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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-first Meeting
Montreal, 17 - 19 December 2003

Addendum and Corrigendum

PROJECT PROPOSALS: MEXICO

This document is issued to:

- **Add** the following paragraphs on page 12 under comments:

43(bis) The Secretariat has concluded its discussion with UNIDO on issues raised in its initial comments on the Refrigeration Sector CFC Phase-out Plan for Mexico as presented in document UNEP/OzL.Pro/ExCom/41/48.

43(ter) UNIDO addressed all the issues raised in the Secretariat's comments in relation to the calculation of the capital and operating costs in refrigeration manufacturing sub-sector. UNIDO took into account completed recovery/recycling and training projects in determining eligible incremental costs. Subsequently, the necessary adjustments to the calculation of incremental costs have been made in the revised version of the sector plan. The total eligible incremental costs of the refrigeration sector CFC phase-out plan were agreed between the Secretariat and UNIDO at US \$8,794,500 including the project management component at US \$799,500. The overall cost-effectiveness of the proposal is US \$4.75/kg ODP.

43(quarter) In regard to the recovery and recycling programme, the Secretariat proposed to UNIDO that the Government of Mexico should have flexibility in the utilization of the resources available under the recovery and recycling programme when specific needs arise during project implementation, and that the programme should be funded in stages so that resources can be diverted to other activities, such as additional training or procurement of service tools, if the anticipated results from the programme are not achieved. Thus, the objective would be to

continuously monitor and survey the needs of technicians and adapt the project accordingly. Subsequently, it was agreed to reflect this particular flexibility in the draft Agreement.

43(quinquies) The enterprises in the refrigeration manufacturing sector are all SMEs. These SMEs have selected HCFC-141b technology in foam operations. The technology of choice is HFC-134a for all enterprises with refrigeration operations. The justification for the use of transitional technologies is presented in the Plan. In accordance with relevant decisions of the Executive Committee on the use of HCFCs, a letter of transmittal from the Government of Mexico endorsing the use of HCFC-141b is attached.

43(sexties) The revised project document includes a first annual implementation programme which is consistent with the above conclusions. A draft agreement is attached in Annex I.

- **Replace** the following paragraph 44, on page 12, under recommendations:

44. On the basis of the above comments, the Executive Committee may wish to consider whether to approve:

- (a) In principle the refrigeration sector CFC phase-out plan for Mexico at a total level of funding of US \$8,794,500 and US \$659,588 in agency support costs;
- (b) The draft Agreement; and
- (c) Funding of US \$3,000,000 and US \$225,000 in support costs for UNIDO for the first annual implementation programme.

Annex I

**DRAFT AGREEMENT BETWEEN MEXICO AND
THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE PHASE-OUT OF OZONE DEPLETING SUBSTANCES**

1. This Agreement represents the understanding of Mexico (the “Country”) and the Executive Committee with respect to the complete phase-out of controlled use of the ozone depleting substances in the Refrigeration Sector set out in Appendix 1-A (the “Substances”) prior to 1 January 2010, in compliance with Protocol schedules.
2. The Country agrees to phase out the controlled use of the Substances of the Refrigeration Sector in accordance with the annual phase-out targets set out in Appendix 2-A (the “Targets”) and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. 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 the Substances.
3. Subject to compliance with the following paragraphs 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 9 of Appendix 2-A (the “Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).
4. The Country will meet the consumption limits for each Substance as indicated in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 8 of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Disbursement Schedule unless the Country satisfies the following conditions at least 30 days prior to the applicable Executive Committee meeting set out in the Funding Disbursement Schedule:
 - (a) That the Country has met the Target for the applicable year;
 - (b) That the meeting of these Targets has been independently verified as described in paragraph 8; and
 - (c) That the Country has substantially completed all actions set out in the last Annual Implementation Programme;
 - (d) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (the “Annual Implementation Programmes”) in respect of the year for which funding is being requested.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9.

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may use the Funding for other purposes that can be demonstrated to facilitate the smoothest possible phase-out, consistent with this Agreement, whether or not that use of funds was contemplated in determining the amount of funding under this Agreement. Any changes in the use of the Funding must, however, be documented in advance in the Country’s Annual Implementation Programme, endorsed by the Executive Committee as described in sub-paragraph 5(d) and be subject to independent verification as described in paragraph 9.

8. Specific attention will be paid to the execution of the activities in the servicing sector, in particular:

- (a) The Country would use the flexibility available under this agreement to address specific needs that might arise during project implementation;
- (b) The recovery and recycling programme for the refrigeration service sector would be implemented in stages so that resources can be diverted to other activities, such as additional training or procurement of service tools, if the proposed results are not achieved, and will be closely monitored in accordance with Appendix 5-A of this agreement.

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. UNIDO (the “Lead IA”) has agreed to be the lead implementing agency in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to independent verification. The country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 10 of Appendix 2-A.

10. Should the Country, for any reason, not meet the Targets for the elimination of the Substances all the Sectors 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 Disbursement Schedule. In the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Disbursement 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 instalment of Funding under the Funding Disbursement Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of the amount exceeded the consumption limits in any one year.

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

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

13. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and do not extend obligations beyond this Protocol. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

Appendix 1-A THE SUBSTANCES

The ozone-depleting substances to be phased out under the Agreement are as follows.

Annex A:	Group I	CFC-11, CFC-12, CFC-113 CFC-114 and CFC-115
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Appendix 2-A THE TARGETS, AND FUNDING FOR CFC SECTOR PHASE-OUT PLAN IN REFRIGERATION SECTOR IN MEXICO

	2003	2004	2005	2006	2007	2008	2009	2010
Reference								
Montreal Protocol Reduction Schedule for Mexico (ODP tonnes)	4,625	4,625	2,312	2,312	694	694	694	0
1. Max allowable total consumption of CFCs in the refrigeration sector (ODP tonnes)	1,690	1,669	1,569	1,125	625	325	100	0
2. Reduction from ongoing projects in the refrigeration sector (ODP tonnes)	0	20.4	0	0	0	0	0	0
3. New reduction under plan in the refrigeration sector (ODP tonnes)	0	0	100.0	444.2	500.0	300.0	225.0	100.0
4. Total annual reduction of CFCs in the refrigeration sector (ODP tonnes)	0	20.4	100.0	444.2	500.0	300.0	225.0	100.0
9. Lead I.A. agreed funding (US \$)	3,000,000	2,800,000	2,684,500	310,000	0	0	0	0
10. Lead I.A. support costs (US \$)	225,000	210,000	201,338	23,250	0	0	0	0
13. Total agreed funding (US \$)	3,225,000	3,010,000	2,885,838	333,250	0	0	0	0
14. Total agency support costs (US \$)	225,000	210,000	201,338	23,250	0	0	0	0

Appendix 3-A FUNDING APPROVAL SCHEDULE

Funding will be considered for approval at the last meeting of the year preceding the year of the annual plan.

Appendix 4-A ANNUAL IMPLEMENTATION PROGRAMME; REFRIGERATION SECTOR CFC PHASE-OUT PLAN, MEXICO

1. Data

Country

Year of plan

of years completed

of years remaining under the plan

Target ODS consumption of the preceding year

Target ODS consumption of the year of plan

Level of funding requested

Lead implementing agency

Co-operating agency

2. Targets

Target:				
Indicators		Preceding Year	Year of Plan,	Reduction
Supply of ODS	Import			
	Production*			
	Total (1)			
Demand of ODS	Manufacturing			
	Servicing			
	Stockpiling			
	Total (2)			

* For ODS-producing countries

3. **Industry Action**

Sector	Consumption Preceding Year (1)	Consumption Year of Plan (2)	Reduction within Year of Plan (1)-(2)	Number of Projects Completed	Number of Servicing Related Activities	ODS Phase-Out (in ODP tonnes)
Manufacturing						
Aerosol						
Foam						
Refrigeration						
Solvents						
Other						
Total						
Servicing						
Refrigeration						
Total						
GRAND TOTAL						

4. **Technical Assistance**

Proposed Activity:

Objective:

Target Group:

Impact:

5. **Government Action**

Policy/Activity Planned	Schedule of Implementation
Policy Control on ODS Import	
Public Awareness	
Others	

6. Annual Budget

Activity	Planned Expenditures (US \$)
TOTAL	

7. Administrative Fees

Appendix 5-A MONITORING INSTITUTIONS AND ROLES

1. The National Ozone Unit (SEMARNAT) monitors the consumption data of all Substances through regional teams. Inspections at reconverted companies are foreseen to ensure the non uses of Substances after project completion. The licensing System will be a tool to monitor and ensure compliance of control measures.

2. The Government has offered and intends to offer continuity of activities and endorsement for the projects through the institutional support over the next years. This will guarantee the success of any activity approved for Mexico.

3. After the establishment of the countrywide scheme of refrigerant recovery and recycling, the monitoring activity will be initiated to know whether the project is successfully implemented and the target CFC phase out is achieved.

4. Monitoring activity by the authority to be assigned (Ozone Office, government agency, local environment institute) will be done by:

- (a) Establishing a system to ensure with the counterpart institute, that every recycling centre and service workshop is encouraged or obliged to report data and give information to the recovery and recycling scheme. This may be enabled through forms to be filled by recycling centres and service workshops.
- (b) Setting up adequate office facilities including a computer system to collect and analyse the data.
- (c) Regular communication with the counterpart institute.
- (d) Occasional visits to workshops and recycling centres.
- (e) Regular communication with customs offices.

5. Following information will be collected from recycling centers and workshops.

CFC quantity

- Number of appliances subjected to refrigerant recovery and type of these appliances at every service workshop;
- Amount of recovered CFC refrigerants at every workshop;
- Amount of recovered CFC refrigerants sent to the recycling centers at every workshop;
- Amount of recovered CFC refrigerants stored at every workshop;
- Amount of recovered CFC refrigerants received from service workshops at every recycling centre;
- Amount of recycled CFC refrigerants at recycling centers;
- Amount of recycled CFC refrigerants returned (sold) to workshops;
- Amount of recycled CFC refrigerants used in workshops and its application;
- Amount of CFC refrigerants, which can not be recycled and are subject to further treatment (e.g., sent to reclaiming plants, or decomposition plants abroad);
- Other data relevant for monitoring the scheme (amount of imported CFC refrigerants etc.).

Cost information

- Cost of recovery at every service workshop and parties who bear the cost;
- Cost of recycling at every recycling centre and parties who bear the cost;
- Price of recycled CFC refrigerants;
- Other financial information relevant to monitoring the recovery and recycling scheme.

6. Data and information collected will be analysed to check the adequate operations of the scheme.

7. In the manufacturing sector the implementation process and the achievement of the phase out will be monitored through site visits at enterprise level.

8. UNIDO will perform regular monitoring, verification and auditing of the implementation of the Sector Plan in line with the established procedures of both the Multilateral Fund and UNIDO.

Appendix 6-A ROLE OF THE LEAD IMPLEMENTING AGENCY

14. The Lead IA will be responsible for a range of activities to be specified in the project document along the lines of 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 phase-out plan;

- (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the annual implementation programme
- (c) Assisting the Country in preparation of the Annual Implementation Programme;
- (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;
- (e) Reporting on the implementation of the Annual Implementation Programme commencing with the Annual Implementation Programme for the 2005 year to be prepared and submitted in 2004;
- (f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate independent technical experts;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Verification for the Executive Committee that consumption of the Substances has been in accordance with the Targets;
- (j) Ensuring that disbursements made to the Country are based on the use of the Indicators; and
- (k) Providing assistance with policy, management and technical support when required.

Appendix 7-A REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

15. In accordance with paragraph 9 of the Agreement, the amount of funding provided may be reduced by US \$9,500 per ODP tonne of the amount exceeded the consumption limits in the year.

GOVERNMENT NOTE OF TRANSMITTAL OF INVESTMENT PROJECTS TO THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

PROJECT(S) OF THE GOVERNMENT OF MEXICO

The Government of MEXICO requests UNIDO to submit the project(s) listed in Table 1 below/attached Table 1 to the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol for consideration at its 41st Meeting.

Section I: ODS Consumption Data

1. The ODS consumption figure(s) of the project(s) has/have been validated by the National Ozone Unit (NOU).
2. The consumption data have been retained in the records of the NOU for reference and/or future verification.
3. The Government has been advised by the NOU that the agreement to the project(s) provides a commitment to ensure that the phase-out of the validated consumption indicated in Table 1 below is realized and yields a sustained permanent aggregate reduction in the country's consumption of Annex A Group I substances. Accordingly, MEXICO acknowledges that its remaining consumption of Annex A Group I substances calculated in accordance with Decision 35/57 will be reduced by the amount of the phase-out realized.

Table 1: Projects Submitted to the 41st Meeting of the Executive Committee

Project Title/Sector	Type of ODS	Validated Consumption (ODP Tonnes), (Year)	ODP to be Phased Out (ODP Tonnes)	Residual ODP (ODP Tonnes)	Implementing Agency
<u>Refrigeration sector CFC phase-out plan (S.P.P.)/Refrigeration Sector</u>	CFC-11/12		1,669.2		UNIDO
Total			1,669.2		

Remaining amount of Annex A Group I substances prior to submission of the above project(s) calculated according to Decision 35/57.	(z) ODP tonnes
Remaining amount of Annex A Group I substances following approval of the above project(s).	(z)-(x) ODP tonnes

Section II: Other Relevant Actions Arising from Decision 33/2

4. It is understood that, in accordance with the relevant guidelines, the funding received for a project would be partly or fully returned to the Multilateral Fund in cases where technology was changed during implementation of the project without informing the Fund Secretariat and without approval by the Executive Committee;

5. The National Ozone Unit is requested to monitor closely, in cooperation with customs authorities and the environmental protection authorities, the importation and use of CFCs and to combine this monitoring with occasional unscheduled visits to importers and recipient manufacturing companies to check invoices and storage areas for unauthorized use of CFCs.
6. The implementing agencies in cooperation with the National Ozone Unit are requested to conduct safety inspections where applicable and keep reports on incidences of fires resulting from conversion projects. *

Section III: Projects Requiring the Use of HCFCs for Conversion

7. In line with Decision 27/13 of the Executive Committee and in recognition of Article 2F of the Montreal Protocol, the Government
 - (a) has reviewed the specific situations involved with the project(s) **Refrigeration sector CFC phase-out plan (S.P.P.)** as well as its HCFC commitments under Article 2F; and
 - (b) has nonetheless determined that, at the present time, the projects needed to use HCFCs for an interim period with the understanding that no funding would be available for the future conversion from HCFCs for the company/companies involved.

~~Name and signature of responsible Officer:~~

Ing. Sergio SÁNCHEZ MARTÍNEZ
Director General de Gestión de la
Calidad del Aire

Designation:

Date: 10 December 2003

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