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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-seventh Meeting
Montreal, 21-25 November 2005

PROJECT PROPOSAL: MONGOLIA

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

Refrigeration

- Terminal phase-out management plan

Japan

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**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
MONGOLIA**

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

Terminal phase-out management plan	Japan
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NATIONAL CO-ORDINATING AGENCY:

National Ozone Unit, Ministry of Nature and Environment

LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2004, AS OF SEPTEMBER 2005)**

Annex A, Group I	4.1		
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B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2004, AS OF SEPTEMBER 2005)

ODS	Foam	Ref.	Aerosol	ODS	Solvents	Process agent	Fumigant
CFC-12		Servicing: 3.30					
CFC-115		Servicing: 0.78					

CFC consumption remaining eligible for funding (ODP tonnes)

N/A

CURRENT YEAR BUSINESS PLAN: Activity in 2005 business plan with first tranche in 2006

PROJECT DATA		2005	2006	2007	2008	2009	2010	Total
CFCs (ODP tonnes)	Montreal Protocol limits	5.3	5.3	1.59	1.59	1.59	0	
	Annual consumption limit	4.0	3.33	1.5	1.0	0.8	0	
	Annual phase-out from ongoing projects	0	0	0	0	0	0	
	Annual phase-out newly addressed	0.67	1.83	0.5	0.2	0.8	0	
	Annual unfunded phase-out							
TOTAL ODS CONSUMPTION TO BE PHASED OUT								
Project cost as originally submitted (US \$)		205,000						
Total project funding for Japan (US \$)		150,000		55,000				205,000
Total support costs for Japan (US \$)		19,500		7,150				26,650
TOTAL COST TO MULTILATERAL FUND (US \$)		169,500		62,150				231,650
Final project cost effectiveness (US \$/kg)		n/a						

FUNDING REQUEST: Approval of funding for the first tranche (2005) as indicated above.**SECRETARIAT'S RECOMMENDATION**

Blanket approval at the costs indicated above

PROJECT DESCRIPTION

1. The Government of Japan, on behalf of the Government of Mongolia, has submitted a terminal phase-out management plan on ozone depleting substances (TPMP), for consideration by the Executive Committee at its 47th Meeting.

2. The total cost of the Mongolia TPMP is US \$205,000 plus US \$26,650 for agency support costs for the Government of Japan (bilateral contribution to the Multilateral Fund). The project proposes the phase-out of 4.1 ODP tonnes of CFCs (current consumption) by the end of 2009. The CFC baseline for compliance is 10.6 ODP tonnes.

Background

3. The Executive Committee approved, at its 32nd Meeting, the RMP project for Mongolia (UNEP/OzL.Pro/ExCom/32/25) and allocated US \$143,170 for the implementation of the following two sub-projects:

- (a) Training programme for customs officers and environmental inspectors to ensure proper enforcement of the ban on imports of CFC-based equipment in the country; and
- (b) “Train the trainers” programme for refrigeration technicians in good management practices.

4. The RMP also included a sub-project for refrigerant recovery and recycling equipment, which was submitted and subsequently approved by the Executive Committee at its 35th Meeting (UNEP/OzL.Pro/ExCom/35/47).

Results achieved so far

5. The implementation of the RMP, together with other activities undertaken by the Government of Mongolia, has reduced CFC consumption in the country from 12.4 ODP tonnes in 1999 to 4.1 ODP tonnes in 2004.

6. Current ODS consumption in Mongolia is mainly CFC-12 used for servicing 234,500 CFC-based refrigeration systems. In addition, CFC-11 is used to service two chillers located in the Chinggis Khan Hotel. The chillers started operation in 1997 and are only used during two and a half months of the year, due to the short summer season in Ulaanbaatar. In 2003, the two chillers were recharged with 500 kg of CFC-11.

7. The current prices of refrigerants per kg are: US \$4.00 to US \$6.00 for CFC-12, US \$8.00 to US \$12.00 for HFC-134a, and US \$4.00 to US \$6.00 for HCFC-22.

8. The Government of Mongolia introduced the ODS import licensing system in February 2000 and the quota system for ODS importation in December 2000. The annual import quotas are decided based upon an agreement between the Ozone Unit and individual licensed importers. The Government has also issued a number of ODS regulations (including the procedure of licensing import, trade and use of ODS; and a list of ODS and ODS-based equipment), and held

bilateral talks with the Government of China in 2003 and 2004 regarding illegal trade and feasible prevention measures:

9. There are approximately 40 refrigeration service workshops in Mongolia, with about 250 technicians in total. Around 50 per cent of all workshops in the country are small in size, with one or two technicians.

10. As a result of RMP implementation, customs officers and environmental inspectors have been trained in the skills necessary to monitor and control the imports of ODS and ODS-based equipment. Also, over 200 technicians have been trained in good refrigeration servicing practices; however, during the preparation of the TPMP proposal, it was found that some servicing workshops were still using CFCs to flush refrigeration systems.

11. The recovery and recycling programme (15 refrigerant recovery machines and ancillary equipment, three recovery/recycling machines for servicing MAC units, and two recycling centres) has been established. From April 2003 to September 2005, about 0.9 ODP tonnes of CFC-12 have been recycled.

Activities proposed in the TPMP

12. The Mongolia TPMP includes the following sub-projects:

- (a) Improvement of the ODS control policy framework, including the measures to: ban import of CTC, TCA and methyl bromide (MB), of equipment dependent upon these ODS, and of vehicles fitted with CFC-based MAC units; ratification of the Beijing Amendment; creation of an association of ODS importers and technicians; and establishment of a registration/certification system;
- (b) Strengthening national enforcement capacity for ODS import control, by promoting cooperation with China, Russia and the Republic of Korea to jointly prevent and combat illegal trade of ODS at their borders based on the agreements reached during Mongolia's bilateral dialogue with China in 2003; developing guidelines for handling ODS confiscated by customs officers; and distributing 10 additional CFC identifiers;
- (c) Additional training for refrigeration servicing technicians in good servicing practices;
- (d) Awareness-raising and refrigerant management for post-2010, based on a combination of a small booklet, advertisement in newspapers and television, special activities during the ozone day celebrations to be conducted during the 2006 to 2010 period; and creation of an association of ODS importers and technicians;
- (e) Establishment of CFC stockpiles for servicing the two chillers in operation in Mongolia after 2010 (about 1.5 ODP tonnes of CFC-11) and other CFC-based refrigeration systems. The stockpile system will be monitored by the Ozone Unit in close coordination with the association of ODS importers and technicians; and

- (f) Capacity-building for managing and monitoring the TPMP. A project management unit will be established and will be working under the supervision of the Ozone Unit for any policy issue; it will be in direct contact with the Government of Japan for the implementation of the activities approved under the TPMP.

13. The total cost of the TPMP is US \$205,000.

Role of the Government of Japan

14. The Government of Japan will provide technical and policy assistance to the Government of Mongolia during the implementation of the TPMP. Annual progress reports, audited reports and performance of the planned CFC phase-out targets under the TPMP will be prepared. To help build the capacity of the newly recruited project management unit officer, the Government of Japan will explore the opportunities to provide training through its training scheme organized by its International Cooperation Agency. In addition, UNEP CAP Asia and the Pacific region will facilitate on-the-job training under south-south cooperation with countries in the region.

SECRETARIAT'S COMMENTS AND RECOMMENDATIONS

COMMENTS

15. The TPMP for Mongolia has been prepared in accordance with decision 45/54 (TPMP for LVC countries). The TPMP has been submitted with an official letter signed by the Chairman of the National Committee for Ozone Protection, Ministry of Nature and Environment.

16. The Government of Mongolia, assisted by the Government of Japan, submitted a comprehensive and well prepared TPMP project proposal. In its review of the proposal, the Secretariat noted that the 2004 CFC consumption in Mongolia (4.1 ODP tonnes) was already below the 2005 allowable consumption level of 5.3 ODP tonnes.

17. After a thorough review of the technical options available to Mongolia for the phase-out of CFCs, the Government concluded that, in addition to enforcing the ODS regulations already in place, including the licensing system, and the continued implementation of good refrigeration servicing practices, it will establish a CFC stockpile system that will provide for the CFCs required to service CFC-based refrigeration equipment in the country after 2010. The Secretariat noted, however, that of the total funding available for Mongolia (i.e., US \$205,000), only US \$5,000 was for "stockpiling monitoring", and no funds were allocated to better equip the refrigeration servicing workshops. In this regard, and notwithstanding the flexibility available in the TPMP in the use of the funds, the Secretariat suggested that the Government of Japan consider, within the funding available for the TPMP, the inclusion of a stockpile system (including training of personnel and management of the operation). The provision of basic service tooling (mainly vacuum pumps, leak detectors, scales, spare parts and ancillary equipment for the recovery and recycling machines already available) to the registered refrigeration service workshops should also be covered. Subsequently, the Secretariat was informed that after consultation with the Ozone Officer, the suggestions proposed by the Secretariat would be considered during implementation of the TPMP, after reaching an

agreement with other national stakeholders. In the process of developing the TPMP, the stockpile was planned to be managed by private companies, with technical assistance and close monitoring by the Ozone Unit and the industrial association that will be established as part of the TPMP.

18. The Government of Mongolia submitted a draft agreement between the Government and the Executive Committee with the conditions for the complete phase-out of CFCs in Mongolia. However, noting the relatively low levels of CFC consumption in Mongolia (4.1 ODP tonnes) and the requested funding (US \$205,000), a draft agreement is not necessary. The recommendation below contains conditions appropriate for total CFC phase-out in the country (this approach has already been followed in the Lesotho and Mauritius TPMP projects approved by the Executive Committee at its 41st Meeting).

RECOMMENDATIONS

19. Taking into consideration that the Mongolia TPMP was prepared in accordance with decision 45/54 (on TPMP for LVC countries), the Secretariat recommends blanket approval of the TPMP for Mongolia on the understanding that:

- (a) The Executive Committee approves in principle the TPMP for Mongolia at a total cost of US \$205,000 plus support cost of US \$26,650 for the Government of Japan, as the total funding available to the Government of Mongolia from the Multilateral Fund for the total elimination of CFC in Mongolia;
- (b) The Government of Mongolia commits to the phased reduction and complete phase-out in the consumption of Annex A, Group I substances used in Mongolia, according to the following phase-out schedule which is consistent with the Montreal Protocol's control measures for CFCs:

Year	2006	2007	2008	2009	2010
Annual CFC phase-out target (ODP tonnes)	3.3	1.5	1.0	0.8	0.0

- (c) The Executive Committee approves US \$150,000, plus support costs of US \$19,500 for the Government of Japan, for the implementation of the 2006-2007 work programme of the TPMP for Mongolia. A final tranche amounting to US \$55,000 plus support costs of US \$7,150 for the Government of Japan would be requested in the last meeting of the Executive Committee in 2007;
- (d) The Executive Committee agrees to provide Mongolia with flexibility in using the agreed funds consistent with operational procedures as agreed between Mongolia and the Government of Japan in the TPMP;
- (e) The Government of Mongolia agrees to ensure accurate monitoring of the phase-out and provide regular reports by 30 September each year, as required under Article 7 of the Montreal Protocol;

- (f) Annual reporting on the implementation of the activities undertaken in the previous year, as well as a thorough and comprehensive work plan for the implementation of the following year's activities, will be submitted by the Government of Japan for consideration by the Executive Committee;
- (g) The amount of funding provided may be reduced by US \$10,000 per ODP tonne of consumption reductions not achieved in a given year.

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