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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-fourth Meeting
Montreal, 25-29 July 2011

**REPORT ON IMPLEMENTATION OF APPROVED PROJECTS WITH SPECIFIC
REPORTING REQUIREMENTS**

Introduction

1. The Secretariat requested the bilateral and implementing agencies to submit to the 64th meeting outstanding progress reports on the implementation of national phase-out plans (NPPs), terminal phase-out management plans (TPMPs), projects in the production sector and HCFC demonstration and investment projects where specific reporting requirements are contained in the agreements and specific decisions of the Executive Committee taken between the 59th and 62nd meetings.

Structure of the document

2. The Secretariat has grouped the progress reports into three sections:

Section I: National phase-out plans (NPPs) and terminal phase-out management plans (TPMPs).

Section II: Production sector projects.

Section III: HCFC demonstration and investment projects that have been approved separately from an HCFC phase-out management plan (HPMP), in line with decision 55/43(b).

I. REPORTS ON THE IMPLEMENTATION OF NPPs/TPMPs

3. The Government of Germany, UNDP and UNEP have submitted the following reports:

- (a) Afghanistan: NPP (2010 progress report) (UNEP/Germany)
- (b) Bangladesh: NPP (2010 progress report) (UNDP/UNEP)
- (c) Maldives: TPMP (2010 progress report) (UNEP/UNDP)
- (d) Nepal: TPMP (2010 progress report) (UNEP/UNDP)
- (e) Samoa: TPMP (2010 progress report) (UNEP/UNDP)

4. The Secretariat reviewed the submitted reports in light of the original project proposals, ODS data reported by the Governments concerned under Article 7 of the Montreal Protocol, previous progress reports submitted to the Executive Committee and relevant decisions taken by the Executive Committee and the meeting of the Parties.

5. The Secretariat also noted that six of the requested reports were not submitted.

Secretariat's recommendation

6. The Executive Committee may wish to request the relevant bilateral and implementing agencies to submit to the 65th meeting complete progress reports on the implementation of the national phase-out plans and terminal phase-out management plans that are due as per specific decisions taken between the 59th and 62nd meetings and have not yet been submitted.

Afghanistan: NPP (UNEP/Germany)

7. The NPP, which commits the Government of Afghanistan to phasing out all CFCs by 1 January 2010 and CTC by 1 January 2007, was approved by the Executive Committee at its 47th meeting.

8. Progress reports, annual implementation plans and consumption verification reports were submitted to the 51st, 54th, 57th and 60th meetings. At the 60th meeting, the Executive Committee requested the Government of Afghanistan, with the assistance of the Government of Germany and UNEP, to submit a progress report on the implementation of the 2010 work programme for the NPP no later than the 63rd meeting (decision 60/8(b)). The present report covers the implementation of the 2010 work programme for the NPP.

Progress report

9. During 2010 the Government of Afghanistan finalized the implementation of its NPP and phased out the consumption of CFCs from 1 January 2010. The results for the reporting year include the organization of four additional custom training workshops with the participation of 201 custom officers, an additional refrigeration training workshop with the participation of 36 technicians, the implementation of the ODS import licensing system by the non-issuance of any CFC import permit during the year, and a number of awareness activities. No illegal trade incidents were identified during the year.

10. The totality of funds approved for the NPP of Afghanistan had been disbursed.

Secretariat's comments

11. According to the Article 7 data, the consumption of CFC for 2009 was 27.0 ODP tonnes (3.0 ODP tonnes below the 30.0 ODP tonnes agreed for the year in the agreement) and the CTC total phase-out was also maintained. Consumption of CFCs and CTC for the year 2010 was estimated at zero and no unauthorized imports of ODS were identified. Based on this information, Afghanistan appears to be in compliance with the NPP Agreement.

12. The Secretariat noted the comprehensive progress report on the implementation of the Afghanistan NPP. The Secretariat also noted that the Government of Afghanistan with the assistance of UNEP and Germany had accomplished under its NPP the training of 347 custom officers, the production and distribution of 500 copies of the handbook for custom officers and the training of 251 refrigeration technicians in good practices of refrigeration. The distribution of 172 recovery and recycling equipment had also taken place, 23 ODP tonnes of CFC-12 had been recovered, 4 training centres established and CFCs phased-out in four companies in the foams and commercial refrigeration sectors through technical assistance. A voluntary agreement was also made with the only user of CTC to replace the use of this substance by a water-based system technology.

13. The Secretariat pointed out to the agencies that the mandatory independent consumption verification report for the year 2009 was not included in the report and asked the lead agency to submit it along with a verification of the consumption for the year 2010. UNEP advised that the verification reports were currently under preparation; subsequently they were submitted in June but they were not yet complete.

Secretariat's recommendation

14. The Executive Committee may wish to:

- (a) Take note of the progress report on the implementation of the 2010 work programme of the national phase-out plan (NPP) for Afghanistan; and
- (b) Request UNEP to submit the verification reports for the years 2009 and 2010 and report no later than to the 65th meeting of the Executive Committee.

Bangladesh: NPP (UNDP/UNEP)

15. The NPP for Bangladesh was approved by the Executive Committee at its 42nd meeting at a total cost of US \$1,355,000 plus agency support costs of US \$119,775 to completely phase out the remaining consumption of CFCs, and CTC and TCA by the end of 2009. At its 52nd meeting the Executive Committee approved the project for the phase-out of CFC consumption in the manufacture of metered-dose inhalers (MDI) in Bangladesh at the amount of US \$2,776,778 plus agency support costs, and the transition strategy for phasing out the use of CFCs in MDIs, at a funding level of US \$70,000 plus agency support costs.

16. At the 57th meeting, UNDP submitted a progress report that showed CFC consumption levels for 2007 and 2008 to be above those allowed under the Montreal Protocol and under the Agreement. The Committee therefore decided *inter alia* to apply the penalty clause in the Agreement calculated, on an exceptional basis, at 5 per cent of the amount for each of the second, third and fourth tranches (i.e., a total penalty of US \$44,575), and to request the Government of Bangladesh and UNDP to submit a progress report on the implementation of the NPP and the project for the phase-out of CFCs in the MDI sector to the 60th meeting (decision 57/28).

17. Bangladesh submitted to the 21st meeting of the Parties a plan of action to return to compliance under which, without prejudice to the operation of the financial mechanism of the Protocol, Bangladesh committed itself *inter alia* to reduce CFC consumption to no greater than 140.0 ODP tonnes in 2009 and zero ODP tonnes in 2010, save for essential uses that may be authorized by the Parties (decision XXI/17).

18. At the 60th meeting, UNDP submitted a second progress report with preliminary data that showed CFC consumption estimated at 127.0 ODP tonnes in 2009, which was below the maximum level stipulated in its action plan submitted at the 21st meeting of the Parties (140.0 ODP tonnes), but was 74.0 ODP tonnes above the maximum level stipulated in the Agreement with the Executive Committee (53.0 ODP tonnes). The Executive Committee decided *inter alia* to apply the penalty clause calculated at 50 per cent of the amount for each of the fifth and sixth tranches being submitted for approval (i.e., a total penalty of US \$81,500), and to request the Government of Bangladesh and UNDP to submit to the 61st meeting a progress report and a plan of action associated with the seventh and last tranche of the NPP (decision 60/35).

19. As the seventh tranche request (US \$55,000) was not submitted to the 61st meeting, in line with decision 60/11(b), it would be integrated into the HCFC phase-out management plan. In consequence no funding request is associated with the present submission. The present report covers activities from May 2010 to present.

Progress report

20. During the reporting period, 100 additional custom officers received training completing 250 custom officers trained under the NPP. In addition 1,200 technicians received training in good servicing practices completing 3,100 technicians trained under the plan, and more than 800 technicians received retrofit kits and training on retrofitting. An average of 0.2 kg of CFC-12 was recovered per domestic refrigeration unit retrofitted and the CFC-12 recovered was recycled and reused. Service tools including retrofit kits, vacuum pumps, cylinders and recovery equipment for CFCs and HCFCs are being distributed among technicians.

21. Technical assistance activities under the NPP helped the garment industry to phase out the use of CTC. Preliminary figures indicated that the consumption of CTC and TCA was zero in 2010. The Article 7 data for 2010 has not yet been received by the Ozone Secretariat.

22. As of December 2010, of the US \$1,173,925 (after deducting US \$181,075 associated with the penalty clauses) approved for the implementation of the NPP, US \$1,020,609 has been disbursed. The balance of US \$153,316 will be disbursed in 2011. The expected date of completion of all activities of the NPP is December 2011.

Secretariat's comments

23. The Government of Bangladesh reported consumption of 127.6 ODP tonnes of CFCs in 2009, which confirmed the estimated figure included in the progress report submitted to the 60th meeting. The present progress report estimated the consumption of CFCs in 2010 at zero.

24. It is noted that the preliminary figures showed that Bangladesh reached zero consumption of CFC, CTC and TCA in 2010 in all sectors except for the manufacture of MDIs. The speedy implementation of the MDI investment project is also noted, resulting in a consumption of only 47.9 ODP tonnes of CFCs, which is 108.8 ODP tonnes below the 156.7 ODP tonnes authorized by the Parties as essential use exemption for 2010 (decision XXI/4).

25. The Secretariat noted that the verification report on the levels of consumption for the years 2009 and 2010 was not included in the submission. UNDP informed that the verification report has not yet been completed and would be finalized and submitted before the 65th meeting.

26. The Secretariat requested additional details and a preliminary assessment on whether Bangladesh will be in a position to comply with the essential use exemption level authorized for 2011 (57.0 ODP tonnes) and the non-request of further essential use nominations for the manufacturing of salbutamol, beclomethasone and levosalbutamol (decision XXII/4). UNDP informed that one of the three companies assisted will complete the conversion in 2011 while the other two will finish in December 2012. The Government of Bangladesh is preparing legislation to restrict CFC use from January 2013 for manufacturing of MDIs. UNDP also indicated that the conversion to non-CFC based salbutamol, beclomethasone and levosalbutamol will be completed in 2011 and therefore it is estimated that no CFCs will be required for these MDIs in 2012.

Secretariat's recommendation

27. The Executive Committee may wish to:

- (a) Note with appreciation the progress report on the implementation of the fifth and sixth tranches of the national ODS phase-out plan (NPP), the efforts made by Bangladesh to reach zero consumption of CFCs, CTC and TCA in 2010 in all sectors except for the manufacture of metered-dose inhalers (MDIs), and the prompt implementation of the MDI investment project that resulted in a consumption estimated at 47.9 ODP tonnes, which is 108.8 ODP tonnes below the 156.7 ODP tonnes of CFCs authorized by the Parties as essential uses for 2010;
- (b) Request UNDP to submit the verification report of 2009 and 2010 CFC consumption; and
- (c) Request the Government of Bangladesh, with the assistance of UNDP and UNEP, to submit a report on the finalization of the implementation of its NPP to the 66th meeting of the Executive Committee.

Maldives: TPMP (UNEP/UNDP)

28. The TPMP for Maldives was approved at the 53rd meeting of the Executive Committee at a total cost of US \$180,000 plus agency support costs of US \$20,000. The second and last tranche of the TPMP

was approved at the 58th meeting at a level of US \$15,000 plus agency support costs of US \$1,950 for UNEP.

29. At the 60th meeting, the Executive Committee took note of the progress report covering activities implemented from April 2008 to February 2010 and requested UNEP and UNDP to expedite the implementation of the end-user investment component of the TPMP and to report to the Executive Committee at its 62nd meeting on the progress in implementing this remaining component (decision 60/8(h)). The present report covers activities implemented in 2010.

Progress report

30. During this period, 45 refrigeration technicians were trained in good practices in refrigeration completing more than 150 technicians trained through the TPMP in Maldives; the custom training was integrated into the national customs instruction course offered to enforcement officers, and 75 customs and enforcement officers received training. Several public awareness activities were also completed in 2010.

31. With regard to the end-user investment component, the Government of Maldives and UNDP signed at the end of 2010 the agreement on project implementation milestones and targets including the distribution of recovery and recycling equipment that can be also used with HCFCs. Training of technicians, distribution of equipment and retrofits will take place during the third and fourth quarters of 2011. It is expected that this component will be completed in the fourth quarter of 2011.

32. By the time of reporting, US \$105,000 had been disbursed, and the balance of US \$75,000 corresponding to the end-users investment component is to be disbursed in 2011.

Secretariat's comments

33. The 14th meeting of the Parties noted that Maldives was in non-compliance with the control measures for CFCs and requested a plan of action to return to compliance. The 15th meeting of the Parties noted the plan of action submitted by Maldives, in which the country committed itself to reduce CFC consumption to 2.3 ODP tonnes in 2006, 0.7 ODP tonnes in 2007, zero ODP tonnes in 2008 and 2009, and total phase-out by 1 January 2010 (decision XV/37). The Secretariat noted that since 2007 the Government of Maldives has reported zero consumption of CFCs under Article 7 of the Montreal Protocol.

34. The country continued implementing the activities under the TPMP to ensure that this zero CFC consumption is sustained beyond 2010. In explaining the delay in the implementation of the end-user investment component, UNDP informed that the finalization of the agreement between UNDP and the Government of Maldives to implement this component was the main reason for the delay, but now the agreement is signed and the contracting of a service provider to support the Government in the procurement and distribution of equipment is in process. The activities included in this component will be addressed to sustain zero consumption of CFCs and to facilitate the phase-out of HCFCs as discussed at the approval of the HPMP.

Secretariat's recommendation

35. The Executive Committee may wish to:

- (a) Take note of the progress report on the implementation of the terminal phase-out management plan (TPMP) for Maldives; and

- (b) Request UNEP and UNDP to expedite the completion of the end-user investment component of the TPMP, noting that it will assist to sustain zero consumption of CFCs and to facilitate the phase out of HCFCs, and to report to the Executive Committee at its 66th meeting on the completion of the implementation of this remaining component.

Nepal: TPMP (UNEP/UNDP)

36. The TPMP for Nepal was approved at the 52nd meeting of the Executive Committee at a total cost of US \$170,000 plus agency support costs of US \$18,100 together with the first tranche. The second and final tranche was approved at the 57th meeting at the level of funding of US \$60,000 plus agency support costs of US \$6,800.

37. At the 61st meeting, the Executive Committee took note of the progress report covering activities implemented up to March 2010 and requested UNEP and UNDP to expedite the implementation of the end-user investment component and to report to the Executive Committee at its 62nd meeting on the progress in implementing this remaining component. The Executive Committee also urged the Government of Nepal to ratify the remaining amendments to the Montreal Protocol as soon as possible (decision 61/18(d)). The present report covers activities from April 2010 to April 2011.

Progress report

38. During this period, 26 custom officers were trained, 90 technicians were trained in good practices in refrigeration, 20 medical doctors participated in an MDI transition strategy workshop, and the Government continued activities to promote the dialogue between customs offices at the border with India. The Government also withheld 8.0 ODP tonnes of CFCs remaining from the 74.0 ODP tonnes confiscated in 2000 and released into the local market from 2004 to 2009 according to a plan of action approved at the 16th meeting of the Parties.

39. With regard to the end-user investment component, 28 technicians were trained in good servicing practices, refrigerants containment, retrofit of CFC-12 based equipment and hydrocarbon handling. The demonstration equipment was procured, installed in the Nepal Refrigeration and Air Conditioning Centre (NRACTC) and used in the training session. Recovery equipment that could also operate with HCFCs will be procured and distributed to service companies in 2011.

40. Progress in the process of ratification of the Copenhagen, Montreal and Beijing Amendments was also reported. Several follow-up meetings were organized and all the required documentation to submit to The Cabinet was completed. The ratifications are waiting the approval of the Cabinet and the Parliament. A high-level mission, including the participation of the Multilateral Fund and Ozone Secretariats, UNEP and UNDP, was held in March 2011. The participants agreed on specific actions to continue supporting the ratification process.

41. By the time of reporting, US \$145,000 had been disbursed, and the balance of US \$25,000 corresponding to the end-user investment component is to be disbursed in 2011.

Secretariat's comments

42. During 2010 the Government of Nepal completed most of the activities programmed for its TPMP with exception of the end-user investment component. In providing additional details on the project outputs, UNDP explained that in line with decision 60/11(a) the remaining funds in the project are being used to provide 15 recovery units to help service companies recover and reuse different refrigerants, to sustain zero consumption of CFCs and to facilitate the phase-out of HCFCs. The recovery equipment, which will be associated with the reclamation equipment planned for the HPMP will be distributed during the third quarter of 2011.

43. The 16th meeting of the Parties recalled that Nepal seized 74.0 ODP tonnes of CFCs that had been imported in 2000 without an import license and noted the submission of a plan of action to manage the release of the seized CFC by committing to a maximum amount of CFCs to be released per year from 2004 to 2009 (decision XVI/27). The Secretariat noted that the amounts of CFCs released in 2009 and 2010 were 4.0 ODP tonnes and zero respectively, both in compliance with the plan of action submitted to the 16th meeting of the Parties. Since 2001, the Government of Nepal has reported zero consumption of CFCs under Article 7 of the Montreal Protocol and consumption for 2010 is estimated at zero.

44. Upon request of information on the approved project to destroy the remaining 8.0 ODP tonnes of seized CFCs, UNEP reported that, after discussions with relevant stakeholders, it was concluded that the best disposal option was to export the CFCs for destruction in the United States due to cost, ease of operation, time for destruction and potential co-funding through carbon credits. UNEP is currently starting the bidding process to subcontract the operation.

45. In regard to the ratification of the remaining amendments of the Montreal Protocol the Secretariat noted the efforts of the National Ozone Unit (NOU) and implementing agencies to expedite the process. The Government of Nepal will present its special situation to the 46th meeting of the Implementation Committee, the 31st meeting of the Open-ended Working Group and the 23rd meeting of the Parties to request consideration of Nepal under Article 4, paragraphs 8 and 9 of the Montreal Protocol.

Secretariat's recommendation

46. The Executive Committee may wish to:

- (a) Take note of the progress report on the implementation of the terminal phase-out management plan (TPMP) for Nepal;
- (b) Note with appreciation the efforts of the Government of Nepal to expedite the ratification of the remaining amendments to the Montreal Protocol, with the expectation that the amendments will be ratified in the near future; and
- (c) Request UNEP and UNDP to expedite the completion of the end-user investment component of the TPMP, and to report to the Executive Committee at its 66th meeting on the completion of the implementation of this remaining component.

Samoa: TPMP (UNEP/UNDP)

47. The TPMP for Samoa was approved in principle at the 53rd meeting of the Executive Committee at a total cost of US \$150,000 plus agency support costs of US \$16,500. The second and final tranche of US \$50,000 plus agency support costs of US \$5,300 was released at the 57th meeting.

48. At the 60th meeting, the Executive Committee took note of the progress report covering activities implemented from April 2009 to February 2010 and requested UNEP and UNDP to expedite the implementation of the end-user investment component of the TPMP and to report to the Executive Committee at its 62nd meeting on the progress in implementing this remaining component (decision 60/8(j)). The present report covers activities from March 2010 to April 2011.

Progress report

49. In 2010, a total of 41 additional technicians were trained in good practices in refrigeration bringing the overall number of trained refrigeration technicians to 152. A technicians' certification system will be implemented in July 2011.

50. The Ozone Layer Regulation 2006 is expected to become an Act by early 2012, after being updated to include the technicians' certification system and the HPMP targets and policies. A total of 100 customs and enforcement officers were trained in Samoa under the TPMP.

51. Three sets of recovery and recycling equipment for refrigeration service and two sets of mobile air-conditioning (MAC) recovery and recycling equipment were procured and allocated to selected servicing workshops. This equipment was used in the investment component's training session with the participation of 62 technicians and will be utilized to recover CFCs and HCFCs.

52. By the time of reporting, a total of US \$113,947 had been disbursed, and the balance of US \$36,053, corresponding to the end-user investment component, is to be disbursed in 2011.

Secretariat's comments

53. Samoa has reported under Article 7 of the Montreal Protocol zero consumption of CFCs since 2003. UNEP confirmed that the estimated consumption in 2010 still remains at zero. In regard to the implementation of the end-user investment component, the Secretariat raised a concern about the relevance of MAC retrofitting after more than 15 years since the production of the last vehicle with CFC-12 based MAC, and requested more details on the estimated amounts of CFC-12 to be recovered, on the handling and final destination of the refrigerant, and on the mechanism to ensure that the incentive is directly associated with CFC use reduction. UNDP advised that the HPMP survey identified a total of 6,800 vehicles still using CFC-12 in their MACs and vehicle owners have been for a long time using recovered CFCs to refill their cars. Also the amounts of recovered CFCs are limited and rapidly decreasing. The plan of action proposes the retrofit of 1,000 MAC systems in a period of four months and the reuse of the CFCs recovered in other refrigeration and air-conditioning (RAC) applications. UNDP confirmed that the programme will only include vehicles that have MAC systems operating and the retrofit activities will be undertaken by identified service providers and monitored by the NOU. In addition, UNDP notified that the Government of Samoa is considering regulations to ban the use of CFC-12 in MAC systems at a future date in consultation with stakeholders in order to help encourage vehicle owners to retrofit their systems. UNDP also confirmed that the retrofits will be completed by October 2011.

Secretariat's recommendation

54. The Executive Committee may wish to:

- (a) Take note of the progress report on the implementation of the terminal phase-out management plan (TPMP) for Samoa; and
- (b) Request UNEP and UNDP to expedite the completion of the end-user investment component of the TPMP, and to report to the Executive Committee at its 66th meeting on the completion of the implementation of this remaining component.

II. REPORTS ON THE PRODUCTION SECTOR

China: Sector plan for phase-out of ODS process agent applications (phase II) and corresponding CTC production: CTC control system (World Bank)

Introduction

55. At the 37th and 48th meetings of the Executive Committee, respectively, the Agreements for two phases of a process agent sector plan for China (PA I and PA II sector plans) were approved, focusing mainly on the phase-out of the use of CTC as a process agent. Through decision 61/18, the Executive

Committee had requested a description of the system for monitoring CTC use in China, and had approved reallocation of remaining funding in the China PA I sector plan to support the continuous monitoring, reporting and technical assistance activities under the China PA II sector plan. The World Bank is submitting to the 64th meeting, on behalf of the Government of China, a description of the system for monitoring CTC use in China.

Description of the system for monitoring CTC use

56. In conjunction with the reporting on the CTC process agent phase II project in China, the World Bank had advised before the 61st meeting that the Foreign Economic Cooperation Office within the Ministry of Environment (FECO) has set up a series of control measures to avoid illegal use of CTC in the future. At that time the World Bank also advised that the measures taken by FECO will prevent backtracking and will minimize the risk of illegal use of CTC as process agent in the future. After being advised accordingly, the Executive Committee requested providing a description of the system for monitoring CTC use in China. The Secretariat requested a related report from the World Bank.

57. The World Bank advised that CTC is co-produced with chloroform and methylene chloride. As these chemicals continue to be in demand, and as they are not restricted by the Montreal Protocol since they are not ozone depleting substances, continued production of CTC as a by-product is unavoidable. Hence, it is essential for China to monitor the production of CTC and the use of it in order to ensure that China remains in compliance with the Montreal Protocol obligation pertaining to CTC.

58. According to the Montreal Protocol requirements, China has the obligation to ensure that CTC is only used for applications where the use is permitted, in particular certain quantities for specific process agent applications, as well as for feedstock applications. As a Party to the Montreal Protocol, China is required to report its gross production of CTC and its use as feedstock, the amounts destroyed and other applications. In order to control production and use of CTC, China has set up a CTC control system which consists of the following components:

- (a) CTC producers are only allowed to sell CTC to users who have obtained CTC use permits and procurement licenses from FECO. Permits are also required for internal use of CTC by the CTC producers. To obtain a permit to procure and use CTC, an application has to be submitted to FECO by the CTC using company. Applications are reviewed by experts on behalf of FECO to confirm that the use is allowed under the Montreal Protocol. In 2010, except for the use of 220 ODP tonnes of CTC for a specific process agent use allowed under decisions by the meeting of the Parties, only companies using CTC as feedstock could obtain permits;
- (b) After being given the permit, the company must obtain an annual CTC procurement license from FECO specifying the amount of CTC needed for the year. Based on the applications, FECO issues procurement licenses to the companies, specifying the CTC amount they are allowed to buy within the year. Companies with CTC procurement licenses are required to report their procurements and uses of CTC to FECO on a quarterly basis. CTC producers are only allowed to sell CTC to companies with CTC procurement licenses. The CTC producers are also required to report their production and sales to FECO on a quarterly basis;
- (c) All CTC producers have installed equipment that allows them to convert surplus CTC to methylene chloride and reuse it for production of chloroform. As CTC is fully converted by the process, the conversion back to methylene chloride is considered as a feedstock application; and

- (d) In addition to the manual reporting by the CTC producers, FECO also requires them to install an online CTC monitoring system for CTC production and for the conversion of CTC to methylene chloride. Data is automatically transferred from the online measurement equipment to computers in FECO, allowing FECO to monitor the production in real time. The cumulative CTC production for any specified period can therefore also be determined. The system is now in operation, but FECO is still conducting a series of tests in order to ensure that the system provides accurate data.

Reporting requirements for process agent sector plans

59. The Secretariat had advised the World Bank that historically, the Bank used to submit implementation reports and plans for the PA I and PA II sector plans to the last meeting of a year, followed by verification regarding the PA I sector plan to the first and the PA II sector plan to the second meeting of the following year. According to the information in the progress report data submitted recently, the unobligated balance as of 31 December 2010 combined for both projects was US \$715,000. As mentioned above, through decision 61/18, the Executive Committee approved reallocation of remaining funding in the China PA I sector plan to the China PA II sector plan.

60. The agreements for both PA I and PA II sector plans stated that the implementing agency will provide independent verification of the production or consumption limits of targets up to and including the year 2010. On that basis, the Secretariat had expected to receive for the 63rd meeting a verification report for the PA I sector plan, and for the 64th meeting a verification for the PA II sector plan, as well as a report on the activities of the preceding 12 months, and an implementation plan for further activities. The Secretariat also advised the World Bank that, given the decision at the 61st meeting, it appears that no further activities are taking place under the PA I sector plan, and consequently there would be no more reporting requirements. However, the verification for the PA I sector plan for 2010 would still need to be submitted.

61. The World Bank agreed that the 2010 verification reports for the PA I and PA II sector plans should be submitted to the Executive Committee, and advised that it intends to submit these documents to the 65th meeting. The World Bank also expressed its understanding that these reports would represent the final reports for both process agent agreements. The Secretariat noted that, with a significant unobligated balance, activities were likely to take place either in 2011 or later years and that reports regarding their implementation should be provided as long as such activities are being carried out.

Secretariat's recommendation

62. The Secretariat recommends that the Executive Committee:
- (a) Notes the report on the description of the system for monitoring CTC use in China provided by the World Bank;
 - (b) Requests the World Bank to submit, not later than the second meeting of every year, an implementation report about the activities undertaken in the PA II sector plan in the previous year, until the implementation of the project has been completed; and
 - (c) Requests the World Bank to submit the following reports at least 8 weeks before the 65th meeting:
 - (i) Verification report for the year 2010 for the PA I sector plan;
 - (ii) Verification report for the year 2010 for the PA II sector plan; and

- (iii) Implementation report for the PA II sector plan and implementation plan for the remaining funding.

India: CTC phase-out plan for the consumption and production sectors: 2010 verification report (World Bank)

63. The World Bank as the lead implementing agency has submitted, on behalf of the Government of India, the verification of the achievements of the 2010 annual programme. The verification report is not attached to this document but could be made available upon request.

Background

64. At its 40th meeting in July 2003, the Executive Committee approved, in principle, a total of US \$52 million to assist India in complying with the Montreal Protocol control schedule for the production and consumption of carbon tetrachloride (CTC). At the 58th meeting, the final tranche of the project had been released. A summary of the CTC phase-out targets and funding tranches of the sector plan is presented in the following table:

Table 1: CTC phase-out targets and funding provided

	Base-line	2003	2004	2005	2006	2007	2008	2009	2010
Max allowable total consumption (ODP tonnes)	11,505	N/A	N/A	1,726	1,147	708	268	48	0
Max allowable total production (ODP tonnes) for this agreement	11,553	N/A	N/A	1,726	1,147	708	268	48	-
WB agreed funding		8,520,843	9,180,112	399,045	9,556,267	4,020,938	3,211,875	3,211,874	-
France agreed funding		-	1,000,000	1,000,000	500,000	500,000	-	-	-
Germany agreed funding		-	700,000	700,000	300,000	300,000	-	-	-
Japan agreed funding		-	2,500,000	2,500,000	-	-	-	-	-
UNIDO agreed funding				3,500,000	399,046				
Total agreed funding (US \$)		8,520,843	13,380,112	8,099,045	10,755,313	4,820,938	3,211,875	3,211,874	

65. India submitted to the 61st meeting a verification of CTC consumption and production for the year 2009, as well as an implementation report, and an implementation plan for the remaining funding. In decision 61/18, the Executive Committee requested the World Bank to continue verification of the CTC phase-out plan for the consumption and production sectors in India, using the established format, until verification of consumption and production for 2011 had been submitted. The Executive Committee also requested the World Bank to provide reports on implementation for 2010, 2011, and 2012 in time for the second meeting of the Executive Committee in each subsequent year and to include in the submissions any major changes to the planned activities approved at the 61st meeting.

Verification for the year 2010

66. The verification framework for this phase-out plan, which was developed by the World Bank and noted by the Executive Committee, requires the verification to be based on the Montreal Protocol definitions of production and consumption. It also requires the total annual CTC production, imports and exports to be covered, as well as the breakdown of CTC production for feedstock and non-feedstock applications. It includes the checking and validation of records such as production logs, production ratios between product and its feedstock, quotas and quantity of imports, excise records and other related documents.

67. The verification was carried out in March and April 2011 by a four-member team from Mukund M Chitale & Co. Chartered Accountants, the firm which has been involved in the same exercise for the past four years. Two of the members of the verification team have extensive experience in the chemical industry while the other two are knowledgeable in financial accounting.

68. The objectives of the verification was to confirm that the CTC production and consumption of controlled uses in 2010 had not exceeded the maximum allowable limits set in the agreement, namely zero ODP tonnes in each case. The methodology employed was to verify the CTC production and imports from the supply side, and deduct from the total supply the CTC used as feedstock in the production of primarily CFCs and dichloro vinyl acid chloride (DVAC). The balance would represent the CTC consumption for non-feedstock uses controlled under the Montreal Protocol.

69. Prior to visiting the industries, the verification team collected information through the Ozone Cell of the Ministry of Environment and Forests that forwarded a questionnaire to each CTC producer and feedstock user for completion, which were then verified during site visits. The verification team visited the three remaining CTC storage installations in the only port where bulk CTC is imported. It also inspected the four CTC producers, eight DVAC producers, and one vinyl chloride monomer (VCM) producer. The findings of the verification team include the level of total CTC production, sales for feedstock and for controlled use, the feedstock use and the overall mass balance.

70. The findings of the verification for 2010 in comparison to 2009 are as shown in the following table:

Table 2: Findings of the verifications in 2009 and 2010

Year	2010	2009
	(metric tonnes)	
Total CTC production	15,223	11,248
Feedstock use	16,424	15,792
Imports	417	1,593
Increase in stock	-785	-3,069
From current year production	15,223	11,130
Direct sales to non-feedstock users	0	113
Inventory built up from 2004; status at year end	48	48
CTC destroyed	0	0
Export of CTC	0	0

71. Due to rounding errors, the mass balance incorrectly appears to have a differential of 1 metric tonne (mt). In actual, the mass balance appears to be accurate.

72. The verification found that sales to non-feedstock users were zero mt.

Secretariat's comments

73. The verification has been carried out according to the agreed verification framework, the contracted team has the relevant expertise and experience in this field, and the methodology used is appropriate in light of the current Indian Government policy controls on CTC production, imports, consumption and distribution. CTC producers and feedstock users must be registered with the government and are the only entities allowed to import CTC. CTC dealers and CTC users of controlled applications are not allowed to import and can only purchase CTC from CTC producers who have a list of all the dealers and the major non-feedstock users; however, during the year 2010 the Government made no quota for non-feedstock sales available to CTC producers. The Government had also decided in the past that for the purpose of the verification, sales from CTC producers to dealers and non-feedstock users

were deemed to be non-feedstock uses even if the stock was subsequently diverted to feedstock use. One of the key objectives of the verification is to confirm that CTC imported and locally purchased by feedstock users was not diverted to non-feedstock uses. The results of the verification show India to be in compliance with the provisions of the agreement for the CTC phase-out plan for the consumption and production sectors in India.

74. At the end of 2009, the producers of CTC had a quantity of 48 ODP tonnes left from a 2004 stockpile, which in 2004 had already been reported as consumption, but was not used; consequently, a non-feedstock user could use this quantity without it constituting consumption. The verification report informed that during the year 2010 there was no quota for non-feedstock sales available to CTC producers. The Secretariat requested advice from the World Bank whether this is due to a general policy of India not to issue any quotas for non-feedstock uses anymore in the future, and pointed out that in this case it might no longer be necessary to account for the related amounts separately. The World Bank replied that the quota for non-feedstock sales was available as part of the CTC phase-out programme until 2009. Since the phase-out programme has been completed, the Ozone Cell has not issued any quota for non-feedstock sale. The Government of India therefore sees no need to maintain the accounts for the quantity of 48 ODP tonnes.

75. The Secretariat sought further information on the reduction of CTC storage installations and surveyors visited during the verification for 2010 as compared to 2009, and on the fact that one producer of di-fluoro benzophenone (DBBP), where CTC is used as a feedstock, had been visited for the 2009 verification but not for 2010. The World Bank replied that the DBBP producer is Navin Fluorine, which had not produced any DBBP during the year 2010 and has also orally confirmed that it does not have any plans for producing DBBP in subsequent years. Thus the World Bank has removed the reference to a visit to a DBBP producer. However, the audit team has actually visited Navin Fluorine, since it is also a CFC manufacturer. Regarding the issue of storage, the World Bank informed that, in earlier years, CTC at Kandla used to be stored in four storage locations; storage refers here to an interim storage process by an external party on behalf of the owners of CTC, for the time between unloading from ships and transfer of the CTC to be used, and thus can entail multiple additions and removals to and from the same storage site during the year; however, the storage owner is not the owner of the CTC stored. One storage facility had no closing stock at the end of 2009 and no storage contract with any of the CTC owners, and was therefore not verified. In 2010 all of the CTC imported during the year was handled by only one storage owner, and the other two simply transferred the opening stocks lying with them to the respective owners, thereby having no closing stock as at 31 December 2010.

76. For the year 2010, the World Bank had indicated at the 61st meeting that it would focus its work on post phase-out monitoring and capacity building of local monitoring authorities as well as supervision of the imports and production. The World Bank had also advised that support for enterprises previously not identified was planned, and the programmes finalized. On this basis, the Executive Committee had approved, in its decision 61/18, the implementation plan and requested reporting. The World Bank had responded to a letter from the Chief Officer regarding progress report issues in projects under implementation by the World Bank that, for this particular project, the implementation in the consumption sector is complete with the exception of some limited units. The World Bank further informed that the technical assistance activity has been extended from its original closing date of September 2010 to December 2012. The Ozone Cell would develop a strategic and comprehensive plan for technical assistance and activities to target different groups of ozone-depleting substances, including HCFCs. To support the implementation of technical assistance activities across the country, the Ozone Cell is discussing with the World Bank and UNEP to review whether an arrangement similar to CFC production can be formalized, whereby UNEP would support the Ozone Cell in implementing most of the capacity building activities. The Secretariat advised that this information, which is cited here in full, does not fulfil the requirement of decision 61/18 regarding reporting on implementation for the year 2010 and providing indication of any major changes for the planned activities approved at the 61st meeting, and advised the

World Bank to submit an implementation report and, if applicable, a revision of the planned activities to the 65th meeting.

Secretariat's recommendation

77. The Secretariat recommends that the Executive Committee:
- (a) Takes note of the verification of the CTC production and consumption for the year 2010; and
 - (b) Requests the World Bank to provide an implementation report for the year 2010 in time for the 65th meeting of the Executive Committee; and to include in the submission any necessary revision to the implementation plan approved at the 61st meeting.

III. REPORTS ON HCFC DEMONSTRATION AND INVESTMENT PROJECTS

78. In relation to all HCFC demonstration and investment projects that have been approved separately from an HPMP, the Executive Committee requested relevant bilateral and/or implementing agencies to provide to the Secretariat at the end of each year of the project's implementation period, progress reports that addressed the issues pertaining to the collection of accurate data on incremental capital cost, the incremental operating cost or savings and data relevant to the application of the technologies, in line with the objectives of decision 55/43(b).

79. Accordingly, the Secretariat requested the submission of outstanding reports on the HCFC demonstration and investment projects listed in Annex I to relevant bilateral and implementing agencies. UNIDO submitted a progress report covering 14 HCFCs projects that indicated that the relevant information has not been obtained yet, given that the procurement of equipment is taking place during 2011. Thus incremental capital cost data will only become available in 2012 when the procurement processes are completed, while data on the incremental operating costs and on technologies will become available once the conversions take place.

Secretariat's recommendation

80. The Executive Committee may wish to urge the relevant bilateral and implementing agencies to submit to the Fund Secretariat reports on the HCFC demonstration and investment projects that were previously approved separately from the HPMPs of the relevant Article 5 countries, addressing the issues pertaining to the collection of accurate data on incremental capital cost, the incremental operating cost or savings and data relevant to the application of the technologies, in line with the objectives of decision 55/43(b), and as requested in the relevant approval decision for each project as reflected in Annex I to document UNEP/OzL.Pro/ExCom/64/16.

Annex I

REPORTS DUE ON HCFC DEMONSTRATION AND INVESTMENT PROJECTS

Country	Agency	Project	Approval Decision
Algeria	UNIDO	Phase-out of HCFC-141b at Cistor (domestic refrigeration foam)	Dec 62/30
Argentina	UNIDO/ Italy	Phase-out of HCFC-22 in the RAC manufacturing sector	Dec 61/34
Bangladesh	UNDP	Phase-out of HCFC-141b at Walton Hi-Tech Ind. Ltd.	Dec 62/31
China	World Bank	Phase-out HCFC-141b at Harbin Tianshuo Co. Ltd.	Dec 59/29
China	World Bank	Phase-out HCFC-141b at Jiangsu Huaiyin Huihuang Solar	Dec 59/30
China	UNDP	Phase-out of HCFC-22 in the commercial air-source chillers/heat pumps at Tsinghua Tong Fang Co.	Dec 60/39
China	UNDP	Phase-out of HCFC-22 in the manufacture of two stage refrigeration systems at Yantai Moon Group Co. Ltd.	Dec 60/40
China	UNIDO	Phase-out of HCFC-22 in the manufacturing of RACs at Midea and conversion of RAC compressors at Meizhi	Dec 61/35
Colombia	UNDP	Phase-out of HCFCs to hydrocarbons at Mabe Colombia, Industrias Haceb, Challenger and Indusel S.A.	Dec 60/30
Croatia	UNIDO	Phase-out of HCFC-141b at Pavusin	Dec 59/32
Croatia	Italy	Phase-out of HCFC-141b at Poli Mix	Dec 60/31
Egypt	UNDP	Conversion from HCFC-141b to methyl formate in the manufacture of polyurethane spray foams at Specialized Engineering Contracting Co.	Dec 62/32
Egypt	UNDP	Conversion from HCFC-141b to n-pentane in the manufacture of polyurethane rigid insulation foam panels at MOG for Engineering and Industry	Dec 62/32
Egypt	UNDP	Conversion from HCFC-141b to methyl formate in the manufacture of polyurethane rigid insulation foam for water heaters at Fresh Electric for Home Appliances	Dec 62/32
Egypt	UNDP	Conversion from HCFC-141b to n-pentane in the manufacture of polyurethane rigid insulation foam panels at Cairo Foam	Dec 62/32
Egypt	UNIDO	Phase-out of HCFC-141b from manufacturing of polyurethane foam at Mondial Freezers Company	Dec 62/32
Egypt	UNIDO	Phase-out of HCFC-141b from manufacturing of polyurethane foam at Delta Electric Appliances	Dec 62/32
Egypt	UNIDO	Phase-out of HCFC-141b from manufacturing of polyurethane foam at El-Araby Co. for Engineering Industries	Dec 62/32
Jordan	UNIDO	Phase-out of HCFC-22 and HCFC-141b at Petra Co.	Dec 60/41
Mexico	UNDP	Phase-out HCFC-141b at Mabe Mexico	Dec 59/34
Morocco	UNIDO	Phase-out of HCFC-141b at Manar (domestic refrigeration foam)	Dec 62/33
Pakistan	UNIDO	Phase-out of HCFC-141b in the manufacture of PU foams at United Refrigeration, HNR, Varioline Intercool, Shadman Electronics and Dawlance	Dec 60/32
Philippines	UNIDO/Japan	Sector plan for the phase-out of HCFC-141b in the foam sector	Dec 62/34
Saudi Arabia	UNIDO/ Japan	Phase-out of HCFC-22 and HCFC-142b in the manufacturing of XPS foams at Al Watania Plastics and Arabian Chemical Company	Dec 62/35
Sudan	UNIDO	Phase-out of HCFC-141b in the manufacture of PU foams at Modern, Amin, Coldair and Akabadi	Dec 62/36
Syrian Arab Republic	UNIDO	Phase-out of HCFC-22 and HCFC-141b at Al Hafez Co.	Dec 62/37
Turkey	UNIDO	Phase-out of HCFC-141b in the PU foam sector and phase-out of HCFC-22 and HCFC-142b in the XPS foam sector	Dec 62/39