

## Annex II

### **DRAFT REVISED AGREEMENT BETWEEN THE GOVERNMENT OF CHINA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS IN ACCORDANCE WITH STAGE II OF THE HCFC PHASE-OUT MANAGEMENT PLAN**

**[For ease of reference updates are in bold]**

#### **Purpose**

1. This Agreement represents the understanding of the Government of China (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 level of 11,772 ODP tonnes by 1 January 2020, **5,063.5 ODP tonnes by 1 January 2025 and 4,513.5 ODP tonnes by 1 January 2026** in compliance with Montreal Protocol schedule, including the total phase-out of HCFCs in the extruded polystyrene (XPS) foam, polyurethane (PU) foam, and solvent sectors by 2026. ~~and noting that the national HCFC consumption target, as well as the targets for the industrial and commercial refrigeration and air conditioning (ICR) sector and the room air conditioning manufacturing and heat pump water heaters (HPWH) (RAC) sector for the period 2021 to 2026 would be determined when stage III of the HCFC phase-out management plan (HPMP) is submitted.~~

2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances that exceeds the level defined in row 1.2 of Appendix 2-A as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances that exceeds the level defined in rows 4.1.3, 4.2.3, 4.3.3, 4.4.3, 4.5.3, and 4.6.3 (remaining consumption eligible for funding).

3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees, in principle, to provide the funding set out in row 3.1 of Appendix 2-A to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (“Funding Approval Schedule”).

4. The Country agrees to implement this Agreement in accordance with the stage II of the HPMP approved (“the Plan”) and its sector plans. In accordance with sub-paragraph 5(b) of this Agreement, the Country will accept independent verification of the achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A of this Agreement. The aforementioned verification will be commissioned by the relevant bilateral or implementing agency.

#### **Conditions for funding release**

5. The Executive Committee will only provide the Funding in accordance with the Funding Approval Schedule when the Country satisfies the following conditions at least twelve weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:

- (a) That the Country has met the Targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years since the year in which this Agreement was approved;

- (b) That the meeting of these Targets has been independently verified for all relevant years, unless the Executive Committee decided that such verification would not be required;
- (c) That, for sector plans with activities that include the conversion of manufacturing capacity, the Country had submitted an independent verification report of a random sample of at least five per cent of the manufacturing lines which had completed their conversion in the year to be verified, on the understanding that the total aggregated HCFC consumption of the random sample of the manufacturing lines represents at least 10 per cent of the **consumption phased out in manufacturing lines converted with financial assistance from the Multilateral Fund in the sector in that year;**
- (d) That the Country had submitted a Tranche Implementation Report in the form of Appendix 4-A (“Format of Tranche Implementation Reports and Plans”) covering each previous calendar year; that it had achieved a significant level of implementation of activities initiated with previously approved tranches; and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and
- (e) That the Country has submitted a Tranche Implementation Plan in the form of Appendix 4-A (“Format for Tranche Implementation Reports and Plans”) covering each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen.

### **Monitoring**

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement, and will also continue to maintain and operate a system to monitor the consumption in the different sectors to ensure compliance with the sector consumption limits set out in rows 1.3.1, 1.3.2, 1.3.3, 1.3.4 and 1.3.5 of Appendix 2-A. The institutions set out in Appendix 5-A (“Monitoring Institutions and Roles”) will monitor and report on implementation of the activities in the previous Tranche Implementation Plans in accordance with their roles and responsibilities set out in the same appendix. This monitoring will also be subject to independent verification as described in sub-paragraph 5(c) above.

### **Flexibility in the reallocation of funds**

7. The Executive Committee agrees that the Country may have the flexibility to reallocate part or all of the approved funds according to the evolving circumstances to achieve the smoothest reduction of consumption and phase-out of the Substances specified in Appendix 1-A:

- (a) Reallocations categorized as major changes must be documented in advance either in a Tranche Implementation Plan as foreseen in sub-paragraph 5(e) above, or as a revision to an existing Tranche Implementation Plan to be submitted at least *twelve weeks* in advance to any meeting of the Executive Committee, for its approval. Major changes would relate to:
  - (i) Issues potentially concerning the rules and policies of the Multilateral Fund;
  - (ii) Changes which would modify any clause of this Agreement;
  - (iii) Changes in the annual levels of funding allocated to individual bilateral or implementing agencies for the different tranches;

- (iv) Provision of funding for activities not included in the current approved Tranche Implementation Plan, or removal of an activity in the Tranche Implementation Plan, with a cost greater than 20 per cent of the total cost of the last approved tranche, or US \$2.5 million, whichever is lower; and
- (v) Changes in alternative technologies already selected, on the understanding that any submission for such a request would identify the associated incremental costs, the potential impact to the climate, and any differences in ODP tonnes to be phased out if applicable, as well as confirm that the Country agrees that potential savings related to the change of technology would decrease the overall funding level under this Agreement accordingly;
- (b) Reallocations not categorized as major changes may be incorporated in the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the subsequent Tranche Implementation Report;
- (c) Any enterprise to be converted to non-HCFC technology included in the Plan and that would be found to be ineligible under the policies of the Multilateral Fund (i.e., due to foreign ownership or establishment post the 21 September 2007 cut-off date), would not receive financial assistance. This information would be reported as part of the Tranche Implementation Plan;
- (d) The Country commits to examining the possibility of using pre-blended systems with low-global warming potential (GWP) blowing agents instead of blending them in-house, for those foam enterprises covered under the Plan, should this be technically viable, economically feasible and acceptable to the enterprises;
- (e) The Country agrees, in cases where HFC technologies have been chosen as an alternative to HCFCs, and taking into account national circumstances related to health and safety: to monitor the availability of substitutes and alternatives that further minimize impacts on the climate; to consider, in the review of regulations, standards and incentives adequate provisions that encourage introduction of such alternatives; and to consider the potential for adoption of cost-effective alternatives that minimize the climate impact in the implementation of the HPMP, as appropriate, and inform the Executive Committee on the progress accordingly in tranche implementation reports; and
- (f) Any remaining funds held by the bilateral or implementing agencies or the Country under the Plan will be returned to the Multilateral Fund upon completion of the last tranche foreseen under this Agreement.

### **Considerations for the refrigeration servicing sector**

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sector included in the Plan, in particular:
- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and
  - (b) The Country and relevant bilateral and/or implementing agencies would take into consideration relevant decisions on the refrigeration servicing sector during the implementation of the Plan.

### **Bilateral and implementing agencies**

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. UNDP has agreed to be the lead implementing agency (the “Lead IA”); UNDP, UNIDO, UNEP, and the World Bank have agreed to be the sector lead implementing agencies (“Sector Lead IAs”) under the overall lead of the Lead IA for the **industrial and commercial refrigeration and air-conditioning (ICR)** and solvent sectors, XPS foam and **room air-conditioning manufacturing and heat pump water heaters (HPWH)** (RAC) sectors, **refrigeration** servicing sector and **national** enabling programme, and the PU foam sectors, respectively; **and the Government of Austria**, the Government of Germany, the Government of Italy, and the Government of Japan have agreed to be cooperating implementing agencies (the “Cooperating IAs”) under the lead of the Sector Lead and Lead IA in respect of the Country’s activities under this Agreement. The Country agrees to evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of the Lead IA, Sector Lead IAs, and/or Cooperating IAs.

10. The Lead IA will be responsible for ensuring co-ordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification as per sub-paragraph 5(b). The roles of the Lead IA, Sector Lead IAs, and Cooperating IAs are contained in Appendix 6-A, Appendix 6-B and Appendix 6-D, respectively. The Executive Committee agrees, in principle, to provide the Lead IA, Sector Lead IAs, and the Cooperating IAs with the fees set out in rows 2.1.2, 2.2.2, 2.2.4, 2.3.2, 2.4.2, 2.4.4, **2.4.6**, 2.5.2, 2.5.4, 2.5.6, and 2.6.2 of Appendix 2-A.

### **Non-compliance with the Agreement**

11. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in row 1.2 and, starting in 2019, rows 1.3.1, 1.3.2, 1.3.3, 1.3.4, or 1.3.5 of Appendix 2-A or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. The Country would not be double-penalized through both an aggregate and a sector-specific penalty. At the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Approval Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amount set out in Appendix 7-A (“Reductions in Funding for Failure to Comply”) in respect of each ODP kg of reductions in consumption not achieved in any one year. The Executive Committee will discuss each specific case in which the Country did not comply with this Agreement, and take related decisions. Once decisions are taken, the specific case of non-compliance with this Agreement will not be an impediment for the provision of funding for future tranches as per paragraph 5 above.

12. The Funding of this Agreement will not be modified on the basis of any future Executive Committee decisions that may affect the funding of any other consumption sector projects or any other related activities in the Country.

13. The Country will comply with any reasonable request of the Executive Committee, the Lead IA, Sector Lead IAs, and the Cooperating IAs to facilitate implementation of this Agreement. In particular, it will provide the Lead IA, Sector Lead IAs, and the Cooperating IAs with access to the information necessary to verify compliance with this Agreement.

### Date of completion

14. The completion of the Plan and the associated Agreement will take place at the end of 2027. The completion of each sector plan will take place at the end of the year following the last year for which a maximum allowable total consumption level has been specified for the sector in Appendix 2-A. Should at that time there still be activities that are outstanding, and which were foreseen in the last Tranche Implementation Plan and its subsequent revisions as per sub-paragraph 5(e) and paragraph 7, the completion of the Plan or sector plan will be delayed until the end of the year following the implementation of the remaining activities upon approval by the Executive Committee. The reporting requirements as per sub-paragraphs 1(a) to 1(f) of Appendix 4-A will continue until the time of the completion of the Plan unless otherwise specified by the Executive Committee.

### Validity

15. All of the conditions set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Montreal Protocol unless otherwise defined herein.

16. This Agreement may be modified or terminated only by mutual written agreement of the Country and the Executive Committee of the Multilateral Fund.

**17. This revised Agreement supersedes the Agreement reached between the Government of China and the Executive Committee at the 79<sup>th</sup> meeting of the Executive Committee.**

## APPENDICES

### APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	11,495.31
HCFC-123	C	I	10.13
HCFC-124	C	I	3.07
HCFC-141b	C	I	5,885.18
HCFC-142b	C	I	1,470.53
HCFC-225	C	I	1.22
<b>Total</b>	<b>C</b>	<b>I</b>	<b>18,865.44</b>

**APPENDIX 2-A: THE TARGETS, AND FUNDING**

Row	Particulars	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
<b>Consumption targets</b>													
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	17,342.1	17,342.1	17,342.1	17,342.1	12,524.9	12,524.9	12,524.9	12,524.9	12,524.9	6,262.4	6,262.4	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	16,978.9	16,978.9	15,048.1	15,048.1	11,772.0	11,772.0	11,772.0	8,618.0	8,618.0	5,063.5	4,513.5	n/a
1.3.1	Maximum allowable consumption of Annex C, Group I substances in the ICR sector (ODP tonnes)	2,162.5	2,162.5	2,042.4	2,042.4	1,609.9	1,609.9	1,609.9	1,369.6	1,369.6	780.9	780.9	n/a
1.3.2	Maximum allowable consumption of Annex C, Group I substances in the XPS foam sector (ODP tonnes)	2,286.0	2,286.0	2,032.0	2,032.0	1,397.0	1,397.0	1,397.0	762.0	762.0	165.0	0.0	n/a
1.3.3	Maximum allowable consumption of Annex C, Group I substances in the PU foam sector (ODP tonnes)	4,449.6	4,449.6	3,774.5	3,774.5	2,965.7	2,965.7	2,965.7	1,078.4	1,078.4	330.0	0.0	n/a

Row	Particulars	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
1.3.4	Maximum allowable consumption of Annex C, Group I substances in the RAC sector (ODP tonnes)	3,697.7	3,697.7	2,876.0	2,876.0	2,259.7	2,259.7	2,259.7	1,614.1	1,614.1	1,232.6	1,232.6	n/a
1.3.5	Maximum allowable consumption of Annex C, Group I substances in the solvent sector	455.2	455.2	395.4	395.4	321.2	321.2	321.2	148.3	148.3	55.0	0.0	n/a
<b>Funding industrial and commercial refrigeration and air conditioning (ICR) sector plan</b>													
2.1.1	Sector Lead IA (UNDP) agreed funding (US \$)	13,368,756	20,000,000	0	0	2,095,775	9,000,000	0	8,000,000	0	7,559,464	8,134,246	68,158,241
2.1.2	Support costs for UNDP (US \$)	935,813	1,400,000	0	0	146,704	630,000	0	560,000	0	529,162	569,397	4,771,076
<b>Funding extruded polystyrene (XPS) foam sector plan</b>													
2.2.1	Sector Lead IA (UNIDO) agreed funding (US \$)	7,514,867	8,732,614	0	0	9,890,431	4,400,000	2,000,000	3,000,000	1,000,000	4,000,000	3,534,654	44,072,566
2.2.2	Support costs for UNIDO (US \$)	526,041	611,283	0	0	692,330	308,000	140,000	210,000	70,000	280,000	247,426	3,085,080
2.2.3	Sector cooperating agency (Germany) agreed funding (US \$)	-	267,386	0	0	0	600,000	0	0	0	0	0	867,386
2.2.4	Support costs for Germany (US \$)	-	31,877	-	0	0	73,535	0	0	0	0	0	105,412
<b>Funding polyurethane (PU) foam sector plan</b>													
2.3.1	Sector Lead IA (World Bank) agreed funding (US \$)	7,045,027	0	0	0	2,067,012	4,000,000	0	5,000,000	1,000,000	5,000,000	4,200,000	28,312,039
2.3.2	Support costs for World Bank (US \$)	493,152	0	0	0	144,691	280,000	0	350,000	70,000	350,000	294,000	1,981,843
<b>Funding room air conditioning (RAC) sector plan</b>													
2.4.1	Sector Lead IA (UNIDO) agreed funding (US \$)	14,671,089	16,000,000	0	0	0	4,150,000	0	6,300,000	0	8,717,105	8,613,995	58,452,189

Annex II

Row	Particulars	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
2.4.2	Support costs for UNIDO (US \$)	1,026,976	1,120,000	0	0	0	290,500	0	441,000-	0	610,197	602,980	4,091,653
2.4.3	Sector cooperating agency (Italy) agreed funding (US \$)	891,892	0	0	0	0	0	0	0	0	0	0	891,892
2.4.4	Support costs for Italy (US \$)	108,108	0	0	0	0	0	0	0	0	0	0	108,108
2.4.5	Sector cooperating agency (Austria) agreed funding (US \$)	-	0	0	0	0	350,000	-	700,000	0	0	0	1,050,000
2.4.6	Support costs for Austria (US \$)	-	0	0	0	0	41,833	-	83,667	0	0	0	125,500
<b>Funding service sector plan, including enabling programme</b>													
2.5.1	Sector Lead IA (UNEP) agreed funding (US \$)	3,299,132	2,570,000	0	1,000,000	0	1,160,000	1,780,000	2,000,000	3,000,000	1,200,000	2,517,105	18,526,237
2.5.2	Support costs for UNEP (US \$)	364,651	284,061	0	120,000	0	127,291	195,325	219,467	329,200	131,680	276,211	2,047,886
2.5.3	Sector cooperating agency (Germany) agreed funding (US \$)	300,000	0	0	0	0	600,000	220,000	0	0	0	0	1,120,000
2.5.4	Support costs for Germany (US \$)	36,000	0	0	0	0	71,122	26,078	0	0	0	0	133,200
2.5.5	Sector cooperating agency (Japan) agreed funding (US \$)	80,000	80,000	0	0	0	240,000	0	0	0	0	0	400,000
2.5.6	Support costs for Japan (US \$)	10,400	10,400	0	0	0	31,200	0	0	0	0	0	52,000
<b>Funding solvent sector plan</b>													



Row	Particulars	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
2.6.1	Overall Lead IA (UNDP) agreed funding (US \$)	2,821,937	3,777,190	0	0	12,946,782	2,500,000	1,000,000	2,000,000	0	523,431	0	25,569,340
2.6.2	Support costs for UNDP (US \$)	197,536	264,403	0		906,275	175,000	70,000	140,000	0	36,640	0	1,789,854
<b>Overall funding</b>													
3.1	Total agreed funding (US \$)	49,992,700	51,427,190	0	1,000,000	27,000,000	27,000,000	5,000,000	27,000,000	5,000,000	27,000,000	27,000,000	247,419,890
3.2	Total support cost (US \$)	3,698,677	3,722,024	0	120,000	1,890,000	2,028,482	431,404	2,004,134	469,200	1,937,680	1,990,013	18,291,614
3.3	Total agreed costs (US \$)	53,691,377	55,149,214	0	1,120,000	28,890,000	29,028,482	5,431,404	29,004,134	5,469,200	28,937,680	28,990,013	265,711,504
<b>Phase-out and remaining eligible consumption</b>													
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)												6,631.46
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)												1,479.72
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)												3,384.13
4.2.1	Total phase-out of HCFC-123 agreed to be achieved under this Agreement (ODP tonnes)												7.94
4.2.2	Phase-out of HCFC-123 to be achieved in previously approved projects (ODP tonnes)												0.00
4.2.3	Remaining eligible consumption for HCFC-123 (ODP tonnes)												2.19
4.3.1	Total phase-out of HCFC-124 agreed to be achieved under this Agreement (ODP tonnes)												0.86
4.3.2	Phase-out of HCFC-124 to be achieved in previously approved projects (ODP tonnes)												0.00
4.3.3	Remaining eligible consumption for HCFC-124 (ODP tonnes)												2.21
4.4.1	Total phase-out of HCFC-141b agreed to be achieved under this Agreement (ODP tonnes)												4,187.18*
4.4.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)												1,698.00
4.4.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)												0.00
4.5.1	Total phase-out of HCFC-142b agreed to be achieved under this Agreement (ODP tonnes)												727.87
4.5.2	Phase-out of HCFC-142b to be achieved in previously approved projects (ODP tonnes)												267.47
4.5.3	Remaining eligible consumption for HCFC-142b (ODP tonnes)												475.19
4.6.1	Total phase-out of HCFC-225 agreed to be achieved under this Agreement (ODP tonnes)												1.13
4.6.2	Phase-out of HCFC-225 to be achieved in previously approved projects (ODP tonnes)												0.00
4.6.3	Remaining eligible consumption for HCFC-225 (ODP tonnes)												0.09

\*In accordance with decision 68/42(b), includes 137.83 ODP tonnes of HCFC-141b contained in exported pre-blended polyols.

### APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval at the *last* meeting of the year specified in Appendix 2-A.

#### **APPENDIX 4-A: FORMAT OF TRANCHE IMPLEMENTATION REPORTS AND PLANS**

1. The submission of the Tranche Implementation Report and Plans for each sector tranche request will consist of the following parts:

- (a) A narrative report, with data provided by tranche, describing the progress achieved since the previous report, reflecting the situation of the Country in regard to phase out of the Substances, how the different activities contribute to it, and how they relate to each other; the amount of ODS phased out as a direct result from the implementation of activities, by substance, and the alternative technology used and the related phase-in of alternatives; the amount of co-funding provided by the Country for the HCFC reductions; successes, experiences, and challenges related to the different activities included in the Plan, reflecting any changes in the circumstances in the Country, and providing other relevant information; information on and justification for any changes vis-à-vis the previously submitted Tranche Implementation Plan(s), such as delays, uses of the flexibility for reallocation of funds during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes;
- (b) An independent verification report of the consumption of the Substances, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;
- (c) For sector plans with activities that include the conversion of manufacturing capacity, an independent verification report as per sub-paragraph 5(c) of the Agreement, including a random sample of at least five per cent of the manufacturing lines which had completed their conversion in the year to be verified, and specifying at a minimum the following information: name of the enterprises; level of the Substance consumption prior to conversion; the alternative technology that has been introduced including the alternative Substance consumption level; the manufacturing capacity and actual production level before and after conversion; and the detailed incremental cost of the conversion;
- (d) A written description of the activities to be undertaken during the period covered by the requested tranche, highlighting implementation milestones, the time of completion and the interdependence of the activities, any possible changes to the overall Plan that are foreseen, taking into account experiences made and progress achieved in the implementation of earlier tranches;
- (e) A set of quantitative information for all Tranche Implementation Reports and Plans, submitted through an online database; and
- (f) An Executive Summary of about five paragraphs, summarizing the information of the above sub-paragraphs 1(a) to 1(e).

2. In the event that in a particular year two stages of the HPMP are being implemented in parallel, the following considerations should be taken in preparing the Tranche Implementation Reports and Plans:

- (a) The Tranche Implementation Reports and Plans referred to as part of this Agreement, will exclusively refer to activities and funds covered by this Agreement; and

- (b) If the stages under implementation have different HCFC consumption targets under Appendix 2-A of each Agreement in a particular year, the lower HCFC consumption target will be used as reference for compliance with these Agreements and will be the basis for the independent verification.

#### APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The ~~Foreign Economic Cooperation Office/Ministry of Environmental Protection (FECO/MEP)~~, as the National Ozone Unit is responsible for the following:

- (a) Co-ordinating the overall implementation of activities to be undertaken with assistance of the Lead IA, Sector Lead IAs and other Cooperating IAs;
- (b) **Coordinating the development and implementation of national policies and legislations on the control of ODS, including the bans of consumption of HCFCs in PU foam, XPS foam and solvent sectors to be effective by 1 January 2026;**
- (c) Monitoring national consumption based on production data and official import and export data for the Substances recorded by relevant government departments in line with sub-paragraph 5(b) of this Agreement;
- (d) Supervising implementation of the national system of licensing and quotas for HCFC imports, production and exports, the quota system covering enterprises using large quantities of HCFC in the different consumption sectors, where applicable, and collect the consumption data to control the consumption growth and achieve reduction of HCFC consumption in those enterprises, where applicable;
- (e) Managing consumption in those sectors with large amounts of small and medium-sized (SMEs) enterprises (e.g., XPS and PU foam, ICR, and solvent sectors), by limiting the quantities of the relevant substances to be sold to the domestic market;
- (f) Supervising enterprises carrying out the conversion activities to ensure the phase-out target in those enterprises had been achieved; and
- (g) Co-ordinate with Lead IA, Sector Lead IAs, and Cooperating IAs to facilitate the verification of the sector targets set in the Agreement and in the preparation of reports according to sub-paragraph 5(d) and Appendix 4-A of this Agreement.

#### APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities, including at least the following:
- (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's HPMP;
  - (b) Assisting the Country in preparation and submission of the Tranche Implementation Reports and Plans as per Appendix 4-A;
  - (c) Providing independent verification to the Executive Committee that the Targets have been met and associated tranche activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;

- (d) Fulfilling the reporting requirements for the overall plan as specified in Appendix 4-A for submission to the Executive Committee;
- (e) Ensuring that the experiences and progress is reflected in updates of the overall plan and in future Tranche Implementation Plans consistent with sub-paragraphs 1(d) and 1(e) of Appendix 4-A;
- (f) In the event that the last funding tranche is requested one or more years prior to the last year for which a consumption target had been established, co-ordinate with the responsible Sector Lead IA to ensure that annual tranche implementation reports and, where applicable, verification reports on the current stage of the Plan are submitted until all activities foreseen had been completed and HCFC consumption targets had been met;
- (g) Ensuring that appropriate independent technical experts carry out the technical reviews;
- (h) Carrying out the required supervision missions;
- (i) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (j) With the Country, co-ordinating the activities of the Sector Lead IAs and Cooperating IAs, and ensuring appropriate sequence of activities;
- (k) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country, the Sector Lead IAs and the Cooperating IAs, the allocation of the reductions to the different sectors and budget items and to the funding of the Sector Lead IAs and each Cooperating IA;
- (l) Providing assistance with policy, management and technical support when required;
- (m) Reaching consensus with the Sector Lead IAs and Cooperating IAs on any planning, co-ordination and reporting arrangements required to facilitate the implementation of the Plan; and
- (n) Co-ordinating the annual financial audit of the income received from the implementing agencies, the disbursements by Foreign Environmental Cooperation Center/Ministry of Ecology and Environment (FECO/MEE) to final beneficiaries, and the interest amount earned by FECO/MEE on the balances held by FECO/MEE.

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent entity to carry out the verification of the HPMP results as per sub-paragraphs 5(c) of the Agreement and sub-paragraph 1(c) of Appendix 4-A. The Lead IA can delegate the task described in this paragraph to the respective Sector Lead IA on the understanding that such delegation will not interfere with the Lead IA's responsibility to carry out the verification of the HPMP results.

## **APPENDIX 6-B: ROLE OF THE SECTOR LEAD IAs**

1. The Sector Lead IAs will be responsible for a range of activities described in their corresponding sector plan, including at least the following:

- (a) Providing assistance for policy development, planning and management of sector programming as set out in the sector plans, when required;
- (b) Ensuring verification of sector performance targets in line with paragraph 5(c) and progress of disbursement in accordance with this Agreement and with its specific internal procedures and requirements as set out in the relevant sectors and assisting the Country in the implementation and assessment of the activities;
- (c) Fulfilling the reporting requirements for the sector Tranche Implementation Reports and Plans as specified in Appendix 4-A for submission to the Executive Committee and, where relevant, including the activities implemented by the Cooperating IAs;
- (d) Ensuring that appropriate independent technical experts carry out the technical reviews;
- (e) Carrying out required supervision missions;
- (f) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (g) Ensuring that disbursements made to the Country are based on the use of the indicators;
- (h) Where relevant, reaching consensus with the Cooperating IAs on any planning, co-ordination and reporting arrangements required to facilitate the implementation of the Plan;
- (i) Timely releasing funds to the Country/participating enterprises for completing the activities related to the sector; and
- (j) Ensuring financial verification of the activities implemented.

## **APPENDIX 6-C: ROLE OF THE WORLD BANK IN THE VERIFICATION OF CONSUMPTION**

1. In addition to its role as the Implementing Agency of the China HCFC Production Phase-out Management Plan, after consultation with the Country and taking into account any views expressed, the World Bank will select and mandate an independent entity to carry out the verification of the consumption of the Country as specified in row 1.2 of Appendix 2-A, as per sub-paragraph 5(b) of this Agreement and sub-paragraph 1(b) of Appendix 4-A.

## **APPENDIX 6-D: ROLE OF THE COOPERATING IAs**

1. The Cooperating IAs will be responsible for a range of activities described in each sector plan, including at least the following:

- (a) Providing assistance for policy development, planning and management of the sector programming as set out in the respective sector plan, when required;

- (b) Assisting the Country in the implementation and assessment of the activities, and referring to the Sector Lead IA to ensure a co-ordinated sequence in the activities;
- (c) Providing reports to the Sector Lead IA on these activities as per Appendix 4-A;
- (d) Reaching consensus with the Sector Lead IA on any planning, co-ordination and reporting arrangements required to facilitate the implementation of the Plan; and
- (e) Ensuring financial verification of the activities implemented.

#### **APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY**

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$~~42.82~~ ~~115~~ per ODP kg of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met, on the understanding that the maximum funding reduction would not exceed the funding level of the tranche being requested. Additional measures might be considered in cases where non-compliance extends for two consecutive years.

2. Starting for the consumption in 2019, the amount of funding provided may be reduced by US \$~~42.82~~ ~~115~~ per ODP kg of consumption beyond the level defined in rows 1.3.1, 1.3.2, 1.3.3, 1.3.4, or 1.3.5 of Appendix 2-A for each year in which the target specified in rows 1.3.1, 1.3.2, 1.3.3, 1.3.4, or 1.3.5 of Appendix 2-A has not been met, on the understanding that compliance with the targets defined in rows 1.3.1, 1.3.2, 1.3.3, 1.3.4, and 1.3.5 would be assessed based on existing sectoral reporting arrangements under the progress report on the implementation of the country programme and Tranche Implementation Report and Plans, and would not be independently verified.

3. In the event that the penalty needs to be applied for a year in which there are two Agreements in force (two stages of the HPMP being implemented in parallel) with different penalty levels, the application of the penalty will be determined on a case-by-case basis taking into consideration the specific sectors that lead to the non-compliance. If it is not possible to determine a sector, or both stages are addressing the same sector, the penalty level to be applied would be the largest.

#### **APPENDIX 8-A: SECTOR SPECIFIC ARRANGEMENTS**

- 1. During stage II of the HPMP for the RAC sector, the Country agrees to convert at least:
  - (a) ~~Twenty Ten~~ **Ten** manufacturing lines for the production of RAC equipment to R-290;
  - (b) ~~Three Four~~ **Four** compressor manufacturing lines to R-290; **and**
  - (c) Three residential HPWH manufacturing lines to R-290; ~~and~~
  - ~~(d) Two residential HPWH manufacturing lines to R-744;~~
- 2. During stage II of the HPMP for the ICR sector, the Country agrees:
  - (a) That a maximum quantity of ~~3,150~~ **1,463** metric tonnes (mt) in the unitary air-conditioning (UAC) sub-sector could be converted to HFC-32;

- (b) That the Country would have flexibility ~~in the UAC sub-sector~~ to convert to alternatives with a lower GWP than HFC-32 as long as the cost and tonnage to be phased out remained the same;
  - (c) That the Country would have flexibility to convert industrial and commercial HPWH lines to HFC-32 on the understanding that UAC, **water chiller (heat pump)** and industrial and commercial HPWH conversions to HFC-32 combined would not exceed ~~3,150~~ **1,463** mt;
  - (d) That at least ~~20~~ **30** per cent of the total phase-out of HCFC-22 ~~from 2021-2026 funded by the Multilateral Fund~~ in the ICR sector would be from the conversion of SMEs (i.e. those consuming 50 mt or less); and
  - (e) That, in sectors other than the UAC sub-sector, the Country would have flexibility to select from among the ~~six~~ low-GWP technologies identified in **Table 3 of paragraph 71 of document UNEP/OzL.Pro/ExCom/86/21/Add.1. Table 8-5-2 of the ICR sector plan revised in 2020 of document UNEP/OzL.Pro/ExCom/76/25**, excluding HFC-32, and would make best efforts to ensure that the tonnage remained within 30 per cent of the amount specified for each technology in that table, at no additional cost to the Multilateral Fund, and that any deviation from that range would be reported to the Executive Committee for its consideration.
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