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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninety-first Meeting
Montreal, 5-9 December 2022
Item 9(c) of the provisional agenda¹

PROJECT PROPOSAL: MONTENEGRO

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

Phase-out

- HCFC phase-out management plan (stage II, second tranche)

UNIDO

¹ UNEP/OzL.Pro/ExCom/91/1

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Montenegro

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (stage II)	UNIDO (lead)	85 th	100% phase-out by 2025

(II) LATEST ARTICLE-7 DATA (Annex C Group I)	Year: 2021	0.10 ODP tonnes
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2021	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-22					0.10				0.10

(IV) CONSUMPTION DATA (ODP tonnes)			
2009-2010 baseline:	0.80	Starting point for sustained aggregate reductions:	0.80
CONSUMPTION ELIGIBLE FOR FUNDING			
Already approved:	0.8	Remaining:	0

(V) ENDORSED BUSINESS PLAN		2022	2023	2024	Total
UNIDO	ODS phase-out (ODP tonnes)	0.23	0	0	0.23
	Funding (US \$)	294,250	0	0	294,250

(VI) PROJECT DATA			2020	2021	2022	2023	2024	2025	Total
Montreal Protocol consumption limits			0.52	0.52	0.52	0.52	0.52	0.26	n/a
Maximum allowable consumption (ODP tonnes)			0.52	0.39	0.23	0.15	0.08	0	n/a
Funding agreed in principle (US \$)	UNIDO	Project costs	296,500	0	275,000	0	0	64,000	635,500
		Support costs	20,755	0	19,250	0	0	4,480	44,485
Funds approved by ExCom (US \$)		Project costs	296,500	0					296,500
		Support costs	20,755	0					20,755
Total funds recommended for approval at this meeting (US \$)		Project costs			275,000				275,000
		Support costs			19,250				19,250

Secretariat's recommendation:	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Montenegro, UNIDO as the designated implementing agency has submitted a request for funding for the second tranche of stage II of the HCFC phase-out management plan (HPMP), at the amount of US \$275,000, plus agency support costs of US \$19,250.² The submission includes a progress report on the implementation of the first tranche, a report on institutional strengthening (IS) activities in line with the format approved in decision 74/51, the verification report on HCFC consumption for 2020 and 2021, and the tranche implementation plan for 2023 to 2025.

Report on HCFC consumption

2. The Government of Montenegro reported a consumption of 0.10 ODP tonnes of HCFC in 2021, which is 88 per cent below the HCFC baseline for compliance. The 2017-2021 HCFC consumption is shown in table 1.

Table 1. HCFC consumption in Montenegro (2017-2021 Article 7 data)

HCFC-22	2017	2018	2019	2020	2021	Baseline
Metric tonnes (mt)	3.54	3.09	0.94	2.45	1.89	13.90
ODP tonnes	0.19	0.17	0.05	0.13	0.10	0.80

3. HCFC-22 consumption, which is used exclusively to service RAC equipment, has decreased since 2017 and remains significantly below the maximum allowable consumption in the HPMP Agreement as a result of the implementation of HPMP activities and legislative provisions including the ban on the import of HCFC-based equipment since 2012. The importing of non-HCFC-based RAC equipment has also reduced demand for HCFC refrigerant.

Country programme (CP) implementation report

4. The Government of Montenegro reported HCFC sector consumption data under the 2020 and 2021 CP implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

Verification report

5. The verification report confirmed that the Government continues to implement a licensing and quota system for HCFC imports and exports, that the total consumption of HCFCs reported under Article 7 of the Montreal Protocol for 2020 and 2021 was correct (as shown in table 1 above), and that the national certification scheme for RAC servicing technicians is operating. The verification report also reviewed imported quantities of HFCs, including HFC-32, HFC-134a, R-404A, R-407C, R-410A, and HFC-365mfc (a component of pre-blended polyols), which confirmed the quantities reported in the CP data for 2019 to 2021.

6. The verification report recommended *inter alia* focusing workshops for importers and RAC companies on filling the forms related to their annual reporting obligations (imports/exports of substances and equipment, recovery and recycling (R&R)) and considering the need for guidelines or video instructions for form filling; considering an extension of the deadline for the submission of annual imports reports from stakeholders from 31 January to the end of February; and training for customs officers based on the new training manual. UNIDO confirmed that the recommendations would be addressed under stage II of the HPMP.

² As per the letter of 30 September 2022 from the Environmental Protection Agency of Montenegro to UNIDO.

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

Legal framework

7. The Law on the Protection against Adverse Impacts of Climate Change (Official Gazette of MNE, no. 073/190) entered into force on 1 January 2020. It established several bans³ on Ozone Depleting Substances (ODS) and ODS-based equipment import/export, trade, and handling. Successively, the Regulation on ODS and alternative substances (F-gases) (Official Gazette MNE no. 079/21) was adopted in July 2021. It includes provisions for total HCFC phase-out by 1 January 2025; allowing HCFC imports only for servicing existing RAC equipment; establishing the HFC phase-down schedule in accordance with the Kigali Amendment; implementing an HFC quota system as of 1 January 2024; and limiting the sale of ODS/F-gases to licensed companies. Furthermore, RAC operators must register equipment containing 3 kg or more of ODS, and from 5 tonnes of CO₂-equivalent tonnes of F-gases, keep service records/logbooks, and perform mandatory leak checks. Several Rulebooks set out the detailed processes and necessary documents required under the recent regulation, including import/export permits, RAC licences, and skills development for RAC personnel. The Harmonized System, including tariff codes for ODS and F-gases, will be adopted by the end of 2022.

8. Two environmental inspectors received training on national ODS legislation, implementation of the Montreal Protocol, new refrigerants, naming and labelling of controlled substances, packaging of controlled substances, safety matters, with a practical session on using refrigerant identifiers. The inspectors were both women. A new training manual for customs officers was prepared and four one-day training courses have been scheduled for November 2022 for 50 customs officers. Five refrigerant identifiers have been procured and are due for delivery by 31 December 2022.

Refrigeration servicing sector

9. The following activities were implemented:

- (a) Training and certification of two trainers according to F-gas requirements; two workshops for a total of 21 technicians on good service practices, including a practical session on using refrigerant identifiers (21 RAC technicians received a certification of completion); electronic versions of manuals, brochures and training videos distributed at training workshops; a draft training manual for RAC service technicians following the rulebook on skill development adopted in 2021;
- (b) Start of procurement of four units to demonstrate the correct use of refrigerants and simulation of equipment breakdowns and repairs for the training centres, and 15 set of tools and equipment to be distributed among workshops and technicians; and
- (c) Meeting between the National Ozone Unit (NOU) and the Chamber of Economy, and representatives from the RAC sector to agree new steps towards reestablishing the RAC association; following an informal renewal of the RAC association, a meeting was held with representatives of importers and RAC companies to discuss the new national regulations, HPMP implementation, and the Kigali HFC Implementation Plan; information

³ Montenegro has prohibited ODS in the following activities: manufacturing; international trade with countries which are not Parties to the Montreal Protocol; import and export without a licence; imports and sales of disposable cylinders; retail sale; import of used, recycled and reclaimed; and releasing into the environment, including flushing. Furthermore, importing and selling ODS-based products and equipment, and charging systems designed for alternative refrigerants with ODS are prohibited.

booklets on recent legislation and ODS alternatives were distributed to importers and RAC technicians ; and the code of good practices was drafted.

IS

10. The NOU reports to the Environmental Protection Agency (EPA), which in turn is under the Ministry of Ecology, Spatial Planning and Urbanism.⁴ Funding for the NOU (i.e., IS project) was included under stage II of the HPMP. The following activities implemented under the first tranche related to the IS project only:

- (a) Issuing import/export permits; monitoring the implementation of the HCFC phase-out strategy including the rescheduling of activities delayed due to the COVID-19 pandemic; ensuring liaison between governmental agencies involved in the control of ODS and F-gases; issuing licenses for RAC servicing companies that perform the installation, maintenance and/or repair and decommissioning of products containing ODS and alternative substances; conducting public awareness in schools and celebrating the 2021 International Ozone Day, since in-person activities were cancelled in 2020 due to COVID-19;
- (b) Continued monitoring of ODS and F-gas consumption and data on recovered and recycled refrigerants and the import/export of HFC-based equipment; reporting data under Article 7 of the Protocol and the CP data report; and establishing and updating an electronic system for the inventory of RAC equipment, licensed service companies, certified technicians, recycled/recovered refrigerants, importers, and imports/exports of substances, and imports/exports of equipment containing ODS and alternatives; and
- (c) Attending expert meetings, regional UNEP Compliance Assistance Programme meetings, and international Montreal Protocol meetings, which due to the COVID-19 pandemic had been organized online; Montenegro acted as Vice-president of the Bureau of the Thirty-Second Meeting of the Parties to the Montreal Protocol; and participated in the mechanism on Informal Prior Informed Consent of Export and Import of ODS.

11. During the first tranche, the country fully achieved 14 of 15 IS performance indicators, and one was partially achieved, due to implementation challenges caused by the COVID-19 pandemic.

Project implementation and monitoring

12. There is no PMU established under stage II of the HPMP for Montenegro. The NOU and UNIDO monitored the implementation of the HPMP and prepared the corresponding reports for the first tranche. In the first tranche, out of a budget of US \$10,000, disbursements as of September 2022 amounted to a total of US \$4,500 including for consultants (US \$2,000), travel (US \$2,000), and workshops/meetings (US \$500).

Level of fund disbursement

13. As of September 2022, of the US \$296,500 approved so far for UNIDO, US \$86,464 (29 per cent) had been disbursed. The balance of US \$210,036 will be disbursed in 2022 and 2023.

⁴ Formerly, the Ministry of Sustainable Development and Tourism.

Implementation plan for the second tranche of the HPMP

14. The following activities will be implemented between January 2023 and December 2025:
- (a) Training and certification of ten trainers according to F-gas requirements, and 34 technicians in good service practices, including management of natural and synthetic refrigerants; updating training materials in accordance with the relevant official national Rulebook adopted in 2021 (US \$84,000 and remaining balance from the previous tranche);
 - (b) Procurement of one refrigerant identifier, four units of RAC simulation equipment for the training centres, and 55 sets of tools and equipment⁵ to incentivize licensed workshops and technicians to adopt new working methods (US \$91,000 and remaining balance from the previous tranche));
 - (c) Providing support to the RAC association to upgrade the code of good practices (US 5,000);
 - (d) Monitoring HPMP performance targets (US \$10,000 and remaining balance from the previous tranche); and
 - (e) Renewal of IS support (US \$85,000).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Status of implementation of stage I of the HPMP

15. In line with decision 81/29, the Secretariat requested UNIDO about the status of submission of the project completion report (PCR) noting that the activities under the fifth and final tranche of stage I of the HPMP, approved at the 85th meeting, have been technically completed and the financial completion is in progress. UNIDO indicated that it has started the process to return any balances and financially close the project, and is preparing the PCR to be submitted to the Secretariat in the near future. The Secretariat notes the implementation challenges caused by the restrictive conditions under the COVID-19 pandemic, appreciates that all activities in stage I have been operationally completed, and therefore recommends that the Executive Committee consider the request for funding for the second tranche of stage II of the HPMP on an exceptional basis, on the understanding that the funding would not be transferred to UNIDO until the PCR for stage I is submitted to the Secretariat.

Verification report

16. At the 85th meeting, UNIDO was requested to include, as part of the second tranche for stage II of the HPMP for Montenegro, an update on progress towards implementing the recommendations in the verification report submitted to the 85th meeting. UNIDO confirmed that all the recommendations had been or were being addressed, including the adoption of new regulations on disposable cylinders, the regulation on ODS and F-gases, obligations for the registration of equipment and mandatory leak checks. Furthermore, the NOU is testing a database management system which was developed under the HPMP to register equipment operators, certified technicians, licensed companies, equipment, annual reports on R&R,

⁵ The tentative list of equipment includes refrigerant charge scale with carrying case; charging hoses; clamp meters; universal flushing kit; leak detector; mechanical manifold gauge with hoses; multi-function digital manifold gauge; pinch-off piercing pliers with 1/4" SAE connection; recovery cylinders; refrigerant recovery machine; tube cutter; vacuum pump with electro valve and vacuum gauge.

imports/exports of substances, imports/exports of equipment, and a register of importers. The number of companies importing HFCs had dropped from nine in 2019 to five in 2021. UNIDO concluded that this drop in importers was due to the recently enacted national legislation, including the ban on non-refillable cylinders and the requirement to sell ODS and F-gases only to licensed companies.

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

Legal framework

17. The Government of Montenegro has already issued HCFC import quotas for 2022 at 0.21 ODP tonnes (3.8 mt), which is 60 per cent below the Montreal Protocol control target, and 9 per cent below the target in the Agreement with the Executive Committee.

Refrigeration servicing sector

18. The COVID-19 pandemic delayed the implementation of some activities in the first tranche of stage II, including the training of customs officers and RAC technicians, as well as the procurement of refrigerant identifiers for customs, and RAC demonstration units for the training centre. UNIDO reported that activities under the first tranche of stage II would be implemented without substantive changes by the end of 2023. The Secretariat noted that the unspent balance from the first tranche of stage II of the HPMP (US \$210,036) was of a similar size to the requested second tranche (US \$275,000). UNIDO assured that the Government of Montenegro and the implementing agency could successfully implement activities under both the first and second tranches in parallel.

19. With regard to the ongoing procurement of demonstration units for training centres, the original plan had been to purchase four already assembled units, but higher prices for assembled units have led to purchasing the necessary parts instead, which will be assembled at the training centre with technical assistance from UNIDO. Following shipping delays, the delivery of 15 sets of service tools and equipment is expected by early 2023. The EPA/NOU will announce a public call for the allocation of the service tools.⁶ The total cost of the demonstration units and the tool sets is expected to stay within the allocated budgets.

20. The verification report confirmed that the R&R scheme recovered/recycled 2.9, 2.2, and 2.6 mt of refrigerants in 2019, 2020, and 2021, respectively (HCFC-22, HFC-134a, HFC-32, R-404A, R-407C, R-410A). The verification report also noted that the R&R equipment procured under the CFC terminal phase-out management plan and the HPMP is at the end of its service life. Following a question from the Secretariat, UNIDO reported that the second tranche of funding would be used to provide improved R&R equipment to training centres and RAC technicians, to train trainers and RAC technicians, and to finalize arrangements for the re-establishment of the RAC association.

21. The Secretariat noted that the train-the-trainer component of the second tranche of the implementation plan includes “training on retrofit to flammable or toxic alternatives”. UNIDO confirmed that no physical retrofitting is supported under the HPMP and that trainers will be educated on the risks and correct procedures for servicing that involves toxic refrigerants, flammable refrigerants or equipment that has been retrofitted to flammable (or other) refrigerants.

⁶ Oxygen-free nitrogen cylinders, brazing kits, clamp meters, manifold sets, vacuum pumps, scales, electronic leak detectors, thermometers, recovery cylinders, and nitrogen purge tools

Gender policy implementation⁷

22. UNIDO reported that gender-balanced participation of Government counterparts and industry representatives is being promoted during implementation of stage II of the HPMP, and gender-specific data will be collected. The country will seek to ensure that women experts in the private sector and in Government are given equal opportunities to participate in HPMP activities, including, for example, by ensuring that women and men have equal access to equipment and material provided through training workshops, and by promoting women as trainers in the RAC sector. Gender aspects will be incorporated into training materials. Furthermore, all NOU, national and international experts recruited under stage II of the HPMP must successfully complete the UN Women's online course, "I Know Gender".

Sustainability of the HCFC phase-out and assessment of risks

23. The sustainability of the HCFC phase-out in Montenegro is supported by the strengthened controls on the import of HCFCs and HCFC-based equipment, which aim to support the complete phase-out of HCFCs by 1 January 2025. HCFC imports are permitted solely to service existing equipment, and the country keeps a register of RAC equipment and imposes mandatory leak checks. The licensing and quota scheme is underpinned by effective and constructive communication between the customs focal point and the NOU. Furthermore, the potential for illegal trade is mitigated by cooperation between the customs focal point and other customs offices in the Europe and Central Asia Network countries. Despite the delay in re-establishing the RAC association, good communication now exists between the NOU and the RAC sector companies. The Secretariat noted that risks such as the COVID-19 pandemic and difficulties in obtaining technical equipment had caused delays in the implementation of the first tranche but recognized that these were outside of the control of the implementing agency. Despite the delays, the swift initiation of the second tranche of stage II, especially procurement-related activities, is important to the overall success of the HPMP and the achievement of the target of complete phase-out of HCFCs by 1 January 2025.

Conclusion

24. The Government of Montenegro continued to effectively implement its HCFC import and export licensing and quota system, achieving compliance with its HCFC consumption targets for 2020 and 2021, as corroborated by the independent verification report. In 2021, HCFC consumption was 88 per cent below the baseline and 74 per cent below targets in the HPMP Agreement. All necessary legislation related to the phase-out of HCFCs is in place. Despite the challenges of the COVID-19 pandemic, the implementing agency has made progress in the organization of customs training and the training and certification of RAC trainers and technicians and has taken steps to re-establishing the RAC association. A sufficient level of implementation of the first tranche of the HPMP has been achieved, and plans are in place to reschedule delayed activities and implement them in parallel with the activities under the second tranche. UNIDO met the 20 per cent disbursement threshold for the previous tranche and disbursed 29 per cent of the overall funds.

RECOMMENDATION

25. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the first tranche of stage II of the HCFC phase-out management plan (HPMP) for Montenegro; and further recommends blanket approval of the second tranche of stage II of the HPMP for Montenegro, and the corresponding 2023-2025 tranche implementation plan, at the funding level shown in the table below, on an exceptional basis, on the understanding that the Treasurer would transfer the funding

⁷ In line with decision 84/92(d), decision 90/48(c) encouraged bilateral and implementing agencies to continue ensuring that the operational gender mainstreaming policy was applied to all projects, taking into consideration the specific activities presented in table 2 of document UNEP/OzL.Pro/ExCom/90/37.

to UNIDO only upon confirmation by the Secretariat that the project completion report for stage I of the HPMP had been received by the Secretariat:

	Project title	Project funding (US \$)	Support costs (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage II, second tranche)	275,000	19,250	UNIDO
