreement superseded that reached at the 71st meeting, as contained in Annex I to the present document.

19. The Fund Secretariat further recommends blanket approval of the third tranche of stage I of the HPMP for Mongolia, and the corresponding 2017-2019 tranche implementation plan, at the funding level with associated support costs as shown in the table below:

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	HCFC phase-out management plan (stage I, second tranche)	69,000	8,970	UNEP

² Equal to the baseline minus consumption of the XPS foam enterprises, and 10 per cent reduction from servicing.

³ UNEP/OzL.Pro/ExCom/71/64

Annex I

UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF MONGOLIA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

1. This Agreement represents the understanding of the Government of Mongolia (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 **0.4** ODP tonnes prior to 1 January 2020 in compliance with Montreal Protocol schedules.

16. This updated Agreement supersedes the Agreement reached between the Government of Mongolia and the Executive Committee at the **71st** meeting of the Executive Committee.

APPENDIX 2-A: THE TARGETS, AND FUNDING

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	1.4	1.4	1.3	1.3	1.3	1.3	1.3	0.9	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	1.4	1.4	0.77	0.77	0.77	0.77	0.77	0.4	n/a
2.1	Lead IA UNEP agreed funding(US \$)	65,000	0	65,000	0	0	69,000	0	0	0	37,000	236,000
2.2	Support costs for Lead IA(US \$)	8,450	0	8,450	0	0	8,970	0	0	0	4,810	30,680
2.3	Cooperating IA Japan agreed funding (US \$)	130,000	0	0	0	0	0	0	0	0	0	130,000
2.4	Support costs for Cooperating IA (US \$)	16,900	0	0	0	0	0	0	0	0	0	16,900
3.1	Total agreed funding (US \$)	195,000	0	65,000	0	0	69,000	0	0	0	37,000	366,000
3.2	Total support cost (US \$)	25,350	0	8,450	0	0	8,970	0	0	0	4,810	47,580
3.3	Total agreed costs (US \$)	220,350	0	73,450	0	0	77,970	0	0	0	41,810	413,580
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)											1.0
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)											0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)											0.4