

VERIFICATION REPORT
FOR HPMP PROJECT IMPLEMENTATION
IN SRI LANKA

March 2016

Abbreviations

CCMP - Coordinating Committee for Implementing the Montreal Protocol

CEA - Central Environment Authority

CFC - ChloroFluoroCarbon

CTC - Carbon Tetrachloride

DIEC - Department of Import and Export Control

ExCom - Executive Committee for Implementation of Montreal Protocol

FOB - Freight On Board

GOSL - Government of Sri Lanka

HCFC - HydroChloroFluoroCarbon

HPMP - HCFC Phase out Management Plan

HS - Harmonised Systems

IA - Implementing Agency

IS - Institutional Strengthening

MC - Methyl Chloroform

MeBr - Methyl Bromide

MLF – Multilateral Fund for the Implementation of the Montreal Protocol

MoE - Ministry of Environment

MPU - Montreal Protocol Unit

MYA - Multiyear Agreement

NOU - National Ozone Unit

ODS - Ozone Depleting Substances

ODP - Ozone Depletion Potential

RAC - Refrigeration and Air-Conditioning

RMP - Refrigerant Management Plan

SLC - Sri Lanka Customs

SSFA - Small Scale Funding Agreement

UNDP - United Nations Development Programme

UNEP – United Nations Environment Programme

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1. INTRODUCTION

Sri Lanka ratified both the Vienna Convention and the Montreal Protocol on Substances that Deplete the Ozone Layer on 15 December 1989, and became an Article 5 party to the protocol for having less than 0.3kg per capita consumption of Ozone Depleting Substances (ODS).

Sri Lanka is an island in the Indian Ocean, located close to the equator. Most of the year, Sri Lanka is hot and humid except in the highlands in the middle of the country. It is a democratic socialist republic country, with a land area of 65,610 square kms and a population of 20.5 million. Colombo is the capital city, situated on the western coast.

Based on the agreement entered in 1994, the Government of Sri Lanka met the target dates of the phase-out schedule for main categories of ODS in ChloroFluoroCarbon (CFC), Halons, Methyl Chloroform (MC), Carbon tetrachloride (CTC), Methyl Bromide (MeBr) in 2008, ahead of the scheduled 2010. MeBr, however, is still used only for quarantine and pre-shipment purposes which is allowed by the Protocol.

At the 19th Meeting of the Parties to the Montreal Protocol held from 17-21 September 2007 in Montreal, Canada, a decision was taken to accelerate phasing out of HydroChloroFluoroCarbon (HCFC) with a time target. The Government conducted a national survey on HCFC consumption with the assistance of UNDP in 2009 and prepared its HCFC Phase out Management Plan (HPMP). It was submitted to the Executive Committee (ExCom) of the Multilateral Fund for the Implementation of Montreal Protocol through UNDP in August 2010.

The Executive Committee at the 62nd meeting in Montreal, 29 November - 3 December 2010, under decision 62/54, approved the implementing of the Stage 1 of the HCFC Phase out Management Plan for Sri Lanka. At this meeting, a funding level of US\$ 647,866 was approved in principle for Stage 1 of HCFC Phase out Management Plan (HPMP) of Sri Lanka for the period 2011 to 2020 under the accelerated programme with multiyear agreement (MYA).

The phase-out plan for Stage-I is in line with the phase out schedule agreed under the Montreal Protocol which has a freeze consumption baseline by 2013, 10% reduction by 2015 and 35% by 2020. The Ministry of Environment is the National Focal Point tasked with the implementation of Sri Lanka's HPMP. UNDP is designated as the lead implementing agency and UNEP as the cooperating implementing agency. Implementation of the HPMP started in the last quarter of 2011.

Starting point for aggregate reductions in consumption was decided based on the average consumption which was calculated on actual consumption for the year 2009 and the estimated consumption for the year 2010. The following figures in Table 1-1 were fixed for Sri Lanka as per Appendix 1- A: Substances of the agreement.

Table 1-1: Starting point for aggregate reduction

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC 22 and blends	C	I	11.87
HCFC 141b	C	I	02.22
Total			14.09

Accordingly, a performance based agreement had been signed between the Government and the ExCom to freeze the consumption level at 14.09 ODP MT on 1 January 2013.

However, at the 70th meeting of ExCom held in Bangkok in July 2013, the consumption level was reviewed when actual consumption data for the years 2009 and 2010 were available. Consequently revised targets and funding were issued as per Table 1-2 extracted from the revised Annex 2A at the 70th Meeting.

Table 1-2: MLF Funding for Stage I

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	13.90	13.90	12.51	12.51	12.51	12.51	12.51	9.14	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	n/a	13.90	13.90	12.51	12.51	12.51	12.51	12.51	9.14	n/a
2.1	Lead IA (UNDP) agreed funding (US \$)	180,000	0	0	60,000	0	0	127,766	0	0	0	31,100	398,866
2.2	Support costs for Lead IA (US \$)	12,500	0	0	4,500	0	0	9,582	0	0	0	2,333	29,915
2.3	Cooperating IA (UNEP) agreed funding (US \$)	125,000	0	0	24,000	0	0	75,100	0	0	0	24,900	249,000
2.4	Support costs for Cooperating IA (US \$)	16,250	0	0	3,120	0	0	9,763	0	0	0	3,237	32,370
3.1	Total agreed funding (US \$)	305,000	0	0	84,000	0	0	202,866	0	0	0	56,000	647,866
3.2	Total support costs (US \$)	29,750	0	0	7,620	0	0	19,345	0	0	0	5,570	62,285
3.2	Total agreed costs (US \$)	334,750		0	91,620	0	0	222,211	0	0	0	61,570	710,151
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this agreement (ODP tonnes)												2.86
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)												0.0
4.1.3	Remaining eligible consumption for HCFC-22 (ODP tonnes)												9.14
4.2.1	Total phase-out of HCFC-141b agreed to be achieved under this agreement (ODP tonnes)												1.9
4.2.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)												0
4.2.3	Remaining eligible consumption for HCFC-141b (ODP tonnes)												0

The starting point to aggregate reductions in consumption (ODP tonnes) was revised to the figures given in Table 1-3, as per Appendix 1- A: Substances of the agreement, in the updated agreement.

Table 1-3: Updated starting point for aggregate reductions

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC 22 and blends	C	I	12.00
HCFC 141b	C	I	01.90
Total			13.90

National Ozone Unit of the Ministry of Environment as the focal point in implementing of Montreal Protocol on ODS has the overall responsibility for the management and implementation of the agreement and the fulfilment of obligations under the agreement with respect to all the activities undertaken.

Under the agreement signed between the Government of Sri Lanka and the Executive Committee, the Clause 5(b) requires an independent verification report of the HPMP results and the consumption of the substances mentioned in the Appendix 1A at the end of each tranche.

The actual phasing out programme came into effect during the period covered within the second tranche with freezing the consumption level for the years 2013 and 2014 at 13.90 ODP tonnes and to reduce the consumption level by 10% on 1 January 2015 and continue at this 90% level of the frozen figure which is 12.51 ODP tonnes until 31 December 2019.

In complying with the agreement signed between the Government of Sri Lanka and the Executive Committee, the independent verification of the implementation of HPMP during the second tranche (2013-2015) is submitted in this report.

1.1. Objective

The objective is to verify whether Sri Lanka has achieved the specified consumption levels for the years 2013, 2014 and 2015, in Appendix 2A of the agreement.

Under HPMP, there are several components that contribute to achieving the specified HCFC phase out targets. These include numerous activities such as technical assistance for assembling and installing of refrigeration and air-conditioning (RAC) equipment, minimizing HCFC consumption in servicing of RAC equipment, technical and financial assistance for foam sector, training of service technicians on good practice in refrigeration, training of customs officers, training of trainers, conducting awareness programmes and monitoring of various HCFC consuming applications.

Therefore, the following can be considered as objectives that should be met:

- In the updated agreement between the Government of Sri Lanka and the ExCom, Appendix 1A requires limiting the yearly HCFC consumption at 13.9 ODP tonnes during 2013 and 2014. The figure for the year 2015 with 10% reduction stands at 12.51. The quantitative verification requires to confirm the consumption as per monitoring and recording process for the three years 2013, 2014 and 2015. The records kept at key stakeholders are to be independently obtained and verified for each year.
- Out of the strategies proposed by Sri Lanka as a non-producing and non-exporting country, limiting the imports of HCFC for consumption is the key element that would generate direct results (Consumption = Imports). The process of limiting the imports is governed through licensing and quota system at national level introduced through legislative measures. The qualitative verification requires to confirm the satisfactory implementation of licensing and quota system during the ensuing period of three years towards meeting the HPMP targets.
- Parallel to limiting the supply by licensing and quota system, other HPMP activities planned are implemented to ease the effects of reduced supply against increased demand. The verification requires reviewing the monitoring process and submission of reports to the Government, UNDP and UNEP on these activities to ensure smooth phasing out of HCFC during 2013-2015.

1.2. Scope

The verification scope covers the progress of HPMP applicable for the period from 1 January 2013 to 31 December 2015. This is an independent and objective review verification process for HPMP.

The verification is based on the data available at the National Ozone Unit (NOU), Sri Lanka Customs (SLC), Department of Import and Export Control (DIEC), and at all the authorized importers of HCFC substances. The data refer to all correspondence related to implementation of import license and quota system for importation of HCFCs and all other HPMP activities related to balance the effects of shortages as a result of phasing out schedule implemented.

2. METHODOLOGY

The first task of the verification team was to familiarize with the project under purview of this verification and to identify final requirements, stakeholders involved and data required.

The verification team requested the NOU for access to following data applicable for the given period.

- Documents related to funds allocations for HPMP activities
- Documents related to implementation of license and quota system
- Documents related to HPMP activities carried out through UNDP, UNEP and other funding sources

The second task was to prepare check lists (Annex I and Annex II) and data collection formats (Annex III) based on the documents available for verification. These checklists were expected to serve the following purposes,

- To organize details of the verification procedure and to clarify the expected requirements of the project
- To document how a particular requirement can be validated to meet final result of the verification

The third task is to determine the composition of verification team, to proceed with collecting and recording data, and to analyse collected data for verification.

The report follows the guidelines given in UNEP/OzL.Pro/Ex.Com/46/47, Annex XIII and previous guidelines decided at the 32nd Meeting.

2.1. Identification of final outcomes

Specific outcome of this verification should result in:

- Confirmation of consumption of HCFC and its blends as per monitoring and recording process from 2013 to 2015
- Confirmation of satisfactory implementation of licensing and quota system to ensure compliance with HPMP targets
- Reviewing and reporting on implementation of HPMP activities relating to project monitoring and coordination and submission of reports to Government and international agencies
- Reviewing overall success on implementation of HPMP

2.2. Identification of stakeholders involved

The following key stakeholders were identified for obtaining data required for the verification:

- National Ozone Unit (NOU) as the focal point for HPMP in two basic schemes, one for limiting the importation of HCFC through licensing of importers and applying a quota system and the other for implementation of several programmes that would ease the service requirements affected by phasing out scheme and also to discourage venting of HCFC through promoting recycle and reclaiming programme, and good practices.
- Sri Lanka Customs (SLC) as the agency physically monitoring the importation for right substance from the right source in right quantities and right channel
- Department of Import and Export Control (DIEC) as the regulatory body issuing import licenses on the recommendations of NOU and monitoring the importation process through coordination with Sri Lanka Customs (SLC) when required
- Importers as the approved agencies to import HCFC products within the quotas allocated

2.3. Identification of data/information required from NOU

- Details on legislative and administrative measures taken under national policies to meet ODS phase out schedules and government enforcement structure to prevent any illegal imports
- Details on eligibility criteria with applicable conditions and authorities defined for granting quota, in licensing and quota issuing process
- Details on registered authorized importers with percentage of quotas issued and actual imports during the years 2013, 2014 and 2015
- Details of any recommendations by previous verifiers and involvement of Central Environment Authority (CEA) on monitoring ODS consumption

2.4. Identification of data required from Sri Lanka Customs

- Details of HCFC imports under specific ODS substances during the years 2013, 2014 and 2015 together with records on specific ODS importers, brand, source of supply, date of landing, quantity and type of container (size) etc.
- Details on the capacity of identifying right Harmonized System (HS) codes for similar imports, sources of assistance required to check doubtful consignments, checking the validity of any doubtful licenses
- Details on any random checking of ODS product identification from specific suppliers and dealing with violating the import rules with respect to quantity, substance and approved brand names

2.5. Identification of data required from Department of Import & Export Control (DIEC)

- Details on legalized procedure for ODS importation and type of enforcement on ODS imports if deviated from regulations, and any statistics on violation of ODS regulations
- Details on requirements to issue licenses and licences issued during the years 2013, 2014 and 2015

2.6. Identification of data required from authorized importers

- Details of imports during the years 2013, 2014 and 2015 with specific information on import licenses and certified custom declarations at the time of imports.
- Views on meeting future demand of HCFC and comments on ODS licensing and quota system

3. PHYSICAL PROCESS OF VERIFICATION WITH STAKEHOLDERS

3.1. Stakeholders involved with import licensing and quota system

Out of the identified stakeholders relevant to implementation of HPMP, the first meeting was held with the National Ozone Unit (NOU). Thereafter several rounds of meetings were held with the officials of the NOU, Sri Lanka Customs (SLC) and Department of Import and Export Control (DIEC). To get import data and their views on the process of quota system from the authorized importers, frequent communications were held in addition to the initial meetings.

National Ozone Unit (NOU)

National Ozone Unit of Sri Lanka is the key implementing agency representing the Government in the agreement on HCFC phase out plan.

Sri Lanka Customs (SLC)

Sri Lanka Customs is the physical examination authority on imports and exports. The following areas related to customs were discussed in addition to getting data on physically imported HCFC during the years 2013, 2014 and 2015,

- Sanctions or penalties to be imposed on violation of legal regulations
- Mechanisms and capacity for prosecution and enforcement
- National system of harmonized system codes in order to identify ODSs and ODS mixtures
- Procedures to be applied in case of suspicious shipment
- Sampling or other identification methods used

Any violation of physical discrepancy at the examination of goods are treated under the Customs Ordinance.

Imports without permit are treated under normal law enforcement procedure of Sri Lanka customs. If any banned/prohibited items are imported, those consignments are treated additional to the requirement of import license (i.e. for violation of customs ordinance and for violation of importing prohibited items).

In the event that an importer enters a different HS code for particular item, a correction will be made and importation allowed. The records of such incidents are kept under the name of the importer. If the same importer makes the same mistake/violation for the same item for a successive importation, he will be treated according to the regulations for wilful violations.

Any confusion with regard to HS codes are referred to nomenclature committee and if necessary to the clarification committee.

In the discussion it was clear that Sri Lanka Customs had all the required mechanisms required for enforcement of regulations on violations of rules at the examination of the imports. Some of the difficulties encountered as reported were the clearing of restricted goods when there were discrete specifications for ODS Blends as against having a flexible range, and for taking action on smuggled goods for want of information.

Department of Import and Export Control (DIEC)

Department of Import and Export Control is the sole licensing authority for imports and exports for goods needing such licenses for restricted goods. A brief meeting was held on 19 February 2016 at the Department of Import and Export Control (DIEC) with the Assistant Controller responsible for granting import licenses recommended by the NOU. The digitally recorded data on the issuing of import licenses were made available only for the year 2015 and for a part of the year 2014. Getting digital data for the year 2013 and the remaining data for the year 2014 was not possible within the short time frame available. The enforcement capacity on violation of import regulations have been covered in the act of the DIEC. General violation observed is the over importation of goods beyond the approved amount. Any violation of import regulations are bound by the Act of Import and Export Control. The violations can be any discrepancy of data that may be found between the initial documents at the application and that of the shipping documents.

Authorized importers

There are sixteen (16) authorized HCFC importers granted with quotas for importation of HCFC. A workshop was held with selected persons who are conversant with ODS to get the required information from those importers together with their observations and suggestions on licensing and issuing quotas in particular and any other general issues related to ODS phase out process. A common format was used to obtain the data as in Annex IV.

3.2. Stakeholders at large expected to benefit under HPMP

Interviews with other ODS consumers, system designers recommending equipment with ODS and suppliers of equipment containing ODS were also held to get their views in the HCFC phase out process. The comments, observations and criticisms were recorded for reviewing.

4. DATA COLLECTION FOR VERIFICATION

4.1. Data collected from NOU

Formulation of national policies on HCFC imports and exports

Cabinet of Ministers of the Government at its meeting held on 22 August 2012 adopted HCFC phase out schedule applicable for Sri Lanka as per the decision of the ExCom at its 62nd Meeting.

Accordingly, this requirement was brought under the act of Import and Export (Control) by the gazette regulation 1821/40 on 01.08.2013. Regulations require that no person except the ones registered with the NOU and obtained the valid quota from the Ministry of Environment, are eligible for importation of HCFC substances. The applicable HS codes for HCFC-ODS were also specified in the gazette.

The NOU set up a special Coordinating Committee for Implementing the Montreal Protocol (CCMP) in 2012 for providing policy guidance and directions to the NOU and also for facilitating necessary linkages between the public and private sector stockholders for the effective implementation of the Montreal Protocol. National policies and procedures on the importation of HCFC are decided by this committee. The committee is composed of the Secretary of the Ministry of Environment as the Chairperson and Director – the NOU assists him as convener of the meeting. Other members are officials of Sri Lanka Customs, Department of Import & Export Control, Board of Investment, Ministry of Industries, Ministry of Agriculture, National Plant Quarantine Service, Department of Meteorology, Sri Lanka Standards Institute, Vocational and Technical Training Institutes, and UNDP officers. The NOU Coordinating Officer and the NOU Technical Officer participate in the CCMP meetings.

For the implementation of HPMP, the policy adopted is to restrict imports by issuing licenses with quotas applicable for a period of one year for selected importers.

The CCMP, at its 3rd meeting on 21 November 2012 decided to adopt the following procedures in deciding importers and quota system.

- Importers' database for the years 2009, 2010, 2011, and up to June 2012 was to be considered in identifying the importers and the percentage of quota
- Separated the quantities imported by them for HCFC-22 and HCFC-141b
- Calculated the mean value of total imports for the above 4 years by individual importer for both items
- Accordingly, 26 importers were made eligible for receiving quota for the year 2013
- Allocated only 90% of baseline value as quota for the year 2013
- Kept 10% until 1 September 2013 to issue more quota to meet any additional demand

- Issues of quota are subjected to 3 months of validity period
- All quotas to operate on calendar year basis and expire at the end of the calendar year
- If any enterprise wishes to denounce its quota, the NOU may decide to redistribute such quota among other importers
- Committee appointed and chaired by Director NOU has been empowered to review the implementation of quota system periodically. The decision of the Director NOU on issue of quota is considered final.

Twenty four out of the 26 eligible importers accepted letters of awards as importers for the period 2013. Accordingly, 24 importers were awarded with certificates of quota for importing HCFC /HCFC Blends, indicating the eligible quantity in equivalent ODP tons at a ceremony organized by the NOU. The certificates were issued by Director NOU as the officer having authority in granting quota. Quotas for those eligible importers have been allocated purely on the proportional basis of the quantities of previous imports done by individual importers.

Out of the 24 importers, 8 failed to import at least 60% of quota by 13 August 2013. Among those 8 importers, there were 4 importers who did not apply for import licenses. The conditions agreed for granting quota required a minimum of 60% imports by 30 June 2013 and a minimum of 80% imports by 30 September 2013. As a result of violating the conditions applicable in granting quotas, these eight importers were removed from the list of authorized importers and the unutilized quotas redistributed among other importers. There were only 20 importers who actually participated in the imports during 2013 and only 16 importers were registered for 2014.

The DIEC is the sole authority to issue licenses and the NOU is the sole authority that can recommend the DIEC on the quantity which can be imported for a request made by an importer. (With regard to MeBr the only recommending authority is the Registrar of Pesticides).

List of authorized importers and percentage of quotas issued

The Table 4-1 gives the list of companies authorized for ODS imports after the removal of 8 companies that violated the conditions for issuing quotas during the year 2013. Since then there was no change to the list of companies and Table 4-1 also gives the percentage of quota of ODP tonnes allocated for these 16 companies based on the criterion adopted at the CCMP meeting held on 11 November 2012.

Table 4-1: List of importers and percentages of quota

No.	Company Name	(%) quota
01	ATCO Refrigeration (Pvt) Ltd	24.70
02	Aceref Spares (Pvt) Ltd	22.65
03	Thilhara Ref & Electricals (Pvt) Ltd	9.12
04	Lalith Aircon & Auto Parts (Pvt) Ltd	8.85

05	JSS Enterprises (Pvt) Ltd	8.20
06	Vivasa (Pvt) Ltd	4.82
07	Ajaneer Trading Company (Pvt) Ltd	4.74
08	CW Mackie PLC	3.70
09	Bio Tech Engineering Services	2.92
10	Rohan Rodrigo Refrigeration & Air Conditioning Co Pvt. Ltd	1.91
11	Frostaire Industries Pvt. Ltd	1.32
12	P&G Holdings Pvt. Ltd	1.00
13	Modern Group	0.87
14	Season Air Trading Co. Ltd	0.68
15	Modern Aircon Pvt. Ltd	0.54
16	Cool King Ref Engineering & Suppliers	0.19
Total allocated		96.21

Conditions of granting quota to import HCFCs and HCFC Blends

The NOU set out a set of conditions to which importers agree as a pre requirement to grant quota for imports since commencement of the licensing and quota system in the year 2013. These conditions have been gradually improved and the following conditions will prevail with effect as of 1 January 2016.

- The requirement of importing the minimum of 80% of the granted quota by 31 August 2016 and the importers not meeting this condition are liable for cancellation of remainder of the quota allocated for the year
- The NOU reserves the right to review the quota during the year based on the progress of utilization
- Mandatory requirement of submitting details of previous imports with supporting documents to qualify for getting recommendation for a new application
- The basis of calculating ODP tons to be based on the factor of 0.06 on the quantity of importation
- Quota allocated for 2016 shall not be carried over to 2017 when receiving the consignment
- The quota has been made transferrable to another eligible importer on mutual written agreement subject to approval of the NOU Director
- Unutilized quota as at 31 August 2016 will be redistributed among other eligible importers in September 2016
- Exporting of ODS that have been imported to another country is strictly prohibited and is a punishable offence
- Bi-annual comprehensive report shall be submitted to ensure getting recommendation for future imports
- Secretary Ministry of Environment has the authority and rights to introduce new conditions or amend the existing conditions without prior notice

Monitoring of HPMP on restricted importation of HCFC

The process begins with an application made to the NOU by the importer clearly indicating the mandatory details identifying the manufacturer, port of shipping, quantity and expected date of clearing goods. After verifying the legitimacy of the application, a recommendation memo is issued to the DIEC for issuing the Import License indicating HCFC, Quantity, Brand Name and details of Proforma Invoice, with an expiry date.

DIEC issues an import license for the particular request made by the importer. The import license carries the applicable HS code, quantity, Freight On Board (FOB) value, brand name, proforma invoice number, and the date, in addition to the license number and the name of the licensee.

This import license is a prerequisite for the exporter to get export clearance from the country of export. Importer has to send a copy immediately to the exporter.

On arrival of goods at port, the importer needs to get a certification from DIEC that the shipment corresponds to the import license issued. All shipping documents and the import license have to be produced to DIEC. Without this endorsement on the import license by the DIEC of the acceptance of the bill of lading, SLC cannot clear the goods.

Sri Lanka Customs can clear the goods with properly filled custom declaration document (cusdec) with the import license endorsed by DIEC.

On completion of clearing the consignment, the importer has to submit a detailed statement with copies of all correspondence that were needed in the whole process to ascertain the identification of HCFC imported, quantity recommended by NOU, details of import license, country of import, date of arrival, actual quantity imported. These include the commercial invoice, cusdec and the import license.

Summary of imports as recorded at NOU for the years 2013, 2014 and 2015

The following Table 4-2 gives the yearly figures for the years 2013, 2014 and 2015 on the ODP tonnes allocated for each importer as per eligible quota and ODP tonnes imported by respective importer, as per data collected from the individual files at the NOU and compared with the NOU tabulated digitalised data.

For the year 2013, ODP tonnes allocated for Sri Lanka is 13.90. Initially, only 90% of 13.90 (12.51) was distributed among the importers and 10% was retained to cushion any adverse situations. However, as some of the low quota importers failed to import as per the conditions agreed their quotas were redistributed among others.

For the year 2014, out of the total allocated 13.90 ODP tonnes only 90% were initially allocated among the importers. However, due to complaints of shortages of HCFC in the market a part of the retained 10% quota was re-distributed in the latter part of the year 2014, among those importers who agreed and who were ready to import within the year 2014. On the request of Modern Aircon (Pvt) Ltd, their quota was added to Modern Group since 2014.

For the year 2015, the total allocated consumption of ODP tonnes was 12.51 after 10% reduction with effect from 1 January 2015. Retaining 10% out of 12.51, only 11.28 ODP tonnes were distributed among the importers.

Table 4-2: Summary of imports as recorded at NOU for 2013, 2014 and 2015

No.	Company Name	Year 2013		Year 2014		Year 2015	
		ODP tonnes as per quota	ODP tonnes imported	ODP tonnes as per quota	ODP tonnes imported	ODP tonnes as per quota	ODP tonnes imported
01	ATCO Refrigeration (Pvt) Ltd	3.11	2.26	3.12	2.87	2.81	2.56
02	Aceref Spares (Pvt) Ltd	2.89	2.74	2.86	3.48	2.57	1.93
03	Thilhara Ref & Electricals (Pvt) Ltd	1.24	1.13	1.17	1.04	1.05	0.96
04	Lalith Aircon & Auto Parts (Pvt) Ltd	1.11	0.41	1.14	1.08	1.03	0.98
05	JSS Enterprises (Pvt) Ltd	1.04	1.33	1.06	1.27	0.95	0.87
06	Vivasa (Pvt) Ltd	0.6	0.61	0.63	0.65	0.57	0.52
07	Ajane Trading Company (Pvt) Ltd	0.59	0.62	0.62	0.66	0.56	0.51
08	CW Mackie PLC	0.48	0.63	0.49	0.52	0.44	0.40
09	Bio Tech Engineering Services	0.24	0.30	0.40	0.39	0.36	0.33
10	Rohan Rodrigo Refrigeration & Air Conditioning Co Pvt. Ltd	0.23	0.28	0.27	0.32	0.24	0.22
11	Frostaire Industries Pvt. Ltd	0.19	0.22	0.20	0.18	0.20	0.18
12	P&G Holdings Pvt. Ltd	0.13	0.19	0.16	0.32	0.14	0.13
13	Modern Group	0.15	0.05	0.14	0.22	0.13	0.19
14	Season Air Trading Co. Ltd	0.14	0.18	0.11	-	0.10	0.09
15	Modern Aircon Pvt. Ltd	0.05	0.02	0.10	Added to Modern Group	0.09	Added to Modern Group
16	Cool King Ref Engineering & Suppliers	0.03	0.10	0.05	0.09	0.04	0.04
17	Cool Top Co.Ltd	0.123	0.11	Discontinued	Discontinued	Discontinued	Discontinued
18	Cool Masters	0.123	0.11	Discontinued	Discontinued	Discontinued	Discontinued
19	Alfa Beta	0.123	0.11	Discontinued	Discontinued	Discontinued	Discontinued
20	RAU Trading	0.123	0.12	Discontinued	Discontinued	Discontinued	Discontinued
Total ODP tonnes		12.712	11.52	12.51	13.09	11.28	9.91

Cumulative summary of ODP tons imported during 2013, 2014, 2015 as per NOU records

Table 4-3: Yearly summary HCFC imports in ODP tonnes

	2013 ODP	2014 ODP	2015 ODP
HCFC 22	10.58	11.82	09.91
HCFC 141b	00.86	01.23	-
HCFC 123	-	00.04	-
Total Imported	11.44	13.09	9.91
Total Allocated	13.90	13.90	12.51

4.2. Data collected from Sri Lanka Customs

Summary of imports as recorded at Sri Lanka Customs for the years 2013, 2014 and 2015

HCFC 22 under HS Code 2903-71 in kilogrammes

Table 4-4: Customs records on HCFC 22

	Name of company	Year 2013	Year 2014	Year 2015
1	JSS Enterprises (Pvt) Ltd	17,490	13,600	15,694
2	ATCO Refrigeration (Pvt) Ltd	48,960	34,408	46,648
3	Frostaire Industries Pvt. Ltd	4,080	3,332	3,332
4	Rohan Rodrigo Refrigeration & Air Conditioning Co Pvt. Ltd	9,923	1,360	4,012
5	Thilhara Ref & Electricals (Pvt) Ltd	15,567	15,504	17,408
6	Vino Engineers	340	-	-
7	CW Mackie PLC	7,997	1,360	7,330
8	Bio Tech Engineering Services	12,158	3,400	5,998
9	Cool King Ref Engineering & Suppliers	1,360	-	680
10	Season Air Trading Co. Ltd	925	-	1,659
11	Ajaneer Trading Company (Pvt) Ltd	2,720	12,022	9,330
12	Aceref Spares (Pvt) Ltd	-	36,720	42,830
13	Vivasa (Pvt) Ltd	-	1,713	9,492
	Total in Kg	121,520	123,419	164,413
	ODP Tonnes	6.68	6.79	9.042

HCFC 123 under HS Code 2903-72 in kilogrammes

Table 4-5: Customs records on HCFC 123

	Name of company	Year 2013	Year 2014	Year 2015
1	Cool King Ref Engineering & Suppliers	-	2,088.4	-
	ODP Tonnes		0.04	

HCFC 141b under HS Code 2903-73 in kilogrammes

Table 4-6: Customs records on HCFC 141b

	Name of company	Year 2013	Year 2014	Year 2015
1	ATCO Refrigeration (Pvt) Ltd	3,536	-	-

2	Thilhara Ref & Electricals (Pvt) Ltd	-	1,700	-
3	Bio Tech Engineering Services	-	3,631	-
4	Aceref Spares (Pvt) Ltd	-	1,360	-
	Total in Kg	3,536	6,691	
	ODP Tonnes	0.39	0.74	

HCFC in pre-blended polyols under HS Code 3824-74 in kilogrammes

Table 4-7: Customs records on HCFC Blends

	Name of company	Year 2013	Year 2014	Year 2015
1	Metecno Lanka Pvt Ltd	66,360	151,200	67,200

As the consumption of pre-blended polyol with HCFC 141b is not to be counted for reporting under Article 7 of the Protocol, the above data were not taken in for consumption.

Cumulative summary of ODP tons imported during 2013, 2014, 2015 as per Sri Lanka Customs records

Table 4-8: Summary of ODP tonnes on Customs data

HCFC Substance	Year 2013	Year 2014	Year 2015
HCFC 22	6.68	6.79	9.04
HCFC 141b	0.39	0.74	-
HCFC 123	-	0.04	-
Total ODP Tonnes Imported	7.07	7.57	9.04
Total ODP Tonnes Allocated	13.90	13.90	12.51

4.3. Data collected from Department of Import and Export Control

Summary of imports as recorded at Department of Import and Export Control for the years 2014 and 2015

The data from DIEC is only for 2014 and 2015. This is because they started digital recording of data only in 2014 and also because the hard data for 2013 and the first quarter of 2014 could not be provided with the limited resources available and high volume of data being handled by the DIEC.

HCFC 22 under HS Code 2903-71 in kilogrammes

Table 4-9: Import Control records on HCFC 22

Name of company		Year 2014 (from April to December)	Year 2015
1	Vivasa (Pvt) Ltd	11,859.2	9,492.80
2	Thilhara Ref & Electricals (Pvt) Ltd	15,504.0	17,408.00
3	ATCO Refrigeration (Pvt) Ltd	34,408.0	46,648.00
4	JSS Enterprises (Pvt) Ltd	13,600.0	15,694.40
5	Aceref Spares (Pvt) Ltd	38,080.0	42,840.00
6	Frostaire Industries Pvt. Ltd	3,332.0	3,332.00
7	Rohan Rodrigo Refrigeration & Air Conditioning Co (Pvt) Ltd	1,360.0	4,012.00
8	Cool King Ref Engineering & Suppliers	312.8	680.00
9	Bio Tech Engineering Services	3,400.0	5,997.60
10	CW Mackie PLC	1,360.0	7,330.40
11	Ajaneer Trading Company (Pvt) Ltd	1,700.0	9,329.60
12	Season Air Trading Co. Ltd	-	1,659.20
13	Modern Aircon Pvt. Ltd	-	3,536.00
Total in Kg		124,916.0	167,960.00
ODP Tonnes		6.87	9.24

HCFC 141b under HS Code 2903-73 in kilogrammes

Table 4-10: Import Control records on HCFC 141b

Name of company		Year 2014 (from June to December)
1	Bio Tech Engineering Services	3,631.2
2	Thilhara Ref & Electricals (Pvt) Ltd	1,700.0
Total in Kg		5,331.2
ODP Tonnes		0.59

HCFC in pre-blended polyols under HS Code 3824-74 in kilogrammes

Table 4-11: Import Control records on HCFC Blends

Name of company	Year 2014 (from April to December)	Year 2015
1 Metecno Lanka (Pvt) Ltd		67,200

As the consumption of pre-blended polyol with HCFC 141b is not to be counted for reporting under Article 7 of the Protocol, the above data were not taken in for consumption.

Cumulative summary of ODP tons imported during 2014, 2015 as per records at the Department of Import and Export Control

Table 4-12: Summary of ODP tonnes on Import Control data

HCFC Substance	Year 2014	Year 2015
1 HCFC 22	6.87	9.24
2 HCFC 141b	0.59	-
Total ODP Tonnes Imported	7.46	9.24
Total ODP Tonnes Allocated	13.90	12.51

4.4. Data collected from Authorized Importers

HCFC 22 under HS Code 2903-71 in kilogrammes

Table 4-13: Importer records on HCFC 22

Name of company	Year 2013	Year 2014	Year 2015
1 JSS Enterprises (Pvt) Ltd	22,304.00	23,120.00	15,694.00
2 ATCO Refrigeration (Pvt) Ltd	36,040.00	49,368.00	46,648.00
3 Frostaire Industries Pvt. Ltd	4,080.00	3,332.00	3,332.00
4 Rohan Rodrigo Refrigeration & Air Conditioning Co Pvt. Ltd	9,203.14	5,848.00	4,012.00
5 Thilhara Ref & Electricals (Pvt) Ltd	20,604.00	15,504.00	17,408.00
6 CW Mackie PLC	11,396.80	9,520.00	7,330.40
7 Bio Tech Engineering Services	12,158.40	3,400.00	5,997.60
8 Cool King Ref Engineering & Suppliers	1,360.00	829.60	680.00
9 Season Air Trading Co. Ltd	-	-	-
10 Ajanee Trading Company (Pvt) Ltd	4,080.00	12,022.40	9,329.60

11	Aceref Spares (Pvt) Ltd	41,616.00	57,120.00	42,840.00
12	Vivasa (Pvt) Ltd	8,459.20	11,859.20	9,492.00
13	Lalith Aircon & Auto Parts (Pvt) Ltd	6,120.00	11,396.80	17,163.20
14	Modern Group	992.80	2,053.60	3,536.00
15	P&G Holdings Pvt. Ltd	3,400.00	5,848.00	2,312.00
16	Modern Aircon Pvt. Ltd	-	-	-
	Total in Kg	181,814.34	211,221.60	185,774.80
	ODP Tonnes	10.00	11.6172	10.2176

HCFC 141b under HS Code 2903-73 in kilogrammes

HCFC 141b imports were not permitted after 31 December 2014.

Table 4-14: Importer records on HCFC 141b

	Name of company	Year 2013	Year 2014
1	Bio Tech Engineering Services	3,613.2	-
2	Thilhara Ref & Electricals (Pvt) Ltd	1,700.0	-
3	Cool King Ref Engineering & Suppliers	272.0	-
4	Aceref Spares (Pvt) Ltd	1,360.0	1,224.0
5	Lalith Aircon & Auto Parts (Pvt) Ltd	680.0	4,134.4
6	Modern Group	176.8	952.0
7	ATCO Refrigeration (Pvt) Ltd	3,536.0	1,360.0
8	Vivasa (Pvt) Ltd	680.0	-
	Total in Kg	12,018.0	7,670.4
	ODP Tonnes	1.3220	0.8437

HCFC 123 under HS Code 2903-72 in kilogrammes

Table 4-15: Importer records on HCFC 123

	Name of company	Year 2013	Year 2014	Year 2015
1	Cool King Ref Engineering & Suppliers	-	2,088.4	-
	ODP Tonnes		0.04	

Summary of ODP tons imported during 2013, 2014, 2015 as per records of Importers

Table 4-16: Summary of ODP tonnes on Import Control data

	HCFC Substance	Year 2013	Year 2014	Year 2015
1	HCFC 22	10.00	11.6172	10.2176
2	HCFC 141b	1.3220	0.8437	-
3	HCFC 123	-	0.04	-
	Total ODP Tonnes	11.32	12.50	10.22

5. VERIFICATION FINDINGS - REVIEW ON IMPLEMENTATION OF HPMP

5.1. Administration procedure in the NOU

Based on the available data, there is a standard committee identified as Coordinating Committee for Implementation of Montreal Protocol (CCMP) which was established at the commencement of the first programme on phasing out ODS by Sri Lanka for the implementation of the Montreal Protocol. This committee appeared to have been the authority to take decisions on the directions of implementation of ODS phasing out programmes. It appears that the committee composition has not been reviewed periodically.

As of today, the main programme under consideration by the Executive Committee for the Implementation of the Montreal Protocol is the implementation of HPMP. The commitment of the Government is almost centred on the phasing out of HCFC-22 which is predominantly used in air-conditioning and refrigeration sector.

The CCMP in its composition has left out key stakeholders that can contribute immensely in the implementation of HPMP. Apart from the officers from the technical colleges, no other engineering professional has been represented in the CCMP. The lack of senior engineering consultants practicing system designs and engineers practicing maintenance in the composition of CCMP means no views on practical implementation of HPMP process.

The NOU carried out activities as the implementing agency, and monitored and reported the progress of activities to the Ozone Secretariat and the Ministry of Environment. In the existing organization structure, all the key officers executing different projects directly report to Director NOU although there is a filtration at the level of the Coordinating Officer and some at the level of the Training and Technical Support Officer. The guidance required for fairly junior officers may not be met for having to report by all to the Director NOU. Adequate attention is needed to have an improvement to the existing organizational structure to have a right line of report and definition of positions that will ensure smooth functioning of the organisation. Junior officers need to be more thorough and confident on HPMP activities and required to build their capacity through local or foreign trainings.

5.2. Legislative and administrative measures in the quantitative implementation of HPMP

The existing legislative and administrative measures brings the importers to a discipline that enables them to import restricted items orderly. The success of the process depends on how all parties involved oblige to the expectations.

By recommending a quantity of an ODS substance to DIEC to issue an import license, the NOU ensures that not more than the quota allocated is allowed for importation. The memo of recommendation however does not discretely indicate to DIEC what should really be included in the import license. As a result, there is no consistency in the description of items being entered by DIEC, which leads to poor recording of data in the column for units, mixing up the number of cylinders with kilogrammes.

By issuing an import license, DIEC ensures that the importer is liable for prosecution under the powers vested with DIEC if the importer violates the rules applicable for import licenses. When DIEC issues an import license, it does not refer to the NOU recommendation and as a result there is a risk of issuing more licenses by mistake. By looking at the import license, it is not possible to trace for which recommendation the import license has been given by the NOU.

Also making an endorsement on the import license by DIEC on arrival of shipping documents makes it easy for the customs to ensure the legitimacy of the consignment and to go ahead with physical examination of the substance and quantities for clearance. The endorsement contains the reference number of bill of lading and its date. However, DIEC has not made any entries in this regard in the digital data recording process to identify the consignment which was proved legitimate. This is a poor situation with regard to audits. The NOU needs to make a suggestion to DIEC on this.

Customs vigilance should be more towards examining substances that may be declared under free imports but may possibly contain import restricted substances. The finding of such instances and taking actions of enforcement totally lie with the management of the customs.

The requirement of sending all correspondence for a particular consignment to the NOU on immediate completion of clearance ensures the data freshness and less errors. Data obtained from customs and DIEC are relatively incomplete with missing information on few imports. Also there are delays in getting customs import data on which NOU depends completely for reliable import figures.

The total process has a better binding with three key government institutions, of which two have proper structure of enforcements. The legislative and administrative measures are quite sufficient for law enforcements.

Although existing legislative measures are aimed at controlling the HCFC consumption targets to be complied by the Government as directly effective measures, consideration of new legislations to accommodate few more indirect measures would definitely be effective to reduce the HCFC demand in the service sector. Importers of equipment are quite aware of the HCFC phasing out programme and the usability of HCFC until 2030 or 2040. With encouraging cheaper prices of air-conditioners (ACs) containing HCFC-22, importers tend to import more of them. This indirectly increases the demand for HCFC-22.

The new legislations should include limiting of importation of equipment containing HCFC and the application of rigorous environmental protection measures in the service sector in a phased out scheme.

5.3. Existing licensing and quota system in the quantitative implementation of HPMP

The importation of HCFC prior to the imposition of legislation for phasing out of HCFC was carried out at the will of the importers in terms of quantities and frequencies. This voluntary process was disrupted from 1 January 2013.

The policy decision to give opportunities only to previous importers to apply for import licenses as against calling for open tenders have facilitated matters for the NOU thanks to the following facts.

- It is necessary to limit the number of importers to ease the monitoring process and it has to be more than the number of previous importers to avoid any complaints.
- It is necessary to define criteria such as qualifications required for eligibility. Such qualifications shall represent the average qualifications of the previous importers.
- It is necessary to predetermine the method of issuing quota whether equally or proportionately. If proportionately the criteria have to be defined.
- The tendering process leads to resolving numerous problems if any previous importer complains of injustice.
- The process requires more time and effort and possible complications.

Therefore, the decision taken to issue import licenses only to those who previously imported can be considered fair and reasonable.

When the quantities that were imported prior to 2013 are compared with the all the importers, there is a huge difference in quantities between the high imports and low imports. However, the policy decision to award the level of quota based on previous imports proportionately cannot be considered fair and reasonable when taking into account the following factors.

- They have had the risk of expanding business in some parts of the country due to extremely poor security situation in the country which continued for a long period and the data in the years 2009 and 2010 do not represent a fair figure just after the tense situation.
- It takes time to establish new buildings and expansion of activities, and the demand for new ACs has been increasing over the years. The importation of ACs containing HCFC 22 is comparatively cheaper to ACs with HFC 410a and the market is dominated by ACs with HCFC 22. The service spares available in the market are mostly HCFC compatible compared to HFC and as a result the demand for HCFC is on the increase.
- The low quota importers are unable to meet the demand of their customers. This results in shortage which is filled by high quota importers at higher prices.

- The non-availability of HCFC means uncompetitive prices for consumers. The additional overheads either directly or indirectly needed to be included in the process of importing in getting recommendations of the NOU for applications, getting import licenses from DIEC and having to undergo more hassle that was not there previously for import compliance on receipt of shipping documents are common for all the importers irrespective of the quota allocation.
- Those having high import quotas have more financial gains than the low quota importers.
- This is a huge financial pressure for the consumers.

The decision taken to register those importers that imported with quota distribution at the proportionate quantities of imports appear to have demoralised the low quota importers, and their attempts to get more quota was not successful. The consumers also have been badly affected by high prices at times of short supply.

The options that can be considered are the reviewing of the imports by low quota imports for their service commitments and to increase the quota by some percentage at the expense of high quota importers and the distribution of the 10% retained for controlling importations among the low quota importers.

5.4. Data analysis in the quantitative implementation of HPMP

Data analysis for 2013

This was the first year of HPMP implementation. All the 26 previous importers were allocated quotas proportionately. The quota definition was the maximum metric tonnes of HCFC substances that had Ozone Depletion Potential out of the ODS imported. The Table 5-1 gives HCFC substances that was recorded at the customs at the beginning of the year 2013 and the conversion factors applicable in finding the ODP tonnes.

Table 5-1: Imported HCFC substances and ODP value

HCFC substance	HC code	Conversion factor (metric tonnes x)
HCFC 22	2903 71	0.055
HCFC 123	2903 72	0.02
HCFC 141b	2903 73	0.11
HCFC pre-blended polyols	3824 74	Not counted for consumption

It has been the responsibility of both importers and the NOU to ensure that respective quantities of the substances are bound by the following formula during the year.

$$\text{Quota} = \{0.055 \times (\text{Mt of HCFC22})\} + \{0.02 \times (\text{Mt of HCFC123})\} + \{0.11 \times (\text{Mt of HCFC141b})\}$$

For the monitoring of phasing out programme, the imports within the calendar year is considered as the maximum limit. In the process of the first year, the NOU monitored the progress in the first six months of the year and checked whether there was any over importation considering 50% of quota for the year. Progress was checked again in August 2013 to evaluate how the importations had been to satisfy both phasing out scheme and the requirements for service sector. Based on this review, the remaining quotas of those failed to import at least 60% of their allocated quotas was redistributed among those performed well until August 2013. A decision was also taken to remove those failed to achieve the import targets from the list of registered importers. Accordingly, 16 importers were registered for the year 2014.

Out of the data collected from four different sources, the NOU, DIEC, SLC and individual importers, the data available with the NOU can be considered fairly complete with collection of data from the importers on completion of activity. However, until official figures were received from the customs, the documentation was left open. This leads to a lot of confusion as only recorded data are received from the customs. Such recorded data may carry recording errors and missing entries. If importers confirm that they have imported the NOU recommended quantities; those figures should have been considered acceptable. Importers are considerably aware that by doing so they may lose an opportunity to get more quota. The acceptance of figures confirmed by the importers of their actual imports can be rightly acceptable unless any indication of less imports than the approved. These data may however be kept recorded but noted to be confirmed with figures to be obtained from the customs. As reported by the officer handling the subject, getting confirmed imports regularly has not been easy but takes a longer time.

Data available with DIEC are incomplete as they have not recorded data digitally for 2013 and the early part of 2014. Even the compilation of data appears erroneous presumably due to human errors by non-conversant data entrants. The utilization of the import license has not been available in the records although it is possible to be recorded with the submission of shipping documents by the importer.

Data available at customs basically come under HS code categorisation and appear reasonably useful although some imports are missing in the records, also presumably due to human errors by non-conversant data entrants. Quantities imported generally tally with quotas issued and there was no over-importation in all the three years as per records at the customs.

During the latter part of 2013, quotas were redistributed as result from the fact that some low quota importers failed to oblige with their commitment for importation. Quotas allocated for few low quota importers got their quotas enhanced eventually, despite no impact on the target consumption level during 2013.

Data collected from importers are generally comprehensive for the needed analysis.

The Table 5-2 gives the summary of data collected from each source for 2013.

Table 5-2: 2013 Consumption records at different sources

ODP tonnes	NOU	DIEC	SLC	Importers
Consumption limit	13.90	13.90	13.90	13.90
Actual consumption	11.44	-	7.07	11.32

The Government achieved the target agreed for 2013.

Data analysis for 2014

For 2014, a much better approach was possible with redetermination of the quota for the 16 importers who registered based on the decision taken towards the latter part of 2013. The imports done by these 16 importers from 2009 to June 2012 was the basis for determining eligible percentage of quota. When allocating quota, only 90% ODP limit was allocated keeping a retention.

To meet the strict requirement of importing quota allocated within the calendar year, import licenses have to be issued within the year and clearing of goods from the harbour has to be completed within the year also. No licenses are issued before the beginning of the year applicable for importation. Also no consignment shall be delayed later than 31 December. This is a huge responsibility on the part of the NOU being the government agency that has to keep the balance between the agreement with the ExCom and the commitment to have sufficient supply of HCFC to meet the demand in the service sector. It is necessary for the NOU to have a good relationship with the importers to meet the objectives smoothly. In this respect, the NOU has been highly successful with the following achievements.

Table 5-3 gives the summary of data collected from each source for 2014.

Table 5-3: 2014 Consumption records at different sources

ODP tonnes	NOU	DIEC	SLC	Importers
Consumption limit	13.90	13.90	13.90	13.90
Actual consumption	13.09	7.46	7.57	12.50

The Government achieved the target agreed for 2014 also. However, two major importers increased imports beyond their allocated quotas. As there was a shortage of HCFC towards the end of the year, quick decision was taken to import HCFC within the consumption limits by those importers who were ready to import within the time target and as a result their quotas were exceeded.

Data analysis for 2015

From 1 January 2015, consumption had to be reduced by 10% of the frozen base value which was the 90% of the allowed consumption in the year 2014.

Quotas have generally been allocated on a quarterly basis. However, in the case of low quota importer, this condition is relaxed.

Table 5-4 gives the summary of data collected from each source for 2015.

Table 5-4: 2015 Consumption records at different sources

ODP Tonnes	NOU	DIEC	SLC	Importers
Consumption limit	12.51	12.51	12.51	12.51
Actual consumption	9.91	9.24	9.04	10.22

The Government achieved the target agreed for 2015.

Comparison of consumption data at different sources

The Figure 5-1 gives a comparison of individual data stated above at different sources.

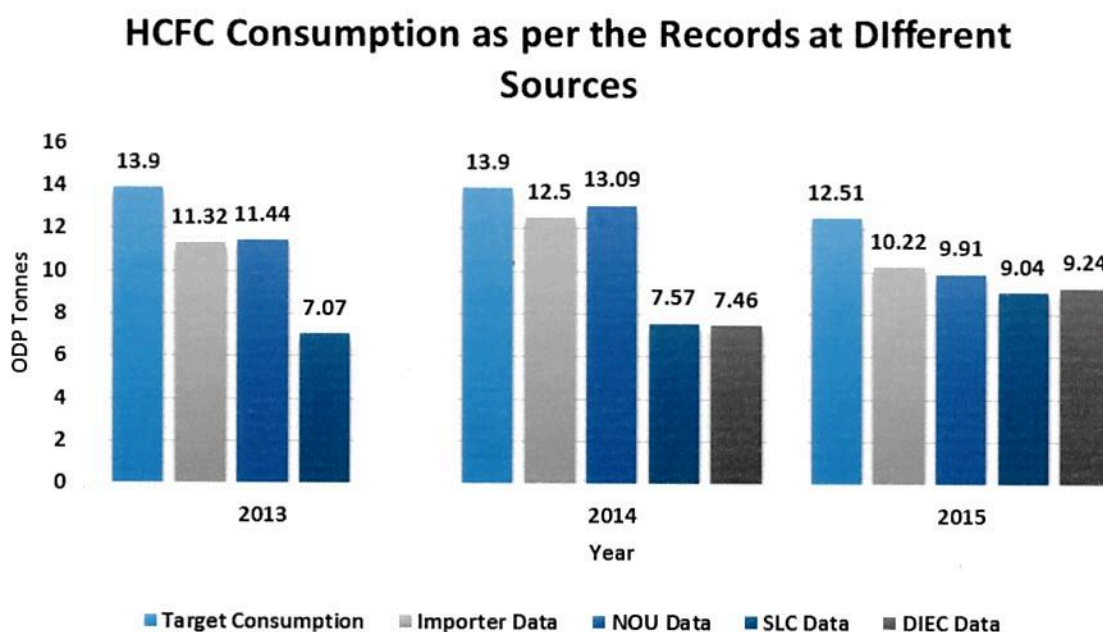


Figure 5-1: HCFC Consumption as per the Records at Different Sources

It is very clear that there is a close match of records received from the NOU and the Importers in the years 2013 and 2014 with no data for 2013 from DIEC and poor data for 2013 and 2014 from both SLC and DIEC. This may be mainly because these two institutes handle quite a large number of substances and items in quantity compared to ODS.

In 2015, there was a significant improvement of data among the different stakeholders. Still the data between the NOU and the importers match closely.

In 2014, there was a remarkable improvement of the quota system being very close to the target limits.

In 2015, 10% of the quota was retained without being distributed holding a grip to entertain any complaints of shortages to decide on releasing the retained quota. But this did not happen during 2015.

In all these three years, Sri Lanka was extraordinarily careful to limit the HCFC consumption well within the target levels. For 2015, the consumption was kept more than 20% below the target limit.

In this exercise, determining the data that could be accepted as representing the closest figure for actual imports shifted between the data from the NOU and those of the importers. As it was possible to physically access the data available at the NOU, more confidence shall be placed on the NOU data. These data will be used in the remainder of this report as the confirmed one.

5.5. Observations arising out of the quantitative implementation of HPMP

With the adopted procedure, legal importation of HCFC has been strictly controlled as reported above. This is independent of the market demand for HCFC. With the legislative measures and closed communication with three key institutions, the National Ozone Unit, Department of Import and Export Control, and Sri Lanka Customs, there is hardly any loophole that the importers can exploit within the legitimate process.

In spite of the fact that the NOU received a few complaints of supply shortage during 2013 to 2015, they were not of a scale that was to be addressed seriously.

This creates doubts whether there is any illegitimate supply of HCFC to meet the demand considering the following facts:

- Increased importation of HCFC equipment with the easing of security system in the country after 2009. With the general opinion of HCFC usage up to the year 2013, there is more tendency that cheaper HCFC equipment are brought in to the competitive market. These are mainly single AC units and package units addressing low capital investments. This results in the need to have more HCFC for the service sector.

- There are hardly any appreciable results on the reclaiming process of HCFC to meet any shortage although the one at Moratuwa and one at Polonnaruwa started functioning recently.
- Increased workshops run by self-employed technicians who were hardly trained on avoiding venting of HCFC need replenishment of stocks frequently.
- It is doubtful that new technicians are competent and responsible enough to ensure leak-proof HCFC systems, given their financial interest.
- In a competitive economic situation that prevails in Sri Lanka, once a technician feels he has sufficient skills, the tendency is to start own business, ignoring the need to share good practices in the field.
- Suppliers and service personnel have less technical problems when servicing systems with HCFC than other alternative refrigerants leading to increase in demand.

As there is hardly any possibility of over importation in the legitimate process of importing HCFC, any illegitimate supplies can be in camouflaged imports within other similar products that have no import restrictions. It is suggested that random checks are done by customs on similar substances imported under different HS codes to check for possible HCFC imports outside the import license scheme.

5.6. Challenges encountered in the quantitative implementation of HPMP

There are no proper records to identify how redistribution of quotas were done towards the latter part of 2013 which was the first year of implementation of licensing and quota system. As a result, only available data were taken as right imports although earlier reported data had been with higher figures.

Access to officers at Sri Lanka Customs and Department of Import and Export Control was not difficult but the availability of data at DIEC was comparatively poor with non-availability of digitalised data for 2013 and part of 2014. The data entries had several errors. It was not possible to get all the information required for good comparison.

With regard to getting data from importers, importers having high quota were extremely helpful and few low quota importers had to be followed up with repeated reminders. Three importers having low quotas were unable to produce their data for some years and therefore specific data available with the NOU were taken for computation instead.

6. CONCLUSION

The success of the quantitative performance on HCFC consumption within the target ODP levels is predominantly thanks to the strict imposition of licensing and quota system with additional measures taken to retain about 10% of ODP tonnes without being released among the importers. In addition, the overall quota distribution in the proportionate basis among the importers totals up to 96.2% as against possible 100%. All these lead to ensuring actual consumption, which is the imports within the calendar year, never exceeds the targets.

The other qualitative measures taken so far however are yet to realize their objectives of minimizing the venting of HCFC in the service sector. More forceful actions are required including the imposition of new regulations and other administrative measures. The prime objective should be to realize the results with the dedicated participation of all the stakeholders to reduce the level of consumption without relying on strictly imposed licensing and quota system.

In the implementation of above activities, the need to strengthen the composition of Coordination Committee for the implementation of Montreal Protocol with the inclusion of experts from the industry is highly noted.

There appears to be no survey or any monitoring to check and improve the documentation process to ensure transparent record of import licenses issuances. The lack of proper documentation can lead to erroneous issuing of multiple import licenses on a single recommendation.

The import licensing and quota system can control the quantities of legitimate imports but the process does not have a way of stopping any illegitimate imports that may fall through the customs process.

There is a strong requirement of new legislations to control import of equipment containing HCFC.

Immediate reviewing of the quota distribution will be helpful in addressing the high prices prevailing in the market when stocks with low quota importers get exhausted.

7. RECOMMENDATIONS

7.1. Improvements to description in Import License by DIEC

The memo to DIEC is recommended to be in a better format to include the following detail in the license to avoid issuing multiple licenses for a single NOU recommendation. This is because, the import licenses currently issued do not carry any reference to the specific recommendation. This leads to a situation where multiple licenses are issued without the NOU's knowledge. As a preventive measure, it is suggested that Director NOU have a discussion with DIEC.

- Name of importer:
- Item of importation and brand:
- Number of containers X container size and limit in Kg:
- Proforma Invoice Reference:
- Last date of importation:
- NOU Reference No:.....

7.2. Imposition of additional legislations

Imposition of more import taxes is recommended for equipment containing HCFC to discourage HCFC equipment imports. Moreover, implementation of more stringent environmental protection schemes to minimize venting of HCFC substance is also recommended. With these actions, it is possible to limit the importation of equipment containing HCFC substances. The demand for HCFC substances will reduce eventually.

7.3. More quota for low quota importers

A gradual increase of quota is recommended for low quota importers and those importers who are based in places serving more customers at remote localities for fair distribution of quotas and to serve better for the service sector. With this arrangement, it is possible to address any price hikes of HCFC when there is shortage and to prevent any possibility of HCFC smuggling.

7.4. More random checks by customs

Customs may be requested to carry out random checks on similar substances that can be imported without licenses to check for inclusion of restricted imports within the consignment. With the random checks, it is possible to discourage any camouflaged importation of HCFC with similar items that can be imported free of import licenses.

7.5. Periodic information gathering workshops

It is recommended that information gathering workshops be organised periodically. Regular participation of stakeholders on progress reviewing activities of HPMP projects implementation will create a natural and voluntary commitment by all.

7.6. Periodic purity checking

As the tendency of gradual price increase is probable for items in short supply, customers will tend to go for cheaper items. To be able to offer HCFC substances at cheaper prices, suppliers may choose to import low purity substances which are cheaper. Establishing an arrangement to periodically check the purity of substances is recommended therefore.

7.7. Getting equal import figures

It is recommended to have more systematic documentation process at the NOU as the implementing agency of HPMP projects. In this respect, it is necessary to allocate serial numbers in an independent list for all requests for import licenses. This should be a spreadsheet to cover all importers and total recommendations, monitored by a single document. And it should be very easy to be handled by any officer.

A request has to be made to the DIEC to establish a separate file for the NOU to record the requests and licenses issued on a yearly basis. This information on issued licenses has to be taken by the NOU in every quarter. Also a firm request has to be made to DIEC to include recommendation reference (NOU serial number and date) in the import license and to modify the existing spreadsheet to include confirmation of importation once the shipping documents are submitted by the importer. This will ensure equal figures at the DIEC and at the NOU.

A request has to be made to the SLC to open a separate file for custom declarations that carry references to import licenses issued for HS-code applicable for HCFC substance. With this file, it is possible to find HCFC imports that should tally with DIEC figures. This information has to be taken by the NOU in every quarter.

The NOU has to monitor the date of importation given in each recommendation and accordingly has to follow up on getting all importation data as practised at the moment from the importers without allowing delays in providing this information. Once received on every consignment, such information can be entered on a separate spreadsheet for recording of actual imports.

The reviewing and reconciliation of figures received from different sources can be done quarterly to confirm that all figures are tallied.

Additionally, it is recommended that the NOU request or take required action to have designated officers at DIEC and at SLC dedicated to be responsible for managing particular HS-codes pertaining to HCFC substances.

8. VERIFICATION STATEMENT

Verification for the implementation of HPMP during the period 2013 to 2015 was focused on quantitative performance of HCFC consumption and success of qualitative measures aimed at achieving HCFC reduction targets stipulated in the multiyear agreement between the ExCom and the Government of Sri Lanka.

HCFC consumption for all the years 2013, 2014, and 2015 are below the target level set for the respective years as depicted in Table 8-1.

Table 8-1: Verified HCFC consumption

Year	2013	2014	2015
Target	13.90	13.90	12.51
HCFC 22	10.58	11.82	9.91
HCFC 141b	0.86	1.23	-
HCFC 123	-	0.04	-
Total ODP Tonnes	11.44	13.09	9.91
% below the target	17.70%	5.83%	20.78%

Verifier confirms that the implementation of HCFC phase out management plan was satisfactorily achieved during the years 2013, 2014 and 2015 as per monitoring and recording process.

The consumption of HCFC-123 and HCFC-141b was brought to zero in 2015. Therefore, the Government of Sri Lanka is in compliance with the HCFC consumption targets set by the Ozone Secretariat and is in compliance with the agreement with the Multilateral Fund Secretariat. With the strict administrative control, and available legislations, and the trend shown by the results, Sri Lanka is in sound control of HPMP implementation.

The verification also confirms that the implementation of licensing and quota system was highly satisfactory with extraordinary care taken to ensure compliance with the HPMP targets. The incident occurred towards the latter part of 2014 to allow urgent importation of HCFC as a result of shortage in the market led to exceeding the quotas issued to few importers. Realising this situation, the NOU had taken extra precautionary measures in 2015 not to exceed quota levels than what was allocated for the year. As a result, HCFC consumption level in 2015 was successfully managed to be more than 20% below the target consumption.

However, a better approach on the implementation of qualitative activities with dedicated participation on refrigerant recycling and reclamation by all stakeholders to reduce the HCFC consumption can expedite an early phase-out.

Data relevant prior to commencing HPMP from 01.01.2013

1. Commitment of Sri Lanka on Vienna Convention and Montreal Protocol
 - 1.1 details on ratification (Sri Lanka document)
 - 1.2 details on controlled ODS (as set out by Ozone Secretariat)
 - 1.3 details on committed program for phasing out ODS
 - 1.3.1 action plan
 - 1.3.2 institutional commitments
 - 1.3.3 monitoring and reporting process
 - 1.3.4 date to implement
 - 1.3.5 fund requirements
2. Process of implementation
 - 2.1 details on phasing out schedule
 - 2.2 details on ODS usage in each sector
 - 2.3 details on ODS imports and exports (if applicable)
 - 2.4 details on preparation of legislation for controlling
 - 2.5 details on agencies involved and their responsibilities
 - 2.6 details on achievements by 31.12.2012
 - 2.7 details on fund allocations

Data after commencing HPMP from 01.01.20131. Basic information

1.1 Details on HCFC Phase-out Management Plan

1.2 Details on program preparation (year of commencement, Surveys done on HCFC)

1.3 Details on final phase out

2. Procedure for verification

2.1 Review National Legislation, policies & procedures on Imports & Exports)

1	Channel of communication between NOU (licensing authority) and Customs	
2	Authorised list of importers & exporters, distributors	
3	Conditions of issuing licenses	
4	Administrative procedure and documentation	
5	Systems of monitoring and reporting on exports of ODS	
6	Sanctions or penalties to be imposed for violation of legal regulations	
7	Mechanism and capacity for prosecution and enforcement	
8	National system of harmonized custom codes in order to identify ODS and ODS mixtures	
9	Procedures to be applied in case of suspicious shipments	
10	Sampling or other identification methods used	

2.2 Review official statistics on imports/exports

Compare quotas issued vs actual quotas used

2.3 Review a representative sample of reports

from importers/exporters & distributors

2.4 Review the follow up recommended

by previous verifiers

2.5 Review annual work plans of HPMP

2013	
2014	
2015	

2.6 Review the progress of key activities in annual plans

2013	Physically	
2013	Financially	
2014	Physically	
2014	Financially	
2015	Physically	
2015	Financially	

2.7 Review variations & amendments to annual work plans

Variations	
Amendments	

2.8 Conclude the exercise discussing

Challenges faced	
Conclusions	
Recommendations	

3. Data needed for verification

1	List of authorised importers/exporters, distributors	
2	ODS imports quotas and exports license issued	
3	Actual imports and exports	
4	National policies and procedures on ODS imports and exports	
5	Government enforcement structure for ODS imports and exports	
6	Documents such as licenses, trade names, code numbers and labeling to be presented to customs by importers and exporters of ODS	

4. Process of issuing licenses

1	How is the quota for a given year set	
2	Who can apply for a quota	
3	Who is responsible to grant or refuse the application	

4	What is the criteria to make such a decision	
5	How is the decision is communicated to the applicant and other stakeholders	
6	Is the process is legally defined in a regulation	
7	Are there more than one authorities issuing licenses	
8	Whether there is a legal basis to refuse licenses to ineligible applicants or to eligible applicants once the quota is exhausted	
9	Quotas issued to respective importers	

5. Mandatory instructions issued to importers

1	Specification for container label	
2	Name of the foreign supplier	
3	Brand name	
4	Safety instructions	
5	Agreement to random checking for identification and purity	

6. Details on recovery, recycling, reclaiming equipment

Type of equipment	Date of issue	Identification of recipient	Agency doing after sales service

7. Progress on process on good practice of handling HCFC

Data on usage and quantity recovered by each equipment	
Authority responsible for monitoring any venting of HCFC	CEA, Consumer Affairs?
Any accreditation of technicians or workshops on handling HCFC	
Any accreditation of national trainers	
Any registering of trained technicians	

While thanking you for providing above information, I shall appreciate if you indicate any useful information that would help to meet the process of phasing out HCFC as the prime objective and to meet the aspirations of both consumers and service providers in the best possible way with minimum harm to the atmosphere. I have also indicated some questionnaire for your direct answers to make it easy for you.

	Yes / No
Are you satisfied with the existing licensing scheme?	
If "NO" what are your suggestions?	
Do you think the reduced quota will affect the demand expected for R22 in the coming years?	
Your suggestions	

P.Kalubowila, Consultant appointed by UNDP for HCFC consumption verification, 19.02.2016

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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 1821/40 - 2013 අගෝස්තු මස 01 වැනි බ්‍රහස්පතින්දා - 2013.08.01
No.1821/40 - THURSDAY AUGUST 01, 2013

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

IMPORT AND EXPORT [CONTROL] ACT.NO.1 OF 1969

Regulations made by the President under Section 20 read with Sub-section (3) of Section 4 and under Section 14 of the Import & Export (Control) Act, No. 1 of 1969 and paragraph (2) of Article 44 of the Constitution.

31st July 2013
Ministry of Finance and Planning
Colombo

MAHINDA RAJAPAKSHA
President

REGULATIONS

1. These regulations may be cited as the Import and Export [Control] Regulations, No.04 of 2013.
2. The Substances specified in the Schedule I to these Regulations shall be controlled with immediate effect for importation into Sri Lanka or exportation from Sri Lanka
3. The Substances specified in the schedule. I shall be completely phased out for importation into Sri Lanka or exportation from Sri Lanka by 1st January 2030 as set out in schedule II to these regulations.

However, considering the service essentialities, the said Substances specified in Schedule I may be allowed to use for an annual average of 2.5% percent from Baseline for servicing refrigeration and air conditioning equipment from 01st January 2030 to 01st January 2040. These exceptional shall be valid for the period of year from 2030 to 2040 subject to a review in 2025.

4. From 1st of January 2013 no person shall import into Sri Lanka or export from Sri Lanka the substances specified in the Schedule I except registered with the National Ozone Unit of the Ministry of Environment and Renewable Energy and obtaining the valid quota issued by the Ministry of Environment and Renewable Energy.



Schedule I

1. Virgin Hydrochlorofluorocarbon [HCFCs] categorized in annex C group I of Montreal Protocol as follows;

Description	Chemical Formula	Substance	HS Code
Dichloro fluoro methane	CHFC1 ₂	HCFC-21	2903.77.14
Chloro difluoro methane	CHF ₂ Cl	HCFC-22	2903.77.12
Chloro fluoro methane	CH ₂ FC1	HCFC-31	2903.77.11
Tetrachloro fluoro ethane	C ₂ HFCl ₄	HCFC-121	2903.77.34
Trichloro difluoro ethane	C ₂ HF ₂ Cl ₃	HCFC-122	2903.77.32
Dichloro trifluoro ethane	C ₂ HF ₃ Cl ₂	HCFC-123	2903.77.27
Dichloro trifluoro ethane	CHCl ₂ CF ₃	HCFC-123	2903.77.27
Chloro tetrafluoro ethane	C ₂ HF ₄ Cl	HCFC-124	2903.77.23
Chlorotetrafluoroethane	CHFClCF ₃	HCFC-124	2903.77.23
Trichloro fluoro ethane	C ₂ H ₃ FC1 ₃	HCFC-131	2903.77.31
Dichloro difluoro ethane	C ₂ H ₃ F ₂ Cl ₂	HCFC-132	2903.77.26
Chloro trifluoro ethane	C ₂ H ₃ F ₃ Cl	HCFC-133	2903.77.26
Dichloro fluoro ethane	C ₂ H ₃ FC1 ₂	HCFC-141	2903.77.25
Dichloro fluoro ethane	CH ₃ CFCl ₂	HCFC-141b	2903.77.25
Chloro difluoro ethane	C ₂ H ₃ F ₂ Cl	HCFC-142	2903.77.22
Chloro difluoro ethane	CH ₃ CF ₂ Cl	HCFC-142b	2903.77.22
Chloro fluoro ethane	C ₂ H ₄ FC1	HCFC-151	2903.77.21
Hexachloro fluoro propane	C ₃ HFCl ₆	HCFC-221	2903.77.74
Pentachloro difluoro propane	C ₃ HF ₂ Cl ₅	HCFC-222	2903.77.72
Tetrachloro trifluoro propane	C ₃ HF ₃ Cl ₄	HCFC-223	2903.77.68
Trichloro tetrafluoro propane	C ₃ HF ₄ Cl ₃	HCFC-224	2903.77.64
Dichloro pentafluoro propane	C ₃ HF ₅ Cl ₂	HCFC-225	2903.77.55
Dichloro pentafluoro propane	CF ₃ CF ₂ CHCl ₂	HCFC-225ca	2903.77.55
Dichloro pentafluoro propane	CF ₂ ClCF ₂ CHClF	HCFC-225cb	2903.77.55
Chloro hexafluoro propane	C ₃ HF ₆ Cl	HCFC-226	2903.77.46
Pentachloro fluoro propane	C ₃ H ₂ FC1 ₅	HCFC-231	2903.77.71
Tetrachloro difluoro propane	C ₃ H ₂ F ₂ Cl ₄	HCFC-232	2903.77.67
Trichloro trifluoro propane	C ₃ H ₂ F ₃ Cl ₃	HCFC-233	2903.77.63
Dichloro tetrafluoro propane	C ₃ H ₂ F ₄ Cl ₂	HCFC-234	2903.77.54
Chloro pentafluoro propane	C ₃ H ₂ F ₅ Cl	HCFC-235	2903.77.45
Tetrachloro fluoro propane	C ₃ H ₃ FC1 ₄	HCFC-241	2903.77.66
Trichloro difluoro propane	C ₃ H ₃ F ₂ Cl ₃	HCFC-242	2903.77.62
Dichloro trifluoro propane	C ₃ H ₃ F ₃ Cl ₂	HCFC-243	2903.77.53
Chloro tetrafluoro propane	C ₃ H ₃ F ₄ Cl	HCFC-244	2903.77.44
Trichloro fluoro propane	C ₃ H ₄ FC1 ₃	HCFC-251	2903.77.61
Dichloro difluoro propane	C ₃ H ₄ F ₂ Cl ₂	HCFC-252	2903.77.52
Chloro trifluoro propane	C ₃ H ₄ F ₃ Cl	HCFC-253	2903.77.43
Dichloro fluoro propane	C ₃ H ₅ FC1 ₂	HCFC-261	2903.77.51
Chloro difluoro propane	C ₃ H ₅ F ₂ Cl	HCFC-262	2903.77.42
Chloro fluoro propane	C ₃ H ₆ FC1	HCFC-271	2903.77.41

2. Refrigerant mixtures (blends) containing any percentage of HCFCs categorized under Schedule I

Schedule II

Phase out schedule for HCFC is as follows;

Baseline	: 13.9 ODP Tones (Ozone Depleting Potential Tones)
Freeze at the base line	: from 1 st of January 2013
10% reduction by	: from 1 st of January 2015
35% reduction by	: from 1 st of January 2020
67.5% reduction by	: from 1 st of January 2025
100% reduction by	: from 1 st of January 2030



Ministry of Mahaweli Development & Environment

National Ozone Unit

**Certificate of issuing Quota for Importing of
HCFC/HCFC Blends - 2016**

It is hereby certified that

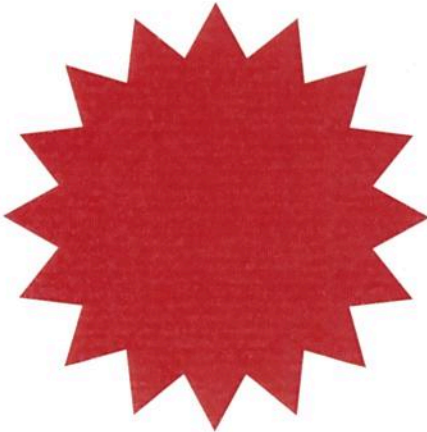
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Of

.....

is granted a Quota for importing virgin HCFC/HCFC blends during the
calendar year 2016*.

The Eligible Quantity of import under this Quota is equivalent Ozone
Depleting Potential (ODP)Tons.



(*Conditions Apply)

.....

Udaya R Senevirathne

Secretary

Ministry of Mahaweli Development &
Environment



Application for Issuing Recommendations to Import of HCFCs.

IMPORTANT: Please submit separate application for each substance.

Application Number:

A. Importer Identification Number:

B. Tax Identification Number (TIN):

C. Details of Importer:

- Name of the Importer:
- Address:
- Name of the Contact Person:
- Designation of the Contact Person:
- Contact Details:
(Tel.)..... (Fax.)..... (E-mail)
- Quantity of total quota approved for the year ODP Tons

D. Details of Consignment

Type of Substances*	Quantity (Kg)	Virgin/Recycled	HS Code

- Country of Manufacturing:
- Name of the Manufacturer:
- Address of the Manufacturer:
- Contact Details of the Manufacturer:
(Tel.)..... (Fax.)..... (E-mail)
- Country of Import:
- The Port of Shipping:
- Intended date of Shipping:
- Country of Transit (if applicable):

- Value of the Consignment:
 FOB-US\$: CNF-US\$: CIF-US\$:
- Performa Invoice/Quotation Number (Please attach a Copy):
- Expected Date Clearance:
- Details of the last two Imports during the year

Details	Imports 01	Imports 02
Date of Recommended by NOU		
ICL No		
Customs Entry No		
Quantity		
Country of Origin		
CIF Value		
Date of Clearance		

- Purposes of import of the substances (Please tick which is applicable):

Sell to other retail Dealers	
Use for system repairs in their own workshops	
Sell for other repair workshops	
Sell for Manufactures	
Other (Please specify)	
.....	
.....	
.....	

I certify that the information mentioned above are correct and if the importation is not comply with the conditions agreed we are fully aware that we will not be eligible to receive any quota in the future.

Date:

.....
 Signature of the Importer

* Please specify the Name of substance (Refrigerant/ Blowing Agent/Solvent/Blend or etc)

A. Recommendations for the License to Department of Import & Export Control

Ref: 04/06/04/.....

Controller of Imports & Exports,
Imports/Exports Control Department,
Colombo 01.

National Ozone Unit of Ministry of Mahaweli Development & Environment recommend to import Chlorodifluoromethane (*CHF₂Cl, HCFC-22*) not exceeding the Kg, (*in words*) by "Name of Importer " on or before with subjected to check the consignment by Sri Lanka Customs/ National Ozone Unit.

Date:

.....
Director, National Ozone Unit
For Secretary
Ministry of Mahaweli Development &
Environment

.....
B. Official Use Only

01. Total Import as at:..... ODP mt(*Date of issuing this recommendation*)
02. Prepared by: D.S.Kulandarachchi
03. Checked by : Mr.Dharmawardhana
04. Further Checked by : Mr.Senavirathna
05. Date of Entering to Database:.....