



PROJECT IDENTIFICATION FORM (PIF) ¹

PROJECT TYPE: Full-sized Project

TYPE OF TRUST FUND: GEF Trust Fund

PART I: PROJECT IDENTIFICATION

Project Title:	Initiation of the HCFC Phase out		
Country(ies):	Republic of Azerbaijan	GEF Project ID: ²	4602
GEF Agency(ies):	UNIDO (select) (select)	GEF Agency Project ID:	
Other Executing Partner(s):	Climate Change and Ozone Centre (CCOC), the Ministry of Ecology and Natural Resources of Republic of Azerbaijan (MENR), the Ministry of Industry and Energy of Republic of Azerbaijan (MIE)	Submission Date:	2012-01-20
GEF Focal Area (s):	Ozone Depletion Substances	Project Duration (Months)	48
Name of parent program (if applicable):	n/a	Agency Fee (\$):	262,000
<ul style="list-style-type: none"> • <input type="checkbox"/> For SFM/REDD+ 			

A. FOCAL AREA STRATEGY FRAMEWORK³:

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Trust Fund	Indicative Grant Amount (\$)	Indicative Co-financing (\$)
(select) CHEM-2	Outcome 2.1 Country capacity built to meet Montreal protocol obligations and effectively phase out and reduce releases of ODS. Indicator 2.1.1 GEF-supported countries meet their reporting obligations under the Montreal Protocol, as recorded by the Ozone Secretariat.	Output 2.1.1 Country annual reports to the Ozone Secretariat. Indicator 2.1.1.1 Number of GEF recipient countries submitting their annual reports to the Ozone Secretariat.	GEFTF	500,000	2,350,000
(select) CHEM-2	Outcome 2.2 ODS phased out and their releases reduced in a sustainable manner. Indicator 2.2.1 Amount of HCFCs phased out from consumption or production, measured as ODP tons against baseline.	Output 2.2.1 HCFCs phase out plans under development and implementation. Indicator 2.2.1.1 Number of countries with HCFCs phase out plans under development and implementation.	GEFTF	2,000,000	4,000,000
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		

¹ It is very important to consult the PIF preparation guidelines when completing this template.

² Project ID number will be assigned by GEFSEC.

³ Refer to the reference attached on the [Focal Area Results Framework](#) when filling up the table in item A.

(select)	(select)		(select)		
(select)	(select)		(select)		
(select)	(select)		(select)		
(select)	(select)	Others	(select)		
Sub-Total				2,500,000	6,350,000
Project Management Cost ⁴			GEFTF	120,000	200,000
Total Project Cost				2,620,000	6,550,000

B. PROJECT FRAMEWORK

Project Objective: The project will prepare a national phase out strategy to support the Republic of Azerbaijan in achieving the accelerated phase out of HCFCs in line with the Montreal Protocol and its amendments. The strategy will have two major components. The first area of focus will be to provide the institutional capacity and capability required to properly implement current ODS legislation. This will require through robust monitoring, reporting and control of HCFC imports, consumption and exports. The project preparation phase will also assist Azerbaijan in correcting previous data reporting errors and establishing a project baseline. The second component is to affect the phase out of 18.95 ODP tonnes of HCFC-22 and HCFC-141b through the conversion of commercial refrigeration and manufacturing and polyurethane insulation panel manufacturing at 10 to 14 companies and through assistance to the refrigeration service sector through 70 to 100 service providers.

Project Component	Grant Type	Expected Outcomes	Expected Outputs	Trust Fund	Indicative Grant Amount (\$)	Indicative Cofinancing (\$)
1 (a). Legislative and Policy Measures Needed to Strengthen HCFCs Control and Phase out	Inv	<p>1.1 (a) HCFC Phase out Strategy and National Action Plan finalized and adopted.</p> <p>1.2 (a) Documents necessary for updating of ODS legislation, regulations, licensing and reporting systems, economic instruments and qualification requirements for technicians developed and finalized.</p>	<p>1.1 (a) Formal HCFC Phase out Strategy and National Action Plan developed and submitted.</p> <p>1.2 (a) Documents and resource materials for use by NOU, customs authorities and other stakeholder government agencies covering the legislative and regulatory actions required for HCFC phase out developed.</p> <p>1.3 (a) Fully documented step down quota system, with clearly articulated the rules and procedures for issue of import permits.</p> <p>1.4 (a) Certification scheme for technicians.</p> <p>1.5 (a) Awareness training for decision-makers, concerned government ministries and CCOC covering legislative and regulatory actions for HCFCs phase out.</p>	GEFTF	200,000	1,000,000
1 (b). Institutional Capacity	TA	1.1 (b) Policy, legal framework and institutional capacity	1.1 (b) National database and tracking process (updated ing ODS licensing	GEFTF	300,000	1,350,000

⁴ GEF will finance management cost that is solely linked to GEF financing of the project.

building		<p>required to assess and accelerate HCFC phase out.</p> <p>1.2 (b) Refinement and correction of of HCFC consumption data, including, import, export and usage breakdown for 2007 - 2011.</p> <p>1.3 (b) Much greater control of authorized HCFC movements and significant reduction in movement of unauthorized ODS.</p> <p>1.4 (b) Analysis of the level of residual HCFCs demand after 2014 and 2019, including assessment of ODS equipment banks.</p> <p>1.5 (b) Monitoring and assessment of HCFC and HFC imports and usage patterns and trends.</p>	<p>mechanisms)</p> <p>1.2(b) More accurate data on import, export and consumption of HCFCs. Improved Article 7 reporting.</p> <p>1.3 (b) HCFCs and HFCs consumption patterns and scenario plans developed.</p> <p>1.4 (b) Up-grading of ODS import legislation.</p> <p>1.5 (b) Training to improve awareness and understanding of environmental management systems.</p> <p>1.6 (b) Customs officers trained to control import and export of HCFCs and HCFC based equipment and pre-blended polyols.</p> <p>1.7 (b) Customs officers equipped with HCFCs identifiers, at all major customs posts.</p>			
2) Conversion of manufacturing process involving HCFC-22 and HCFC-141b and Assistance to the RAC service sector	Inv	<p>2.1) Meet Montreal Protocol HCFCs phase out obligations.</p> <p>2.2) Technical assessment of capacity of the targeted sectors.</p> <p>2.3)Phase out of HCFC-22 and HCFC-141b in the manufacturing of commercial refrigeration equipment and in the production of rigid polyurthane insulation panels for colds stores.</p> <p>2.4) Reduction in HCFC-22 service demand through improved service practice and better understanding of direct and indirect environmental impact</p>	<p>2.1)Conversion of key HCFCs consuming manufacturing sectors through approx 10-14 sub-projects.</p> <p>2.2) Technical assistance through provision of technology transfer, engineering services, capital equipment and instrumentation required for conversion of manufacturing facilities.</p> <p>2.3) Improved RAC Service practice and reduced ODS and GHG emissions.</p> <p>2.4) Demonstration of sub-projects from different HCFCs consuming sectors and sub-sectors conducted.</p> <p>2.5) Reduction of HCFCs consumption and indirect GHG emissions reductions.</p>	GEFTF	2,000,000	4,000,000

		of refrigeration and air-conditioning systems.	2.6) ODS destruction requirements understood and outline destruction strategy.			
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			GEFTF		
Sub-Total					2,500,000	6,350,000
Project Management Cost ⁵				GEFTF	120,000	200,000
Total Project Costs					2,620,000	6,550,000

C. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME IF AVAILABLE, (\$)

Sources of Cofinancing	Name of Cofinancier	Type of Cofinancing	Amount (\$)
National Government	Ministry of Ecology and Natural Resources of Republic of Azerbaijan	In-kind	2,200,000
GEF Agency	UNIDO	Grant	50,000
Private Sector	End users	Grant	1,650,000
Private Sector	End users	In-kind	2,650,000
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
Total Cofinancing			6,550,000

D. GEF/LDCF/SCCF RESOURCES REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY¹

GEF Agency	Type of Trust Fund	Focal Area	Country Name/Global	Grant Amount (a)	Agency Fee (b) ²	Total c=a+b
UNIDO	GEF TF	Ozone Depletion Substances	Republic of Azerbaijan	2,620,000	262,000	2,882,000
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0

⁵ Same as footnote #3.

(select)	(select) (select)	(select)				0
(select)	(select) (select)	(select)				0
Total Grant Resources				2,620,000	262,000	2,882,000

¹ In case of a single focal area, single country, single GEF Agency project, and single trust fund project, no need to provide information for this table

² Please indicate fees related to this project.

PART II: PROJECT JUSTIFICATION

A. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

A.1.1 the [GEF focal area/LDCF/SCCF](#) strategies:

The proposed project is consistent with GEF FA, Objective CHEM-2: Phase out of Ozone Depleting Substances (ODS).

A.1.2. For projects funded from LDCF/SCCF: the LDCF/SCCF eligibility criteria and priorities:

N/A

A.2. National strategies and plans or reports and assessments under relevant conventions, if applicable, i.e. NAPAS, NAPs, NBSAPs, national communications, TNAs, NIPs, PRSPs, NPFE, etc.:

The initial country programme for the phase-out of ODS was compiled in 1997 at the initiative of the UNEP/IE, based on the data survey of ODS consumption in various sectors, conducted by the National Ozone Team. In 1996, Azerbaijan used ODS in the refrigeration (CFCs), fire-fighting (halon), solvent (CFCs, methyl chloroform) and foam blowing (CFCs) sectors. Refrigeration accounted for little less than half of the total, fire-fighting for slightly more than half. Azerbaijan reported a halon consumption of 501.2 ODP-tonnes, but UNDP later determined that this might be installed in equipment rather than consumed.

Azerbaijan acceded to the Vienna Convention, the Montreal Protocol, the London and Copenhagen Amendments in 1996. As a developed country that was formerly a part of the Soviet Union, Azerbaijan was required to, *inter alia*, phase out the consumption of halons on 1 January 1994; and to phase out CFCs by 1 January 1996. Azerbaijan approved the Montreal Amendment in 2000.

In 1998, the Parties to the Montreal Protocol noted that Azerbaijan was in non-compliance with its control obligations as consumption of 456.5 ODP-tonnes of CFCs and 501.2 ODP tonnes of halon⁶ was reported in 1996⁷. About 93% of CFCs consumption was in the refrigeration sector, 6% in the foam blowing sector with remaining 1% in the solvent sector. Azerbaijan believed that this situation would continue to at least 2000. Based on its Country Programme, Azerbaijan committed to:

- 1) Establish a system for licensing operators in the refrigeration servicing sector in 1999;
- 2) To consider by 1999, a ban on the import of ODS-based equipment.
- 3) Apply a tax to ODS imports;
- 4) Phase out CFCs consumption by 1 January 2001; and
- 5) Ban on all imports of halons by 1 January 2001;

The Parties specifically urged Azerbaijan to work with the relevant Implementing Agencies to implement non-ODS alternatives, and to quickly develop a system for managing banked halon for any continuing critical uses. The Government of Azerbaijan requested GEF assistance to enable it to comply with provisions of the Montreal Protocol.

⁶ Later UNDP identified only about 100 ODP tonnes of halon consumption

⁷ [Decision X/20](#): Compliance of Azerbaijan with the Montreal Protocol.

Decision XIX/6 of the Meeting of the Parties of to the Montreal Protocol requires non-article 5 countries to accelerate phase out and reduce consumption to 10% of baseline by 2015 and 0.5% of baseline by 2020 and phase out all consumption by 2030.

However the institutional capacity currently in place is insufficient to meet these requirements and Azerbaijan is at risk of further non-compliance without significant technical and financial assistance.

This project is consistent with the country's priorities and plans; it is designed to re-establish effective national monitoring, legislative and control systems, such as those applied for the phase out of CFCs (completed by 1 January 2006) and further strengthen capability to deal with the complex nature of systems and equipment using HCFCs, including pre-blended HCFC-141b and polyol which has to date not been controlled.

B. PROJECT OVERVIEW:

B.1. Describe the baseline project and the problem that it seeks to address:

Baseline Project:

The investigations carried out in the preparation of this PIF have highlighted a number of problems facing Azerbaijan in terms of Accelerated HCFC phase out:

Institutional Capacity

A framework regulation on a licensing system to monitor and control ODS imports was approved in December 2000. The taxation system regulating imports of ODS was introduced in 2001. The licensing system was coupled with the Recovery and Recycling sub-project and with training in good refrigeration practices. Quotas for CFC import were established from 1997 to the phase out on 1 January 2002. At the time that the Project was financed, there was a strong government commitment to ozone layer protection. However, this commitment diminished when the project was completed in 2002. A general lack of institutional input contributed to the continuing non-compliance of Azerbaijan with the requirement of the Montreal Protocol in 2001-2005. Legislation was adopted in 2005 providing the necessary authority to MENR to control the imports and exports of CFCs and equipment containing CFCs. Azerbaijan reported zero CFCs consumption only in 2006.

The NOU was disbanded and the Government structure was re-organised. The SCENM was transformed into the Ministry of Ecology and Natural Resources (MENR). The National Department on Hydrometeorology (NDH) was incorporated into the MENR. In 2003, the Centre on Climate Change and Ozone Centre (CCOC) was established within the NDH. The head of the CCOC was assigned as a focal point on issues related to the Montreal Protocol.

However there has been no continuity in transition from the NOU to the CCOC and the equipment and systems in place at the CCOC are outdated and obsolete. Staff turnover in the CCOC has also contributed to very poor continuity of process and institutional memory. Previous Ozone Officers have been able only to speak Azeri which limited communication with personnel outside of Azerbaijan.

A similar degradation of capacity has occurred in the State Customs Committee (SCC) which was heavily involved in ozone-related activities at the initial phase of the CFCs phase out Project and participated in the preparation of the legislation.

Since the CFCs phase out programme was completed, the institutional capacity related to the monitoring and control of ODS has therefore been significantly depleted and whilst the legislative framework developed to control CFCs is technically still in place, the implementation of control processes at the working level is practically ineffective.

At present the legislation covering the import of HCFCs and HCFCs based equipment is not supported by any robust monitoring or control processes. A quota system, administered through the CCOC does not appear to be effective and anecdotal evidence gathered during sites visits in Azerbaijan for this PIF shows very wide discrepancies in HCFCs permits awarded compared to actual HCFCs imports.

Furthermore anecdotal evidence suggests that it is likely that there is significant movement of unauthorized goods and illegal trade, a situation exacerbated by the prevalence of disposable cans for the distribution of refrigerants including HCFC-22.

Additionally the consumption of HCFC-141b has not been properly recorded as there has been no effective monitoring or control of the import and distribution of pre-blended HCFC-141b-polyol systems. This refers to companies operating within the law but without fully compliant paperwork or registration.

The project aims to improve the effectiveness of registration, communication and control to better define operating practice. It is anticipated that the majority of small companies can easily comply given appropriate guidance and support. However companies who are trading illegally should be more easily identified when much more robust monitoring is in place, and in these situations a strengthened CCOC and State expertise department of the Ministry of Ecology and Natural Resources will be able to take appropriate punitive action.

HCFC Consumption Baseline

The official Article 7 baseline for HCFCs consumption is 14.9 ODP tonnes, however the annual consumption reported by CCOC for the period 2005-2010 was as follows:

Year:	2005	2006	2007	2008	2009	2010
HCFC Consumption ODP T:	0.00	0.90	0.80	0.80	3.50	0.30

However preliminary surveys and site investigations show that the total consumption for 2009-10 was approximately 19 ODP tonnes. There are two main reasons for these discrepancies. Firstly the lack of institutional capacity has made it impossible to properly track the consumption of HCFCs, secondly it is clear that up 9 ODP tonnes (81.5MT) of HCFC-141b has been consumed through pre-blended polyols which have never been recorded.

The consumption of HCFC-141b is entirely due to pre-blended polyols, which have never been recorded by the Customs Service / NOU / CCOC and therefore have not been reported to the Ozone secretariat. The project will deliver a complete phase out in the foam sector and ban the import of HCFC-141b either pure or in pre-blended polyols.

The actual consumption of HCFC in Azerbaijan has been re-assessed by field visits, which identified 10-12 companies which are manufacturing commercial refrigeration equipment, 3 medium sized insulated panel manufacturers and 8-10 other small companies manufacturing rigid polyurethane insulation foam for domestic and commercial refrigeration equipment. There is also a significant but highly dispersed refrigeration service sector with around 60-70 small companies servicing mainly commercial and residential air-conditioners and around 5-7 larger service centres with associates with international equipment suppliers.

HCFC-22	MT	ODP T
Commercial refrigeration manufacturing	47.24	2.60
Service		
Air-conditioning	72.20	3.97
Commercial & cold stores	60.00	3.30
Fishing	0.85	0.05
Food processing	0.80	0.04
Railway refrigerated trucks	0.53	0.03
Subtotal	134.38	7.39
Total HCFC-22	181.62	9.99
HCFC-141b (in polyol)		
Foam manufacture	81.48	8.96
TOTAL	263.10	18.95

A revised market review including a variety of stakeholders in the refrigeration and air-conditioning manufacturing and service sectors and the two largest polyurethane foam manufacturers indicates that the consumption of HCFCs rose slightly during the period 2005 to 2009, but appears to be relative flat in the period 2009-2010.

Stakeholders (importers and servicing companies) interviewed for preparation of the PIF, indicate that there was rise in the consumption of HCFC based equipment (primarily air-conditioners) in the period 2005 to 2009, due mainly to increasing urbanization in the large cities and improving living standards, as well as reduction of HCFC equipment costs. The data was also confirmed by available customs information. The trend for HCFC based equipment is expected to be at the same level from 2009-10 due to the increasing number of other air-conditioner systems slowly entering the market.

Based on these results Azerbaijan must phase out 16.7 ODP tonnes by 2015 and a further 2.2 ODP tonnes by 2020.

Currently, there are three main barriers to achieving this HCFCs phase out and developing long term strategies to minimize the climate impact of alternative technologies. Lack of institutional capacity to monitor and control consumption, lack of technical and financial capacity to phase out HCFCs in manufacturing and servicing, and lack of stakeholder engagement and commitment.

The HCFCs licensing system is theoretically operational, but in practice is ineffective and not enforced.

The licensing system will be re-enforced through cooperation between CCOC and Customs, the government is committed to enforcing controls on movements of HCFCs, but requires help in providing a sustainable training scheme and equip the officers in charge, as one of the major objectives of this project.

Baseline Project

The Government of Azerbaijan has recognized the importance of compliance with the Montreal Protocol and is taking action to rectify the diminution of capacity of the CCOC. Since 2010 the Ministry of Ecology and Natural Resources (MENR) has been reviewing the capacity of the CCOC and the institutional requirements for achieving HCFC phase out.

The baseline funding of the CCOC for 5 national staff members has therefore been guaranteed by the government. The CCOC is in the process of reconciling all ODS data, records and institutional understanding into a single national database.

The CCOC staff is now English speaking and has undergone basic induction on the requirements modalities Multilateral Agreements.

To address issues of capacity of the State Customs Committee a working group has been established and the CCOC is actively engaged with the Customs Authorities to establish their requirements to deal with the phase out of HCFCs.

A member of the CCOC has been assigned to liaise with other Government departments, to establish the scope of activity required to bring the regulatory framework in line with what is now required to phase out HCFCs at a practical level. A joint CCOC / Customs task force is now in place to establish how to effectively implement control regulations, and the CCOC has commissioned an audit of import and export data and processes to establish what is required to control the import and export of HCFCs including HCFC-141b blended in polyol, and HCFC based equipment.

The CCOC is actively investigating the alleged illegal imports of HCFCs and has established contact with the biggest HCFC users with a view to developing phase out plans.

Technical Capacity

Azerbaijan requires urgent support in the development and implementation of regulatory and technical actions to reduce HCFC consumption. Assessment of current institutional and technical capacity shows that although the baseline level of technology in use in the manufacturing and service sectors is relatively low, external support is required as there is no local technical capacity. This includes technical know-how regarding conversion of manufacturing facilities and implementation of best practice refrigeration servicing required to minimise leakage and reduce service intervals.

Stakeholder Engagement

Overall stakeholder engagement is low, partly driven by very competitive economic conditions in which investment in new technology is seen as commercially unviable and partly due to lack of communications from Government and industry stakeholders to users and consumers.

It is clear that the national strategy will have to include an element of communication and engagement in order to gain the approval and commitment of stakeholders who are currently unaware of or reluctant to accept the need for HCFC-phase out.

B2. Incremental /Additional cost reasoning: describe the incremental (GEF Trust Fund) or additional (LDCF/SCCF) activities requested for GEF/LDCF/SCCF financing and the associated global environmental benefits (GEF Trust Fund) or associated adaptation benefits (LDCF/SCCF) to be delivered by the project:

The Republic of Azerbaijan requires further incremental technical and financial assistance of the GEF in strengthening of its institutional capacities and receiving practical experience on sustainable HCFCs phase out obligations. This assistance is essential to motivate and ensure the required further stable co-financing by different national and foreign investors.

Technology will be selected on the basis of the least costly and technically acceptable to phase out HCFCs, this might not necessarily be technology which provides the optimum overall climate benefit. For example a technology solution which is energy efficiency neutral and replaces HCFC-22 with HFC-410A could have a net negative overall climate impact due to the higher GWP of HFC-410A. Similarly there is an additional cost in making a commercial refrigeration system more energy efficient over and above the cost of replacing HCFC-22. The cost of secondary conversion of a facility to improve energy efficiency would be higher than the incremental cost of making the changes at the same time as the HCFCs phase out. Where possible non-HFC high energy efficiency technology will be promoted. Without the GEF's support the demonstration and adoption of these technologies would not be feasible and therefore, the development of this project would not be possible.

Based on the total direct HCFCs phase out target for the HCFCs phase out component the expected cost effectiveness is approx 6-7 US\$/kg by mass and 133 US\$/kg ODP.

This project will address the following areas:

Project Component 1 - Build Institutional Capacity

Sub-component 1(a) will address development of legislative and policy measures needed to strengthen of HCFCs controls and phase out. It will include the development of a National HCFCs Phase out Strategy and National Action Plan and the creation of the documents necessary for updating of ODS legislation, regulations, licensing and reporting systems,

economic instruments, qualification requirements for technicians and training requirements for customs officers.

Sub-component 1 (b) will address building institutional capacity through institutional strengthening and capacity building tools. It will address the Government and stakeholder engagement and commitment, without which progress in implementing of Montreal Protocol obligations will be at risk. In particular this component will facilitate:

- Adoption of strengthened legislation providing the authority to MENR to control ODS
- A new monitoring and reporting system
- Provision of HCFCs identifiers to the customs posts (existing identifiers are either no longer operational or not suitable for R-22 and the project proposes to purchase about 20 units to equip all customs points authorized to pass the ODS)
- Accreditation and training scheme for service technicians
- Development and promulgation of refrigeration best practice code/guidelines for leak minimization
- Best Practice training for RAC sector (train the trainers)
- Development of national database for skilled technicians
- Monitoring and promotion of recovery and recycling activities
- Support to CCOC and MENR in the justification of the ratification of the Beijing Amendment

Project Component 2 - Phase out of HCFCs in manufacturing and service sectors

Manufacturing Sector

The project is designed to phase out all consumption of HCFCs in manufacturing in the Republic of Azerbaijan given the short time period available before the 2015 reduction step.

At general level, this project follows principle issue to achieving and sustaining compliance with accelerated HCFCs phase out in the Republic of Azerbaijan.

This requires immediate actions in the institutional and regulatory fields, and formalizing national commitments in the National Action Plan that should be prepared and approved within short period of time. Important components of this Plan are to build institutional and technical capacity and to undertaking targeted investment in converting direct and main sources of HCFCs consumption.

Some small companies import polystyrene sheets to construct smaller panels for commercial applications. Mostly HCFC-141b in pre-blended polyols will be used in the manufacture of the refrigerator/freezer panels.

Refrigeration Production:

Refrigeration Production	Comm Ref Units	Charge kg	Total R22 MT	Cold Stores	Charge kg	Total R22 MT	Total MT	ODP T
Titan	3,000	4.20	12.60	65.00	8.00	0.52	13.12	0.72

AIK	4,000	3.50	14.00	98.48	8.00	0.79	14.79	0.81
AZCo	2,500	3.50	8.75	59.09	8.00	0.47	9.22	0.51
Others	3,000	3.20	9.60	64.02	8.00	0.51	10.11	0.56

Foam Production:

12-14 small and medium sized enterprises
 582 MT rigid polyurethane foam
 4, 715 m² panels for cold store applications
 943 MT Pre-blended polyol
 132 MT HCFC-141b equivalent

The project will support the conversion of refrigeration and foam manufacturers through the provision of production equipment necessary to adopt alternative non-HCFC blowing agents and refrigerants. These could include HFC and natural refrigerants in the refrigeration sector and hydrocarbons, HFC and Methyl Formate in the foam sector.

The primary activities will be directed initial towards the conversion of biggest foam and refrigeration production facilities in order to maximize the immediate phase out achieved by the project.

For medium sized companies cyclopentane will be considered and for all companies Methyl Formate is being considered either using Ecomate (pure methyl formate) with associated safety equipment or in blended systems using MF/134a to avoid flammability issues.

Service Sector

In the opinion sector stakeholders the demand for HCFC-22 in the service sector grew from 2005 to 2009 due to the increasing installed capacity of refrigeration and air-conditioners, particularly in the larger cities. The demand will level off as and when newer designs of non-HCFC equipment become more frequently installed. However recent observations do not indicate a large take up as yet. In surveys of several districts of Baku, the principal city of Azerbaijan, 98% of all air-conditioners were charged with HCFC-22.

Significant number of HCFCs consumers in the service and installation sectors operates in the grey economy, without registration of legal entities, and without licenses. Many purchase HCFC-22 in disposable cylinders of unknown origin at rural and urban markets.

Based on the actual HCFCs demand for serving, Azerbaijan faces very significant challenges in fulfilling its phase out obligations in 2015 and 2020. A major reduction in service demand is an essential component of the national phase out strategy.

The training program conducted under the CFC phase out project proved to be successful in terms of the number of trainees, the geographical coverage and the content of the curricula. Training was not carried out after the Project finished in 2002. Since then, a great number of new technicians have entered the refrigeration servicing business that need to be trained on new servicing practices and non-ODS alternatives. Large refrigeration companies organize team training involving suppliers of new equipment. SMEs are in a disadvantage and the Government has to take initiative. However, the CCOC does not have the capacity to organize the training on

a continuing basis. This project must therefore address this issue.

Co-financing

In addition to the baseline project described above the Government of Azerbaijan is willing to provide funded personnel for the coordination, management and control of HCFC phase out activities. Grant funded personnel are required for the provision of know-how transfer, training and project managers experienced in the HCFC phase out and other environmental issues. The Government of Azerbaijan will finance the payment of all taxes and duties on technological equipment supplied in through the project.

Participating enterprises will co-finance investment sub-projects. In addition to co-financing the supply of equipment required for conversion enterprises will be required to pay for all civil works, ancillary equipment and the provision of utilities for any new installations. The enterprises contacted so far have agreed in principle that the level of co-financing provided through GEF support would be sufficient to provide the incentive and support necessary to initiate phase out. In this way the GEF grant is an essential catalyst in achieving HCFC phase out.

The project will be executed with taking into account the experience gained during the implementation of institutional and investment components of other recently approved UNIDO / GEF Projects. The local market and institutional conditions will be taken into account in the detailed design of the project and work breakdown. The structure of the implementation modality is explained in section C2.

B.3. Describe the socioeconomic benefits to be delivered by the Project at the national and local levels, including consideration of gender dimensions, and how these will support the achievement of global environment benefits (GEF Trust Fund) or adaptation benefits (LDCF/SCCF). As a background information, read [Mainstreaming Gender at the GEF.](#):

Manufacturing and servicing sectors will be the targeted groups, and through investments and technology transfer, this project will contribute to an increase in productivity and efficiency, as well as to certain extent, to creation of some job opportunities for sustainable development.

As to the gender aspects, there is a need to promote gender equality and empowerment of women, but in this particular case, the involvement of women in specific targeted groups is quite modest. However, this aspect of increasing role of women and their possible integration into economic related activities will be highly addressed.

B.4 Indicate risks, including climate change risks that might prevent the project objectives from being achieved, and if possible, propose measures that address these risks to be further developed during the project design:

Lack of regional and local institutional	The milestones of the project preparation and coordination of implementation will be elaborated in cooperation with PMO and the
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infrastructure to address the issues	regional and local partner institutions already identified. The roles, functions and responsibilities of the parties will be clearly defined and described.
Inadequate national support to enhance the related legislation	Under the guidance and coordination of PMO the civil societies and public institutions concerned will actively participate in all stages of the project development and implementation including elaboration of legislative documents.
The complexity of interrelated technical, commercial and the legislative problems to be addressed may be underestimated	At the PPG phase the necessary assessments of technological options, analysis of cost-effectiveness and associated legislation requirements will be elaborated and if necessary the scope of intervention will be reduced to the available resources.

The National Ozone Unit (NOU) within the structure of the Climate Change and Ozone Centre (CCOC) has recently been considerably weakened from four staff to one. This has had a devastating effect on Azerbaijan's capacity to monitor and control ODS consumption. There is also a general lack of awareness in industry and servicing of the alternative technologies available for HCFCs.

Further, lessons learned from ODS phase out activities to date in non-European CEITs (GEF Impact Evaluation Report – draft July 2009) show that illegal trade poses an ongoing risk to ODS phase out due to a lack of comprehensive and effective border controls and policies. These issues will be a significant barrier to HCFCs phase out.

B.5. Identify key stakeholders involved in the project including the private sector, civil society organizations, local and indigenous communities, and their respective roles, as applicable:

The project addresses strengthening of institutional capacities for sustainable HCFCs phase out, through development and implementation of training, awareness and capacity-building activities for the key Government ministries (MENR, MIE) and departments, legislators, decision-makers and other institutional stakeholders. Special attention will be given to the upgrading of ODS and HFC import legislation and customs officers training activities.

The target beneficiaries:

- Manufacturing enterprises that use HCFCs in the manufacturing process or products, mainly refrigeration and foam producers;
- Refrigeration servicing sub-sector, given its likely importance in managing long term HCFC phase out;
- Large installation owners in cases where industrial and commercial HCFC based installations are involved;
- Vocational schools – refrigeration and air-conditioning technicians.

B.6. Outline the coordination with other related initiatives:

The coordination with other GEF agencies as well as with the CEIT is foreseen in the frame of the preparation of the GEF/WB/UNDP Regional HCFC Phase out Programme.

The active participation in the work of Regional Ozone Network in Europe & Central Asia (ECA) is strongly encouraged by the project. Moreover, the IAs (UNIDO's) MP Branch is also implementing ODS phase-out project in the neighbouring countries (Russian Federation, Turkey, Iran, etc.). Therefore, a consistent, cost-efficient coordination of phase-out activities can be maintained.

The project will be executed with taking into account the experience gained during the implementation of institutional and investment components of the UNIDO / GEF Project "Phase out of HCFCs and promotion of HCFCs Free Energy Efficient Refrigeration and Air-conditioning Systems in the Russian Through Technology Transfer. Phase I – 90% HCFCs Reduction" and other GEF projects prepared and / or implemented in the Commonwealth of Independent States by UNIDO, UNEP, UNDP and the World Bank in the sphere of protecting the ozone layer, preventing climate change, introduction of energy-efficient technologies and energy efficiency labelling of the products. In particular, it is planned to adapt according to local conditions the legislative and normative documents on state regulation of the consumption and turnover of HCFCs, for the phased implementation of the European F-gas Regulation as well as to extend the technology of Methyl Formate in the foam sector of Azerbaijan and other.

C. DESCRIBE THE GEF AGENCY'S COMPARATIVE ADVANTAGE TO IMPLEMENT THIS PROJECT:

The GEF agency (UNIDO) is within the comparative advantage matrix and the project addresses the areas where UNIDO's valuable experience will contribute to the institutional strengthening and capacity building to meet Montreal Protocol HCFCs phase out obligations.

The programme is based on GEF-5 Strategic program: ODS Phase out and reduce ODS releases.

C.1 Indicate the co-financing amount the GEF agency is bringing to the project:

The amount of US \$ 50,000 will be offered as cash contribution of UNIDO for the project implementation.

C.2 How does the project fit into the GEF agency's program (reflected in documents such as UNDAF, CAS, etc.) and staff capacity in the country to follow up project implementation:

The programme is consistent with the country's priorities and commitments of the Republic of Azerbaijan to fulfill its obligations under Montreal Protocol. It is designed to strengthen and provide support to the national monitoring and legislative system established for the

implementation of CFCs phase out completed by 1 January 2006.

The project's primary goal is to develop country strategies for HCFC phase out based on in-depth surveys of HCFC consumption and where applicable production, in eligible Article 2 countries, and it is in line with the National priorities and the MDG 7 – to ensure the environmental sustainability. It is aimed at institutional enforcement through the assistance in preparation and implementation of legislative and regulatory measures and capacity building.

In particular, the framework of this part of the Project will be devoted to preparation and adoption of a formal National HCFCs Phase out Strategy and National Action Plan, which will be utilizing results from current GEF Regional HCFC survey and phase out strategy project.

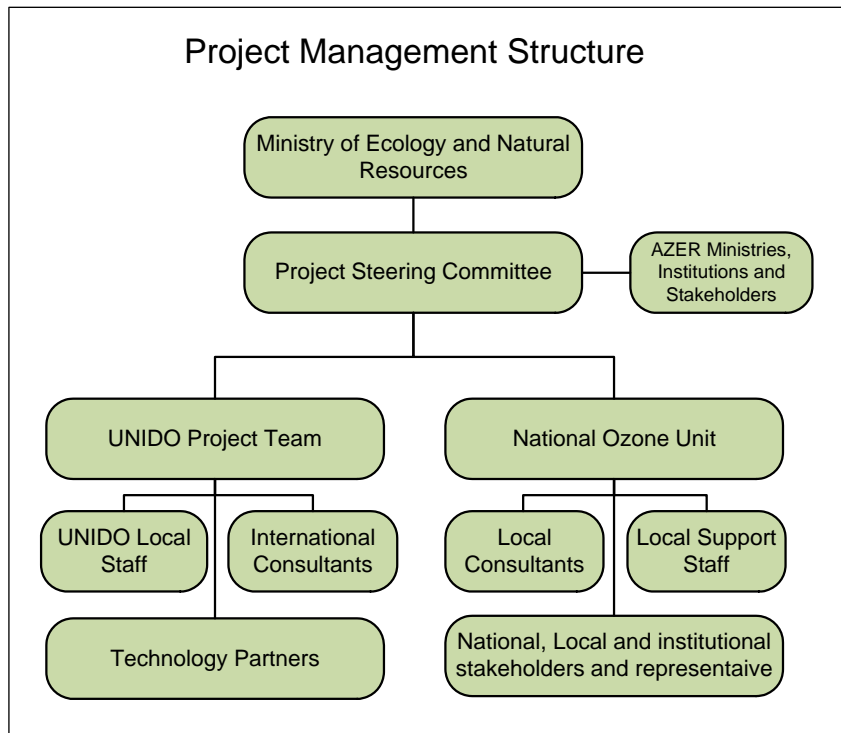
The secondary objective is the direct phase out of HCFCs in the refrigeration and foam manufacturing sectors in the Republic of Azerbaijan. In the purpose to avoid of double conversion any HFC-based alternatives will be excluded if possible from the frame of this Project.

Based on the current trends in consumption in the foam production and refrigeration, and air conditioning servicing sectors, it is vital that both institutional capacity and investment funding, are put in place to meet the Montreal Protocol targets. At the same time it is important for the Republic of Azerbaijan to consider the longer term climate impact of HCFCs alternatives, and in particular, to steer clear of HFCs technologies.

UNIDO has already implemented over 40 ODS projects and achieved phased-out of over 4800 ODP MT in EUR region and therefore, its presence and valuable experience in this area, should be considered as an advantage (recent example is the ongoing project in the Russian Federation).

UNIDO will work in close cooperation with the counterparts. A steering committee meeting will be organized on an annual basis to discuss the progress being made, and to ensure that the results of the various components are being taken into account in the survey-work at the national level. The project will be tailored towards the local implementation structure, in line with the country National Ozone Office. A project focal point will be established within UNIDO to assist in the project execution. This focal point will be comprised of a part-time professional and support staff engaged in the management and coordination of UNIDO's programme of support Multilateral Environmental Agreements. UNIDO will make these services available as part of its in-kind contribution to the project.

Ministry of Ecology and Natural Resources (Centre for Climate Change and Ozone Centre) is the designated national leading agency and focal point of the implementation of the Montreal Protocol. The project will be implemented through UNIDO. UNIDO will provide periodic progress and financial reports to the GEF, as required. The actual project components will be directly executed by the Climate Change and Ozone Centre (CCOC), under the direction and support of UNIDO.



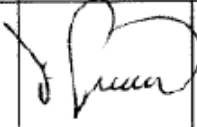
Though the responsibility for execution lies with the Ministry of Ecology and Natural Resources (MENR) several project components will be implemented in close cooperation with other Ministries, including the Ministry of Industry and Energy (MIE). The management structure aims to support the long-term needs of the Azerbaijan Republic in achieving full phase out of HCFCs, by creating robust institutional capability at the appropriate agencies and departments of the Government of Azerbaijan.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the [Operational Focal Point endorsement letter\(s\)](#) with this template. For SGP, use this [OFP endorsement letter](#)).

NAME	POSITION	MINISTRY	DATE (MM/dd/yyyy)
Mr. Imran Abdulov	National GEF Focal Point Deputy Head of Department	MINISTRY OF ECOLOGY AND NATURAL RESOURCES REPUBLIC OF AZERBAIJAN	04/12/2011

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF/LDCF/SCCF policies and procedures and meets the GEF/LDCF/SCCF criteria for project identification and preparation.					
Agency Coordinator, Agency name	Signature	DATE (MM/dd/yyyy)	Project Contact Person	Telephone	Email Address
Mr. Dmitri Piskounov, Managing Director, UNIDO GEF Focal Point			Mr. Yury Sorokin, Industrial Development Officer	+43 1 260 26 3624	Y.Sorokin@unido.org