



**United Nations
Environment
Programme**

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/41/71
21 November 2003

ORIGINAL: ENGLISH



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

COUNTRY PROGRAMME UPDATE: ISLAMIC REPUBLIC OF IRAN

This document consists of:

- Comments and Recommendations of the Fund Secretariat
- Transmittal Letter from the Government of the Islamic Republic of Iran
- Country Programme Update (Executive Summary)

COMMENTS AND RECOMMENDATIONS OF THE FUND SECRETARIAT

COMMENTS

1. A country programme update has been prepared by the Government of the Islamic Republic of Iran with assistance from the Government of Japan under its bilateral cooperation project to promote compliance with the Montreal Protocol in the Asia and Pacific region (US \$167,805) approved at the 34th Meeting and with assistance also provided by UNEP using project preparation funding of US \$26,250 approved at the 36th Meeting.

2. Over 70% of the reported ODS consumption in the Islamic Republic of Iran is concentrated in manufacturing in CFC-based industries and in servicing. The phase-out strategy for the total remaining CFC consumption is submitted through a National Phase-out Plan (NPP) submitted for consideration at the 41st Meeting. Data collected in the course of the preparation of the country programme update were extensively used in the development of the NPP. The comments and recommendations of the Fund Secretariat on the NPP in the Islamic Republic of Iran are contained in the above-mentioned document, which are applicable to the country programme update. The National Phase-out Plan content is fully consistent with the information provided in the country programme update in relation to the CFC consumption.

3. Data on consumption of CTC and TCA as reflected in the country programme update were collected through a solvent survey conducted in 2003 by UNIDO. The phase-out of CTC and TCA was addressed through the submission of a phase-out plan for the solvent sector which was also submitted by UNIDO for consideration at the 41st Meeting of the Executive Committee. The Secretariat informed UNIDO that the CTC and TCA phase-out proposals for the Islamic Republic of Iran could not be further processed, pending the resolution of discrepancies between the project data and the data reported under Article 7 of the Montreal Protocol. The Article 7 baseline consumption figures for the chemicals in the Islamic Republic of Iran are 77 ODP tonnes (CTC) and 8.7 ODP tonnes (TCA) while the average consumption for the same period as indicated in the sector plan is 2,057 ODP tonnes (CTC) and 375.6 ODP tonnes (TCA). The Multilateral Fund Secretariat has been informed that the Government of Islamic Republic of Iran approached the Implementation Committee through the Ozone Secretariat with a request to change the baseline data for CTC and TCA. The resolution of this issue is still pending, and therefore approval of the country programme update cannot be recommended at this stage.

RECOMMENDATION

4. The Executive committee may wish to:
- (a) Note the proposed country programme update for the Islamic Republic of Iran submitted by UNEP; and
 - (b) Request UNEP and UNIDO to address the issues raised by the Fund Secretariat regarding CTC and TCA data discrepancies, to revise the country programme update document accordingly and to resubmit it, using the format approved in Decision 35/58, to a future meeting of the Executive Committee.

Date..... 24/10/03
 File..... 9/1503.2

	ACT	INF
AB		
SM		
Date: 8. Sept. 2003		
Ref: OZ.A/14/946		
203		



ISLAMIC REPUBLIC of IRAN
 Department of the Environment

Handwritten: Attached
 Mr. ...

In the Name of God, the Compassionate, the Merciful

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 THE ISLAMIC REPUBLIC OF IRAN

The Government of the Islamic Republic of Iran requests GTZ, UNIDO and UNEP 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

- The ODS consumption figure(s) of the project(s) has/have been validated by the National Ozone Unit (NOU).
- The consumption data have been retained in the records of the NOU for reference and/or future verification.
- The Government has been advised by the NOU that the agreement to the project(s) indicates a commitment to ensure that the validated phase-out figure(s) was/were realized and yielded a sustained reduction from the 2002 consumption of 3,377.4 ODP tonnes for the all sectors.

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

Project Title/Sector	Type of ODS	Consumption (ODP Tonnes), (Year)	Amount to be Phased Out (ODP Tonnes), (Year)	Implementing Agency
National CFC Phase Out n Management Plan	CFCs	1,708.4	1,708.4	GTZ
Plan for Phase-out of CTC and TCA in the Solvent Sector, Islamic Republic of Iran	CTC & TCA	1,669	1,669	UNIDO
Country Programme Update	---	---	---	UNEP
Total		3,377.4	3,377.4	



ISLAMIC REPUBLIC OF IRAN
Department of the Environment

Date: 8 Sep. 2003
Ref. 02.p. 1094.6

In the Name of God, the Compassionate, the Merciful

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 undertakes 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 National Ozone Unit will cooperate with the relevant implementing agencies to conduct safety inspections where applicable and keep reports on incidences of fires resulting from conversion projects.

Name and signature of responsible Officer:

Yousef Hojjat

Designation:
Deputy Head of the Department of Environment
and Ozone National Project Director

Date:
8 September 2003

Telephone: (+9821) 8261116

Fax: (+9821) 8261116

E-mail: ozone@accir.com

EXECUTIVE SUMMARY

The Country Programme Update (CPU) provides an overview of activities implemented under the Montreal Protocol (MP) on substances that deplete the Ozone Layer in the Islamic Republic of Iran (I.R. of Iran). The overview includes a brief assessment of the original Country Programme (CP), the target phase-out strategies and action plans for achieving those targets. It also includes an analysis of the Multilateral Fund for the Implementation of the Montreal Protocol's (MLF) assistance in terms of investment and non-investment projects that were extended to the I. R. of Iran to support the country's efforts in meeting its MP obligations as given in the initial CP. The CPU discusses the status of the remaining Ozone Depleting Substances (ODS) to be phased out, and the approaches, strategies and action plans that the I.R. of Iran has committed to undertake.

The original CP for the I.R. of Iran was completed in August 1992 with the assistance of the United Nations Development Programme (UNDP). The CP was approved at the 10th Meeting of the Executive Committee (ExCom) of the MLF in June 1993. Since the estimated per capita consumption of ODS in 1991 was 0.042 kg., the I.R. of Iran qualified under paragraph I Article 5 of the Protocol for an additional ten years "grace period" to phase-out its ODS consumption. The I.R. of Iran is also eligible to receive technical and financial assistance from the MLF to accomplish the ODS phase-out. Refrigeration and foam industries were the major consumers of ODS in the I.R. of Iran, accounting for 30% and 24% respectively of the overall consumption. The remaining 46% ODS was consumed in fire extinguishing substances, solvents and mobile air conditioning (MAC) units, etc. Actual consumption figures for these uses, however, were not available. The I.R. of Iran does not produce ODS, and imports all its requirements. The CP had estimated that overall unconstrained CFC demand in the absence of MP would grow at an annual rate of 6.5% from 1991 onwards, and was projected to reach 7,439 ODS tonnes in 2010. Summary information on preparation of the original CP is as follows:

Table 1: Country Programme Summary Information

Date Original CP Prepared	August 1992
ExCom Meeting which Approved the CP	10 th Meeting/June 1993
Estimated ODS Consumption in CP (1991)	2,445 tonnes

The core agency for overseeing the ODS phase-out is the Department of the Environment for Human Environment Affairs (DoE), which has Vice Presidential status. The I.R. of Iran committed to ODS phase-out early on, and it made the MP part of its constitutional laws (Official Gazette No. 13063 of 28/9/1368 AH (8 Dec. 1989) even before ratifying the protocol.

Table 2: Ratification of the Montreal Protocol and its Amendments

Convention/Protocol & Amendments	Ratified/Accepted	Entry into Force
Vienna Convention	3 October 1990	December 1990
Montreal Protocol	10 October 1990	December 1990
London Amendment	4 August 1997	November 1997
Copenhagen Amendment	4 August 1997	November 1997
Montreal Amendment	17 October 2001	January 2002
Beijing Amendment	Not Ratified Yet	----

The objective of the CP was based on an optimum phase-out scenario envisaged to phase out most CFC consumption in the I.R. of Iran by the year 2005, provided that financial and technical support proposed in the CP were forthcoming. The I.R. of Iran ratified the MP in October 1990, committing to phase-out ODS in line with the MP guidelines, which allows consumption of CFCs, halon and Carbon Tetrachloride (CTC) up to 2010, while Methyl Chloroform (TCA) and Methyl bromide (MB) could continue until 2015.

Table 3 shows the baseline consumption, as well as the phase-out schedule of ODSs by substances in the I.R. of Iran.

Table 3: Baseline ODS Consumption and Compliance Targets (ODP tonnes)

Substances	Baseline	Baseline Consumption	Consumption Allowed During 1999-2004	2005 Reduction		2007 Reduction		2010 Reduction		2015 Reduction	
				%	ODP tonnes	%	ODP tonnes	%	ODP tonnes	%	ODP tonnes
CFCs	1995-97	4,571.7	4,571.7	50	2,285.9	85	685.8	100	0	-	-
Halons	1995-97	1,420	1,420	50	710	0	710	100	0	-	-
CTC	1998-00	77	77	85	11.55	0	11.55	100	0	-	-
TCA a/	1998-00	8.7	8.7	30	6.1	0	6.1	70	2.6	100	0
MB, Non QPS b/	1995-98	26.7	26.7	20	21.4	0	21.4	0	21.4	100	0

a/ Freeze started on January 1, 2003.

b/ Freeze started on Jan. 1, 2002, and source of data is MLF "Progress of Implementation of Country Programme".

Source : NOU database.

The I.R. of Iran's total consumption in 1991 was 2,445 ODS tonnes, and was projected to reach 7,439 ODS tonnes by 2010. The CP identified refrigeration and foam manufacturing as the two key ODS consuming sectors and the strategy was to address their phase-out on priority basis. The main actions considered to achieve the phase-out were to: (i) enhance public awareness about ozone, (ii) place initial emphasis on conservation and then on substitution, (iii) announce a proposed phase-out schedule, (iv) establish import monitoring policies and procedures, and (v) create an Ozone

Monitoring Office. Since 1993 the I.R. of Iran has developed and issued several policies, regulations and bans to complement the MLF's technical and financial assistance, being channeled through the United Nations Industrial Development Organization (UNIDO), UNDP, GTZ and Agence Francaise de Development (AFD) to implement investment projects to phase-out ODS.

The National Ozone Unit (NOU)¹ established within the DoE, has played an important role in developing and implementing the ODS phase-out programme, particularly in public awareness campaigns. In 1994 the NOU constituted the National Ozone Committee (NOC) as the highest policy and decision-making authority for implementation of the action plans to comply with the MP guidelines. Over the past decade the I.R. of Iran has made significant progress in ODS phase-out, and has met the first MP milestone, i.e. the 1999 freeze of Annex A Group I, Chlorofluorocarbons (CFCs); Group II halons; and all other substances. While the I.R. of Iran will continue to be in compliance with CFC phase-out or may even surpass the MP schedule, it could face difficulties in meeting the scheduled reductions in 2005 for halon, CTC, and methyl bromide (MB) unless urgent measures are taken.

Almost all the large refrigeration and foam manufacturers in the I.R. of Iran have received assistance from MLF; consequently, the majority of the remaining industries are medium and small-scale informal enterprises. In recent years the I.R. of Iran with the assistance of the Implementing Agencies (IAs) has carried out surveys of the remaining foam and refrigeration manufacturing enterprises to collect more reliable information on medium and small-scale enterprises for preparing the National Sector Phase-out Plans.

The CPU has been prepared based on a review of the current assessment of the implementation of the original CP and the social and economical changes in the I.R. of Iran since then; and a critical assessment of the required policy, strategy and action plans to complete the phase out of remaining ODS in the country. Approved activities such as the ongoing Institutional Strengthening Programme (ISP), a number of foam, and refrigeration manufacturing projects for large enterprises, and a National Halon Management Programme (NHMP) will continue to be implemented as designed. Consumption of CFC and solvent (CTC, TCA, CFC-113) in the remaining enterprises will be phased out through sector phase-out approach, which has proven to be cost-effective in other countries. As the implementation of MP moves forward, and the country gains more experience, the focus of ODS phase-out is changing from individual investment projects to more strategic, sector approach for the remaining consumption, especially in the foam, refrigeration and solvent sectors. Therefore, the I.R. of Iran has decided to address the remaining consumption of ODS through performance-based National CFC Phase out Plan (NPP), and Solvent Sector Phase-out Plan which have been submitted to the 41st meeting of the Executive Committee. The NPP contains the following investment and non-investment components:

- (i) Foam Sector Phase-out plan,

¹ Originally Called Ozone Layer Protection Unit (OLPU).

- (ii) Sector Phase-out Plan for Refrigeration Sector (Manufacturing and Assembly),
- (iii) Refrigerant Servicing Sector through Refrigeration Management Plan (RMP),
- (iv) Servicing for MAC Sector,
- (v) Solvent (CFC-113), and
- (vi) Capacity Building and Technical Assistance (TA) including Project Implementation and Monitoring.

The overall coordination of implementation of the NPP would be with the GTZ, which has assumed the lead role in managing the NPP. However, the actual project implementation would be shared by UNDP, UNIDO, United Nations Environment Programme (UNEP), AFD, and GTZ. UNIDO has the lead role in aerosols, Metered Dose Inhalers (MDIs), and solvent sectors in the I.R. of Iran and would maintain the lead during the implementation of the Solvent Sector Phase-out Plan. GTZ and UNIDO will also manage technical support and TA programmes during implementation of the performance-based NPP, and Solvent Sector Phase-out Plan respectively. UNEP will be responsible for regulations and policy support aspects of the NPP. Future servicing needs of all remaining ODS containing equipment is proposed to be met through recovery and recycling ODS under the RMP, NHMP or imports. Import data have become more reliable since 2002 with the introduction of harmonized system of Customs codification, and establishment of quota system under the Import/Export Licensing System.

The cost estimates for the phase-out of the remaining ODS is in three parts. Part one covers the costs of CFC consumption as presented in the NPP. The NPP contains detailed information about the projects and the estimated incremental cost of phasing out 1,708.4 Ozone Depleting Potential (ODP) tonnes of CFC, which is about \$18.77 million, including agencies fees of \$1.64 million. Part two covers the Solvent Sector Phase-out Plan, for which UNIDO has submitted a proposal in the amount of \$17.06 million including \$1.2 million agency fees to the 41st meeting of the ExCom.² The third part covers the remaining ODSs that are not covered under the sector phase-out plans, i.e. methyl bromide and halon. Methyl bromide is the only sector without investment proposal, for which an indicative cost of \$472,216 has been estimated. The cost-effectiveness threshold for methyl bromide is not available and the cost has been estimated on the basis of average cost-effectiveness of half a dozen projects approved for Syria, Morocco, Croatia, Macedonia, Lebanon, and Jordan. The project preparation and detailed phase-out cost estimates for methyl bromide is envisaged under the Japan National Stakeholders Consultation Project. The aggregated cost estimates for phasing out all the remaining ODS (excluding MDI) in the I.R. of Iran is about \$36.313 million.

² The solvent sector phase-out is based on a Solvent Survey that was conducted by UNIDO in 2003. As per I.R. of Iran's agreement the data for the solvent sector section of the CPU was to be collected by UNIDO (more cost effective to avoid two parallel surveys) and the country endorses the data collected by UNIDO. The Government of the I.R. of Iran has submitted a request to the Implementation Committee to review the recent consumption as well as re-estimated solvent data. The request of the government of the I.R. of Iran will need to be considered by the Implementation Committee and decided by the Meeting of the Parties. The data used is subject to official reporting under Article 7 and the process that will need to be followed for baseline change.

The CPU is the result of assistance received from UNEP and sector-based inputs from UNDP, UNIDO and GTZ. Since the CPU and NPP are both submitted to the 41st Meeting of the ExCom efforts have been made to use more or less the same database for foam and refrigeration sectors to minimize inconsistencies in the data presented. The Japan Stakeholders Consultation Project has had significant impact on the preparation of the CPU, namely in supporting the organization of workshops on: (i) methyl bromide and stakeholders meeting; (ii) discussions and review of the Comprehensive Legislation Plan (CLP) and Import/Export Licensing System and (iii) in promoting stakeholder consultation within the country.

The action plan for implementing the NPP is prepared by GTZ, as the lead agency of a consortium of implementing agencies with long standing MP operational experience in the I.R. of Iran. The government target for phase-out of consumption of all Annex A CFCs in all sectors covered under NPP is January 1, 2010. The NPP contains detailed action plans for CFC phase-out, which includes policies, technical assistance as well as investment proposals for phasing out the CFCs-11, 12 and 113 in manufacturing and servicing sectors. The action plan will be implemented through annual performance-based programmes starting in 2004. While the NPP covers the phase-out of CFCs, the CPU discusses the phase-out of all the sectors. Table 26 presents the schedule of estimated remaining ODS to be phased out by 2010.

Table 26: Estimated ODS Phase-out Targets of the Remaining Consumption for 2003-2010 (ODP tonnes)

Sectors	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
	Actual			Estimated Phase-out Targets							
Foam	-	-	-	123.7	118.7	140.9	127.0	65.5	0	0	575.8
Ref. Mfg./ Assem.	-	-	-	120.8	101.1	44.9	0	0	0	0	266.8
Ref. Servicing, RMP a/	-	-	-	129.5	115.5	99.5	66.6	36.4	27.5	0	475.0
MAC Servicing	-	-	-	45.6	70.2	80.1	62.7	44.9	22.5	0	326.0
Solvent, CFC-113	-	-	-	64.8	0	0	0	0	0	0	64.8
CFC Subtotal	-	-	-	484.4	405.5	365.4	256.3	146.8	50.0	0	1,708.4
Impact of On going Approved Projects	151.1	116.0	-	1120.0	988.0	73.6	0	0	0	0	2,448.7
Total CFC Phase-out Target/year	151.1	116.0	-	1,604.4	1,393.5	439.0	256.3	146.8	50.0	0	4,157.1
Ann. Phase-out of Non-CFCs											
Halons	-	-	-	710.0	0.0	0.0	0.0	310.0	400.0	0	1,420.0
MB Non-QPS	0	0	0.90	5.34	1.36	2.0	2.0	2.0	2.0	12.0	27.6
CTC b/	-	-	-	-	-	-	-	0	0	0	
TCA b/	-	-	-	-	-	-	-	0	0	0	
Total ODS Phase-out Target c/	151.1	116.0	0.90	2,319.7	1,394.9	441.0	258.3	458.8	452.0	12.0	5,604.7
Estimated CFC Consumption	4,156.5	4,005.4	3,889.4	3,889.4	2285	891.6	453.2	196.9	50.1	0	
Max. CFC Consumption Allowed	4571	4571	4571	4571	2285	2285	685	685	685	0	

a/ The CFC service demand is based on successful and timely implementation and operation of the refrigeration, and MAC recycling programmes.

b/ Consumption of CTC and TCA as presented by the recent solvent survey carried out by UNIDO is subject to review by the Implementation Committee, and endorsement of the Meeting of the Parties, therefore the Phase-out schedule as presented in the Solvent Sector Phase-out Plan is not presented here.

c/ Excludes CTC and TCA.

Finally, the relative importance of statistical accuracy of the CPU should be measured against the efforts that the government of the I.R. of Iran has invested in fulfilling its MP obligations, and the actions it has taken to achieve policy and regulatory initiatives for sustainable ODS phase-out. It is well known that most Article 5 countries lack the resources, both physical and financial, to design, develop and maintain a comprehensive and very accurate statistical system, particularly in medium and small-scale manufacturing and servicing sectors. The lack of accurate trade data, due to the sheer size of the country, the large number of Customs Houses and ports, and the very porous boundaries, exacerbates the difficult task of the government of the I.R. of Iran to gather, and maintain sound data on imports and consumption of ODS. Furthermore, in the past the implementing agencies operating in the I.R. of Iran have been working independently rather than sharing their databases and thus complementing each others' efforts. Despite these constraints, in the context of sector phase-out investment plans, the I.R. of Iran has made efforts to collect more reliable data to improve its reporting requirements to the MLF, while protecting the interest of small businesses and their meager livelihood. Although accurate annual consumption data are important for MLF's resource allocation and project funding approvals, it is important to consider the impact of other elements besides the statistics when assessing the CPU.