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FINAL REPORT

**PROJECT NO. MP/MEX/04/031
"NATIONAL CFC PHASE-OUT PLAN (MEXICO)"**

**ANNUAL VERIFICATION AUDIT OF MULTI-YEAR AGREEMENT (MYA)
2005**



**Despacho
Freyssinier
Morin, S.C.**

April 14, 2006
Mexico City, Mexico

**United Nations Industrial Development Organization
Mounira Latrech
Officer in Charge**

In compliance with professional services contract No. 16001019 dated February 21, 2006, we performed the audit of Project MP/MEX/04/031, denominated "National CFC Phase-Out Plan (México)", for the period January 1 thru December 31, 2005.

Our final report is presented below.

Sincerely yours,



**CPC José Luis Durán González
Partner**



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I. INTRODUCTION

Within the framework of the activities described in Contract No. 16001019 dated February 21, 2006, and the guidelines contained in the Contract in respect of Project MEX/PHA/42/INV/120 (MP/MEX/04/031), denominated "National CFC Phase-Out Plan (México), we performed an annual verification audit of the multi-year agreement (MYA) of this Project for the period January 1 thru December 31, 2005.

II. BACKGROUND

Project document titled "National CFC Phase-out Plan (México)", was prepared and submitted to the Multilateral Fund for approval in September 2003 by the United Nations Industrial Development Organization (UNIDO) and by the General Directorate for the Control of Air Quality and Record of Pollutants of the Ministry of the Environment and Natural Resources (SEMARNAT). The project was approved by the ExCom at its 42 Meeting in April 2004 under Project Number: MEX/PHA/42/INV/120 (UNIDO number: MP/MEX/04/031).

The Project initiated activities in September 2003, for a duration of 7 years, UNIDO being the Implementation Agency and SEMARNAT, the National Coordinating Agency.

The present CFC Phase-out Plan aims at phasing-out all the remaining unfunded by the time of approval consumption of Annex A, Group I CFCs in Mexico over the period 2003-2009 in compliance with the country's Montreal Protocol obligation. A series of investment, non-investment, and technical support activities are proposed to achieve this target in the refrigeration sector, which is the only sub-sector where eligible unfunded consumption still existed at the time of approval. The present CFC Phase-out Plan will enable the Government of Mexico to totally phase-out the CFC consumption by January 1, 2010. Considering this multifaceted approach it was crucial to provide flexibility to the Government of Mexico to adapt or modify its strategies during implementation of this plan as the need arises.

III. FRAMEWORK OF THE AUDIT

The audit was performed in conformity with generally accepted auditing standards in Mexico and with the Terms of Reference received from UNIDO, in which it was specified that the purpose of this audit is to verify Article 7 consumption data of CFCs in Mexico during year 2005, as detailed below:

Article 7, Reporting of Data

1. Each Party shall provide to the Secretariat, within three months of becoming a Party, statistical data on its production, imports and exports of each of the controlled substances in Annex A for the year 1986, or the best possible estimates of such data where actual data are not available.

2. Each Party shall provide to the Secretariat statistical data on its production, imports and exports of each of the controlled substances

– in Annex B and Annexes I and II of Group C for the year 1989;

– in Annex E, for the year 1991,

or the best possible estimates of such data where actual data are not available, not later than three months after the date when the provisions set out in the Protocol with regard to the substances in Annexes B, C and E respectively enter into force for that Party.

3. Each Party shall provide to the Secretariat statistical data on its annual production (as defined in paragraph 5 of Article 1) of each of the controlled substances listed in Annexes A, B, C and E and, separately, for each substance,

– Amounts used for feedstock,

– Amounts destroyed by technologies approved by the Parties, and

– Imports from and exports to Parties and non-Parties respectively,

for the year during which provisions concerning the substances in Annexes A, B, C and E respectively entered into force for that Party and for each year thereafter. Each Party shall provide to the Secretariat statistical data on the annual amount of the controlled substance listed in Annex E used for quarantine and pre-shipment applications. Data shall be forwarded not later than nine months after the end of the year to which the data relate.

3 *bis*. Each Party shall provide to the Secretariat separate statistical data of its annual imports and exports of each of the controlled substances listed in Group II of Annex A and Group I of Annex C that have been recycled.

4. For Parties operating under the provisions of paragraph 8 (a) of Article 2, the requirements in paragraphs 1, 2, 3 and 3 *bis* of this Article in respect of statistical data on imports and exports shall be satisfied if the regional economic integration organization concerned provides data on imports and

exports between the organization and States that are not members of that organization.

Consequently, verification was made on the government policy controlling ODS (ozone depleting substance) consumption and production, and the division of responsibility between national institutions for enforcing the relevant policies; review the government statistics on ODS imports and exports against the data from customs and the amount of quota issued against actual quota applied; and review the list of government authorized importers and exporters against the records of customs. Meetings were held with staff of the Ozone Unit at SEMARNAT and staff of Customs Central Laboratory, in respect to production, imports and exports of CFCs.

IV. AUDIT REPORT

The Montreal Protocol, signed in 1987, has the purpose of attending one of the most serious problems that human kind has had to confront, that is, the destruction of the fragile ozone layer which protects life from the lethal ultraviolet rays from the sun, resulting from the use of CFCs and other chemical substances. Mexico became a member of the Protocol in March 1988.

PROCEDURES APPLIED IN OUR REVIEW:

a) Review of the Government Policy Controlling ODS

The Mexican Government has actively participated in the control of use, production, imports and exports of substances that deplete the ozone layer (ODS). Among its policies for carrying out strict controls on these substances, we can mention the following:

On October 15, 1987, a Decree was published in the Daily Gazette of the Federation, establishing the basis for the coordination to be observed by the Ministry of Commerce and Industrial Development, the Ministry of Agriculture and Water Resources, the Ministry of Urban Development and Ecology, and the Ministry of Health, in respect of pesticides, fertilizers and toxic substances, for which the Intrasecretariat Commission for the Control of the Process and Use of Pesticides, Fertilizers and Toxic Substances (CICOPLAFEST) was created, and which Rules were published in the Daily Gazette of the Federation on October 15, 1988.

Subsequently, Mexico became a member of the Montreal Protocol in 1988, and on December 7, 1988, it was published in the Daily Gazette of the Federation, the Agreement through which is made public the Instructive for the uniform and integral procedure to be mandatory observed by the Ministries of Commerce and Industrial Development, Agriculture and Water Resources, Urban Development and Ecology, and Health, in the resolution for registry applications for the granting of authorizations in the form of licenses, permits and records for pesticides, fertilizers and toxic substances, among which the CFCs are considered. Subsequently, on January 22, 1996, the Daily Gazette of the Federation published the Procedural Rules for obtaining import authorizations of materials subject to regulation by those agencies conforming the Intrasecretariat Commission for the control of the process and use of pesticides, fertilizers and toxic substances, consisting of a Federal Government measure to control permits and imports of CFCs.

For the purpose of establishing an adequate control fully complying with the Montreal Protocol, Mexico issues "official Mexican standards – NOMS", such as NOM-EM-125-ECOL-1998, published on September 21, 1998, in the Daily Gazette of the Federation, whose purpose is to establish "the specifications for the protection of the environment and prohibit the use chlorofluorocarbon composites in the fabrication and importation of refrigerators, industrial freezers and home freezers; water coolers, water cooler-heaters and drinking water cooler-heaters with our without freezer compartment, commercial freezers and room air conditioners".

Additionally, in order to have greater control on the production, imports and exports of substances impacting the ozone layer, Mexico created the Unit for the Protection of the Ozone Layer, such Unit currently belonging to the General Directorate for the Control of Air Quality and Record of Emissions and Transfer of Pollutants, whose faculties were published in the Daily Gazette of the Federation on January 21, 2003. The Directorate belongs to the Under ministry for the Protection of the Environment, at the Ministry of the Environment and Natural Resources (SEMARNAT).

On December 28, 2004, the Official Gazette of the Federation published the Rules on records, import and export authorizations and export certificates of anti-plague products, vegetable nutrients and substances, and toxic or hazardous materials, whose third section related to import authorizations, in Article 27, relative to the documentation and information which must be submitted for importation and corresponding to the type of product related to item IV), a),b) and c), which indicate the documentation and information necessary for importation: anti-plague products and toxic materials subject to the control of SEMARNAT, in conformity with the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol relative to substances affecting the ozone layer, and whose application will be verified during the visits we will schedule to the selected customs offices

As a means for training customs personnel, a Manual on Training of Customs Officers was published, under the title: "Protection of the Ozone Layer: Elimination of ODS in Developing Countries". Such Manual is being distributed among all customs offices.

The training program for custom officers was carried out on 2005. 34 custom officers from 33 customs, and 29 environmental attorney officers were trained. This training program included the following subjects:

- Tanks and packs inspection
- Intelligent systems to prevent the illegal traffic of ODS,
- Providing and use of refrigerant analyzers.

It is important to mention that by today, Mexico has been able to eliminate more than 90% the consumption of CFCs, thus complying with its commitment under the Montreal Protocol.

b) Review of the Government Statistics on ODS Imports and Exports

The Unit for the Protection of the Ozone Layer operating within SEMARNAT is responsible for the statistical control of production, imports and exports of ODS, and for the implementation of reporting requirements of the Montreal Protocol on country level consumption of substances depleting the ozone layer. The Unit collects and stores data on production, imports and exports of these substances directly from the end-user as well as import, export and ODS producing companies and from the National Customs System.

It is necessary to mention that, SEMARNAT is coordinating with the participation of Customs and the Ministry of Health, the operation of a System for Controlling and Monitoring of Substances Impacting the Ozone Layer, "SISSAO", which was started in early 2006. The purpose of this System is the automation of the control, monitoring and follow-up of imports, exports, production and consumption of controlled substances depleting the ozone layer; likewise, the System concentrates all procedures carried out in different government offices for granting of export / import licenses of ODS, and will create the data base for consumption, production, exports and imports of Ozone Depleting Substance.

c) Review the List of the Government Authorized Importers and Exporters

We reviewed the written note provided by the Unit for the Protection of the Ozone Layer, which confirms that in 2005 only two entities were authorized to import CFCs, namely: Du Pont México, S.A. de C.V. (hereinafter "Dupont") and Quimobásicos, S.A. de C.V. (hereinafter "Quimobásicos"). In 2005 both companies imported and exported CFCs, whereas Quimobásicos was the sole producer of CFCs in Mexico. It terminated production of these substances on 25th August 2005, complying with the commitments of the Government of Mexico with the Multilateral Fund for the Implementation of the Montreal Protocol.

d) Information Collected on CFC Consumption

At the beginning of each year, Dupont and Quimobásicos are granted quotas both for production and import of CFCs. In year 2005, the authorized quotas for each company were the following, (information provided by SEMARNAT):

Table 1: Authorized quotas for 2005
In M Tons.

QUOTAS	QUIMOBASICOS	DUPONT
PRODUCTION	5,263	-
IMPORTATION	30	120
TOTAL	5,293	120

The information obtained on production, imports and exports, correspond to data provided by the two companies, as follows:

Table 2: Production of CFC in 2005.
In M Tons

PRODUCTION	QUIMOBASICOS
CFC-11	248
CFC-12	4,923
GRAND TOTAL	5,201

Table 3: Import of CFCs in 2005, data provided by the companies.
In M. Tons

IMPORTS	QUIMOBASICOS	DUPONT
CFC-11	-	-
CFC-12	-	143
CFC-113	-	-
CFC-114	14	-
CFC-115*	6	10
TOTAL	20	153
GRAND TOTAL: 173		

*/ CFC 115 is included in the blend R 502, with a concentration of 51% .

Table 4: Export of CFCs in 2005, data provided by the companies.
In M Tons.

EXPORTS	QUIMOBASICOS	DUPONT
CFC-11	452	27
CFC-12	3,051	254
CFC-113	-	-
CFC-114	1	-
CFC-115*	4	2
TOTAL	3,508	283
GRAND TOTAL: 3,791		

*/ CFC 115 is included in the blend R 502, with a concentration of 51% .

The information which was provided by the two companies and by SEMARNAT, was compared with the following final data provided by Customs.

Table 5: Imports of CFCs, final data provided by Customs Central Laboratory
In M. Tons

IMPORTS	QUIMOBASICOS	DUPONT
CFC-11	-	
CFC-12	-	143
CFC-113		-
CFC-114	15	-
CFC-115	-	
TOTAL	15	143
GRAND TOTAL: 158		

Table 6: Exports of CFCs, final data provided by Customs Central Laboratory
In M. Tons

EXPORTS	QUIMOBASICOS	DUPONT
CFC-11	411	26
CFC-12	2,583	279
CFC-113		-
CFC-114	1	-
CFC-115*	1	2
TOTAL	2,996	307
GRAND TOTAL: 3,303		

*/ CFC 115 is included in the blend R 502, with a concentration of 51% .

As a result of the above comparison, we determined that both imports as well as exports show differences, since in both cases the information obtained from the companies are larger than the data obtained from customs. However, considering the data provided either by the customs or by the companies for the calculation of the national consumption, the consumption limit is not exceeded neither Mexico's obligations under the Montreal Protocol nor her Agreement with the Executive Committee.

For the effects to this audit, we considered the data provided by customs, shown in table 5 and 6. This is because customs data is registering the real imports and exports of the ODS into and from the country, and because companies are importing ODS using permits from the previous year due to their entry in force. This is happening because the established quota and licensing system allows to the companies import and export ODS out of the calendar year.

V. CONCLUSION OF OUR REVIEW

Based on the quotas assigned by the Mexican Government to companies authorized to produce and import, we conclude that compliance with the assigned quotas was accomplished.

In the case of Quimobásicos, S.A. de C. V. the production quota assigned was 5,263 (five thousand two hundred sixty three) M tons for year 2005, and its production was 5,201 (five thousand two hundred and one) M tons. In respect of imports, the quota was 30 (thirty) M tons and the company imported only 15 (fifteen) M tons. Regarding the exports, the company registered 2,996 M tons. This result means that the annual consumption of this company in 2005 was 2,220 (two thousand twenty) M tons. We conclude that the company complied with its assigned quotas and permits.

In the case of Dupont, which only imported CFCs, the quota assigned was 120 (one hundred twenty) M tons, and they imported a total of 143 (one hundred forty three) M tons in 2005. An excess of 23 (twenty-three) M tons was detected, however these 23 (twenty-three) M tons were imported with the import permit number 4560301786 granted on April 13, 2004 by COFEPRIS (Secretariat of Health), with a one-year validity. Considering the exports of 307 (three hundred and seven) M tons, we determined that Dupont's global consumption was -164 (minus one hundred sixty four) M ton. This is explained with the use of substances existing in stocks. With these results, we conclude that the company complied with its assigned quotas and permits.

Taking into consideration the above data -provided by the Customs Central Laboratory-, we determine that the result of the consumption of -164 (one hundred sixty four) M tons from Dupont, subtracted from the 2,220 (two thousand twenty) M tons of Quimobásicos, gives us a total consumption of 2,056 (two thousand fifty six) M tons, which is within the limit established by the Montreal Protocol for year 2005. Since the authorized limit for this year was 2,312 (two thousand twelve) M tons, we conclude that Mexico did not exceed the authorized limit.

Taking as a basis the definition of "consumption" under Article 7 of the Montreal Protocol (consumption is equal to imports + production - exports of

ODS) and the reviewed information, we conclude that the annual consumption of the country in 2005 was 2,056 tons with the following amounts of imports, exports and productions of CFC:

Table 7: Total National Consumption of CFC Mexico in 2005
In M. Tons

Total Imports	158
Total Exports	3,303
Total Production	5,201
Verified Total National CFC Consumption	<u>2,056</u>

For the purpose of quality assurance of the export data reported by the companies, we visited Quimobasicos on February 23rd and Dupont on April 7th in order to verify their export reports.

From the visit to Quimobasicos we can comment the following:

In order to proceed with our review, we obtained copies of the summary reports on exports for the period January–December 2005. We have observed that, from the 13 products included in the report, only 7 products correspond to substances controlled by Annex A of the Montreal Protocol, of which 4 products were subject to review the other three products did not register any export. Exports of these 4 products were made to 22 countries during year 2005.

Based on the paragraph above, we prepared work papers for the following products:

- a. CFC-11
- b. CFC-12
- c. CFC-114
- d. CFC-115

Quimobasicos showed us their export data base, explaining each one of the records, Quimobasicos provided us a copy which included only the columns we requested for the review representing the weight (kilograms) of sold chemicals to each one of the clients.

Resulting from the review of the invoicing data base, the consecutive list of export invoices was compiled, such list starting with invoice No. AF003937, dated on January 7th and concluding with the invoice AF004572, dated on December 30th, 2005.

Analyzing the data base, we observed that some documents were recorded with a serial number different from the invoices, because were cancellations and they were registered with the new invoice. Consequently, we reviewed the consecutive file of credit memos and cancellations.

Credit memos: DY0016668 dated January 19, 2005 to DY001871 dated December 14, 2005.

Cancellations: RC006726 dated January 18, 2005 to RC007562 dated November 29, 2005.

It is important to mention that the consecutive listing in its entirety was not subjected to review, since it represents 100% of the export invoices for all products and given the nature of our review, only 4 products were subject to review.

For purposes of our review, we selected sales by product and weight by kilogram, by country for the period January-December 2005, integrating and reviewing 100% for each selected country .

The criteria of selection was made by country, were the most representative exports were made, and the hundred percent of operations done by product were reviewed the results are shown in the following tables.

PRODUCT: CFC - 11			
COUNTRY	REPORTED WEIGHT (M TONS)	WEIGHT REVIEWED (KILOGRAMS)	SAMPLE
Argentina	183	183,280	100%
Costa Rica	1	680	100%
Guyana	1	1,000	100%
Honduras	2	1,700	100%
TOTAL	187	186,660	

PRODUCT: CFC - 12			
COUNTRY	REPORTED WEIGHT (M TONS)	WEIGHT REVIEWED (KILOGRAMS)	SAMPLE
Antigua y Barbuda	5	5,744	100%
Colombia	413	414,162	100%
Peru	37	36,094	100%
Singapore	1,017	1,017,280	100%
TOTAL	1,472	1,473,280	

PRODUCT: CFC - 114			
COUNTRY	REPORTED WEIGHT (M TONS)	WEIGHT REVIEWED (KILOGRAMS)	SAMPLE
Cuba	1	952	100%
TOTAL	1	952	

PRODUCT: CFC-115			
COUNTRY	REPORTED WEIGHT (M TONS)	WEIGHT REVIEWED (KILOGRAMS)	SAMPLE
Cuba	.5	347	100%
Antigua y Barbuda	.5	347	100%
Guatemala	1	1,110	100%
Panama	0	208	100%
TOTAL	2*	2,012	

*/ Reported rounded figure

The result of our review is shown below, by each product:

PRODUCT	EXPORTS WEIGHT REPORTED (M. TONS)	EXPORTS WEIGHT REVIEWED (M. TONS)	SAMPLE
CFC - 11	453	187	41.28%
CFC - 12	3,051	1,473	48.27%
CFC - 114	1	1	100%
CFC-115	4	2	50.00%

From the review of documents on file of export invoices, we conclude on the existence of adequate controls and safeguarding of the invoices, as well as the documentation supporting the transaction.

From the visit to Dupont in Mexico City we can comment the following:

In order to proceed with our review, we obtained copies of the summary reports on exports for the period January–December 2005. We observed that only exports of 3 products are controlled by Annex A of the Montreal Protocol, of which all the 3 products (CFC11, 12 and 115) were subject to review. Exports of these 3 products were made to 13 countries during year 2005.

Based on the paragraph above, we prepared work papers for the following products:

- a) CFC-11
- b) CFC-12
- c) CFC-115

For purposes of our review, we selected sales by product and weight by kilogram, by selected country, were the most representative exports of each product were made, during the period January-December 2005, integrating and reviewing 100% for each selected country as shown in the following table:

PRODUCT: CFC - 11			
COUNTRY	REPORTED WEIGHT (M TONS)	WEIGHT REVIEWED (KILOGRAMS)	SAMPLE
Republic Dominican	7	6,628	100%
El Salvador	19	19,311	100%
TOTAL	26	25,939	

PRODUCT: CFC - 12			
COUNTRY	REPORTED WEIGHT (M TONS)	WEIGHT REVIEWED (KILOGRAMS)	SAMPLE
Republic Dominican	64	63,607	100%
Colombia	42	42,154	100%
Guatemala	32	32,121	100%
El Salvador	24	24,358	100%
TOTAL	162	162,240	

PRODUCT: CFC-115			
COUNTRY	REPORTED WEIGHT (TONS)	WEIGHT REVIEWED (KILOGRAMS)	SAMPLE
Colombia	1	555	100%
Guatemala	3	1,554	100%
TOTAL	4	2,109	

The result of our review is shown below, by each product:

PRODUCT	EXPORTS WEIGHT REPORTED	WEIGHT REVIEWED	SAMPLE
CFC - 11	27	26	96.29 %
CFC - 12	254	162	63.77 %
CFC - 115	4	2	80.00 %

From the review of documents on file of export invoices, we conclude on the existence of adequate controls and safeguarding of the invoices, as well as the documentation supporting the transaction.

Additionally, and as part of our review, we made three field visits to the Customs Offices at Nuevo Laredo, Colombia (State of Nuevo Leon) and Pantaco Custom Mexico City. The purpose consisted in the confirmation that the guidelines authorized by the Government are being complied with in connection with imports and exports, and that adequate controls exist for handling these substances. We observed that in the three cases the installations are adequate, personnel is trained to receive or ship out these substances and maintain adequate controls for registering all orders handled by those three Customs Offices.

In order to import any class of products, the importer must present itself before Customs General Administrator and apply for its registration with the Importers Register, and simultaneously with the specific Register; with this data, a pre-approval is made to elaborate the order.

Upon arrival at Customs, a documental and physical review is made, for the Product Reviewers making sure the product concurs with the data on the order, checking the validity of the registration based on the database of Customs. In the case of substances or materials of difficult identification, assistance is requested from the Technical Unit of Consulting and Sampling.

In the event a product does not concur in any detail with the corresponding documentation, it is seized and brought to the legal section of the Customs Office to be regularized. In the event that a favorable solution is not reached, the case is turned over to the legal department of the Ministry of Finance

The Customs Offices that were visited showed the equipment (refrigerant analyses, computers and printers) provided by UNIDO through SEMARNAT to perform these analyses; as well the Customs Office Central Laboratory in Mexico City performs these analyses with specialized chemists.

The questionnaires applied to the responsible employees of the visited Customs Offices at Nuevo Laredo, Colombia (State of Nuevo León) and Pantaco Custom Mexico City are presented in Annex 1, 2 and 3 of this report, it's important to mention that this questionnaires are the same that we applied to the responsible employees of the visited Customs Offices at Veracruz and Matamoros, last year.

In accordance with our review and the interviews held with personnel of the Unit for the Protection of the Ozone Layer at SEMARNAT, with personnel of Quimobásicos during the visit to the plant, the Central Customs Laboratory and Customs Offices of Nuevo Laredo, Colombia, (State of Nuevo Leon) and Pantaco in Mexico City, we can conclude that the actions taken by the Federal Government for the control and reduction of CFCs in Mexico, are adequate and have attained expected results, since in 2005 reduction of CFCs consumption was accomplished even below the quota authorized by the Montreal Protocol.

VI. OBSERVATIONS AND RECOMMENDATIONS

OBSERVATION

In general, the review of exports at the Quimobásicos' plant complied satisfactorily with the required tests, except the rounding errors (when converting kilograms into tons) in the reports submitted by the company, to SEMARNAT.

RECOMMENDATION

It is very important that, as the company prepares its export reports, be consistent when rounding kilogram volumes into tons, since in the case of CFC-12 and CFC-115, when making the rounding, a difference of one full ton was reported from the actual number being exported, the result being that national consumption is altered by two tons.

OBSERVATION

As described in third paragraph of item V., we observed differences between the import quota authorized for Dupont for the year 2005 and the import manifestations during that year, since apparently the company exceeded the amount imported. From the documentation provided by the company (imports orders and permits) we noted that the excess imports in year 2005 were made with permits issued during the year 2004 given that these permits have a one year validity.

RECOMMENDATION

We consider very important to recommend to the importers to verify the exact amount of product received via imports, since the type and amounts must conform both physically and numerically with the data of the invoice and the order, and should not exceed the maximum limit authorized.

We consider that the local authorities should aim to put in place the control measures to lead the companies to do their imports in a calendar year and not within the validity shown in the permits issued.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'José Luis Durán González', written over a large, stylized circular flourish.

**CPC José Luis Durán González
Partner**

ANNEX 1

QUESTIONNAIRE FOR CUSTOMS OFFICES NUEVO LAREDO CUSTOMS OFFICE

- 1) Did you receive the Training Manual for Customs Officers, relative to the protection of the ozone layer?

Yes, we received the Manual and the training.

- 2) Do you consider that training was adequate for carrying out your job?

Yes

- 3) Who was responsible for the training?

UNIDO; SEMARNAT, Quimobásicos and Quadrantix.

- 4) Is there a "rule book" or an internal manual in this Customs Office for handling these substances?

A "rule book" specifically for handling CFCs is non-existent; however, there exists a procedures manual for handling products with these characteristics, and we have the manuals provided to us during at the training session, as well as a the Procedures Manual for Materials of Difficult Identification, as required by Customs Law, Article 45.

- 5) Do you know and/or have you read the National Manual of Rules and Import / Export Licensing System for ODSs?

No. They know of their existence, but do not manage them entirely. They are not sure they are included in the SISSAO.

- 6) Please explain the procedure followed upon arrival of CFCs at Customs?

- a) They go through the First Recognition. Pass through the "Fiscal Red-light". If green light appears, they go through directly; if red light appears, documentation is reviewed (COFEPRIS, SEMARNAT, import manifestations, invoices, technical counter, Material Safety Data Sheet). If documentation is missing, a sample is analyzed.

- b) Material goes through a second module with "Fiscal Red-light"; if green, goes through; if red, goes through a second checking.
- c) Checking is concluded and truck leaves.

7) What documents must be shown when CFCs reach Customs?

In first instance, the order, and immediately the following documents as required by Customs Law:

I. On imports:

a) Commercial invoice to contain all necessary requisites and data per the rules established by the Ministry, when value at customs is determined in conformity with the transaction value and value of products exceed the amount established by such rules.

b) Bill of lading in maritime traffic or airway bill number in air traffic.

c) Documents supporting compliance with regulations and restrictions (not tariff related) to imports, which would have been issued in accordance with the Foreign Trade Law, as long as such are published in the Daily Gazette of the Federation and are identified in terms of the customs tariff and technical glossary which corresponds in conformity with the tariff under the General Tax on Imports Law.

d) The document which is used to determine the origin of the products for purposes of applying preferential tariffs, compensatory quotas, with country of origin seal and other measures, which to that effect are established, in conformity with applicable rules.

e) Document which provides evidence of guarantee extended by means of a deposit in "customs guarantee account" per Article 84-A of this Law, when value

declared is lesser than the estimated price established by Customs.

f) Weight certificate or volume issued by the certifying entity authorized by the Ministry by means of rules, in the case of bulk merchandise shipped to maritime traffic customs offices, in those cases established by the specific rules.

g) The documentation which permits the identification, analysis and control per rules issued by the Ministry.

In the case of products which may be identified individually, series number must be indicated, part number, model or technical or commercial specs, necessary for identifying the products and distinguish them from similar products, which such data is available, as well as the information referred to in item g). This information must be included on the order, invoice, shipping document or attached list which indicates the order number, signed by the importer, customs agent or legal representative. Notwithstanding the above, "maquila for export" companies or companies with export programs authorized by the Ministry of Economy, are not obligated to identify the product when they make "temporary imports", as long as the product being imported consist of components, raw materials and semi-finished products, already included in the corresponding import program. When these companies elect to change to the definitive import regime, they will comply by stating the series number of the products which would have been temporarily imported.

Article 39 of the Law will apply when dealing with reissues.

II. On exports:

a) The invoice or, as the case may be, any document confirming the commercial value of the product.

b) Documents which confirm compliance with rules and restrictions (not tariff related) on exports, which would have been issued in accordance with the Foreign Trade Law, as long as such rules and restrictions are published in the Daily Gazette of the Federation, and

are identified in terms of the tariff number and glossary in conformity with the General Tax on Imports Law.

For purposes of fractions I and II of this article, the Ministry of Finance (Hacienda) may request that the order or invoice, in the case of consolidated orders, include the customs documentation required in conformity with the international agreements subscribed by Mexico.

In the case of exports of products which would have been imported under the terms of Article 86 of this Law, as well as products which would have been temporarily imported and are returned in the same status, susceptible of being individually identified, must indicate serial number, part, mark, model or, as the case may be, technical or commercial specs necessary to identify the products and distinguish them from similar products, which such data exists. This information must be included on the import manifestation, invoice or in attached list indicating the import manifestation number, signed by the exporter, customs agent or legal representative.

It shall not be requested to present commercial invoices on imports and exports made by embassies, consulates or members of the diplomatic and consular, personnel, those relative to electric power, crude oil, natural gas and derivatives when it is made via pipe lines or cable, including home menage.

The customs agent or customs legal representative must print on the order his bar code or use other control means, with the characteristics established by the Ministry.

For purposes of this article, the documents, which must be presented together with the products for shipment, in order to comply with non-tariff rules and restrictions, Official Mexican Norms, and other obligations established by this Law for each customs regime, Ministry of Finance, by means of rules of general application, may indicate the obligations which may be complied with electronically or digitalized.

8) Who is the person responsible for reviewing the required documentation?

The import verifier assisted by the Consulting and Sampling Technical Unit (UTAM).

9) Is there a job-profile for this responsibility? If so, what is the rule?

a) A degree in Foreign Trade (import verifier), chemical engineers, chemists and similar degrees.

b) The Internal Customs Operating Manual (MOA) sets forth the profiles.

10) Is there any kind of authorized list to confirm that the country of origin is a member of the Montreal Protocol?

It is included in the SISSAO program.

11) How do you make sure that importer of record effectively exists and is licensed to import the CFC?

Accessing the SISSAO and double-checking the National Importers Registry.

12) Which is the procedure followed in the event the substance arriving at customs does not concur with the documentation (quantity, source, destination, recipient number, packing, form, name and substance description)?

The product is seized and an "Incidence document" is prepared (per Article 151 of Customs Law).

13) Is there some test to detect unauthorized substances?

With the equipment given as a donation by UNIDO, the substances are verified; another form is via a sample verified at the Customs Office Central Laboratory in Mexico City. The lab. Certificate is the official document that provides the legal ground for any subsequent procedure.

14) In the event of doing a test, which is the procedure?

See response 13) above.

15) Who is responsible for these tests?

UTAM and the Customs Office Laboratory in Mexico City by specialized chemists.

16) Depending on the results, which authority is notified?

The Administrator or Assistant Administrator, at the Customs Office Central Laboratory in Mexico City and SEMARNAT.

17) In the event illegal substances are detected or the importer does not have an import license, what follows?

Product is seized and item 12) above is implemented.

18) Do you have a copy of permits issued, and thus, enable you to identify which companies are authorized to import?

If originals are available, and are verified with the "Glosa" area.

19) In the event the product is addressed to someone different to the "importer", what follows?

The product is taken to a verification area to double-check the data on the company. If any anomaly is found, the product is seized.

20) Do you prepare of daily list of CFCs coming into the country?

Yes. There are records of all products, but there is no much traffic through this Customs Office.

21) Are reconciliations made on substances received with the products describe don the import manifestation?

Affirmative.

22) If response is affirmative, who is responsible for this control?

The UTAM

23) Do they have available and are knowledgeable of the Rules in respect of the Records, Import Authorizations for Imports and Exports of Anti-Plague Products, Natural Nutrients and Substances, and Toxic/Hazardous Materials?

CICOPLAFEST is directly consulted.

24) Which controls exist for compliance with clause IV of Article 26?

Nothing specific is available, but they have direct line with CICOPLAFEST in order to make the direct liaison.

ANNEX 2

QUESTIONNAIRE FOR CUSTOMS OFFICES COLOMBIA, NUEVO LEON CUSTOMS OFFICE

- 1) Did you receive the Training Manual for Customs Officers, relative to the protection to the ozone layer?

Yes, on the training courses in several parts of Mexican Republic.

- 2) Do you consider that training was adequate for carrying out your job?

Yes

- 3) Who was responsible for the training?

UNIDO, SEMARNAT, Quadrantix and Quimobásicos.

- 4) Is there a "rule book" or internal manual in this Customs Office for handling of these substances?

Affirmative. For the general internal procedure for all customs offices and MOA operations (MOA – Customs Operating Manual), and in process, the formalization of a protocol between Customs and SEMARNAT for the control of ODS, thus, until the formalization of this protocol, the application of the Customs Offices Training Manual will be mandatory.

- 5) Do you know and / or have you read the National Manual of Rules and Import / Export Licensing System for ODSs?

Yes, partially, for reasons of terminology and formalization of the protocol.

- 6) Please explain the procedure followed upon arrival of CFCs at Customs?

At the time the product arrives, a first recognition is carried out, going through the "fiscal red-light": if green, the product goes through directly; if red, the process requires the checking of supporting documentation: COFEPRIS, SEMARNAT, invoice, import manifestation, technical sheet, security sheet (MS-10), (MSDS.10).

module of second recognition, by means of a third party; if green, direct exit; if red, the process requires another documentation checking, and once this checking is concluded, the product is ready to exit customs.

7) What documents must be shown when CFCs reach customs?

When products reach customs, the documents to be requested consist of the order, and then the following documents in conformity with Customs Law:

I. On imports:

a) Commercial invoice to contain all necessary requisites and data per the rules established by the Ministry, when value at customs is determined in conformity with the transaction value and value of products exceed the amount established by such rules.

b) Bill of lading in maritime traffic or airway bill number in air traffic.

c) Documents supporting compliance with regulations and restrictions (not tariff related) to imports, which would have been issued in accordance with the Foreign Trade Law, as long as such are published in the Daily Gazette of the Federation and are identified in terms of the customs tariff and technical glossary which corresponds in conformity with the tariff under the General Tax on Imports Law.

d) The document which is used to determine the origin of the products for purposes of applying preferential tariffs, compensatory quotas, with country of origin seal and other measures which to that effect are established, in conformity with applicable rules.

e) Document which provides evidence of guarantee extended by means of a deposit in "customs guarantee account"

per Article 84-A of this Law, when value declared is lesser than the estimated price established by Customs.

f) Weight certificate or volume issued by the certifying entity authorized by the Ministry by means of rules, in the case of bulk merchandise shipped to maritime traffic customs offices, in those cases established by the specific rules.

g) The documentation which permits the identification, analysis and control per rules issued by the Ministry.

In the case of products which may be identified individually, series number must be indicated, part number, model or technical or commercial specs, necessary for identifying the products and distinguish them from similar products, which such data is available, as well as the information referred to in item g). This information must be included on the order, invoice, shipping document or attached list which indicates the order number, signed by the importer, customs agent or legal representative. Notwithstanding the above, "maquila for export" companies or companies with export programs authorized by the Ministry of Economy, are not obligated to identify the product when they make "temporary imports", as long as the product being imported consist of components, raw materials and semi-finished products, already included in the corresponding import program. When these companies elect to change to the definitive import regime, they will comply by stating the series number of the products which would have been temporarily imported.

Article 39 of the Law will apply when dealing with reissues.

II. On exports:

a) The invoice or, as the case may be, any document confirming the commercial value of the product.

b) Documents which confirm compliance with rules and restrictions (not tariff related) on exports, which would have been issued in accordance with the Foreign Trade Law, as long as such rules and restrictions are published in

the Daily Gazette of the Federation, and are identified in terms of the tariff number and glossary in conformity with the General Tax on Imports Law.

For purposes of fractions I and II of this article, the Ministry of Finance (Hacienda) may request that the order or invoice, in the case of consolidated orders, include the customs documentation required in conformity with the international agreements subscribed by Mexico.

In the case of exports of products which would have been imported under the terms of Article 86 of this Law, as well as products which would have been temporarily imported and are returned in the same status, susceptible of being individually identified, must indicate serial number, part, mark, model or, as the case may be, technical or commercial specs necessary to identify the products and distinguish them from similar products, which such data exists. This information must be included on the order, invoice or in attached list indicating the order number, signed by the exporter, customs agent or legal representative.

It shall not be requested to present commercial invoices on imports and exports made by embassies, consulates or members of the diplomatic and consular, personnel, those relative to electric power, crude oil, natural gas and derivatives when it is made via pipe lines or cable, including home menage.

The customs agent or customs legal representative must print on the order his bar code or use other control means, with the characteristics established by the Ministry.

For purposes of this article, the documents which must be presented together with the products for shipment, in order to comply with non-tariff rules and restrictions, Official Mexican Norms, and other obligations established by this Law for each customs regime, Ministry of Finance, by means of rules of general application, may indicate the obligations which may be complied with electronically or digitalized.

8) Who is the person responsible for reviewing the necessary documentation?

If red light appears at the first checking, the review is made by import verifiers with the assistance of the Consulting and Sampling Technical Unit (UTAM), in 21 of the 48 customs offices.

- 9) **Is there a job-profile for this responsibility? If so, what is the rule?**

The intervention of chemists/chemical engineers is required. As far as rules, it is in process of regularization.

- 10) **Is there any kind of authorized list to confirm that the country of origin is a member of the Montreal Protocol?**

It is obtained from SISSAO.

- 11) **How do you make sure that importer of record effectively exists and is licensed to import the CFC?**

The SISSAO has established the parameters.

- 12) **Which is the procedure followed in the event the substance arriving at customs does not concur with the documentation (quantity, source, destination, recipient number, packing, form, name and substance description)?**

The procedure is to retain or seize the substance for non-compliance, the documentation is reviewed and double-checked with the product (substance, recipient and quantity). If there is a mismatch, the legal process is followed in accordance with Customs rules. In the case of toxic and corrosive substances, the process follows the provisions stated on Article 45 of Customs Law.

- 13) **Is there some test to detect unauthorized substances?**

UNIDO gave in donation two types of identifiers for detection.

- 14) **In the event of doing a test, which is the procedure?**

The equipment is connected to the cylinders by means of the necessary adaptors, to perform the tests at a specific area of the platform (hazardous materials).

- 15) **Who is responsible for these tests?**

UTAM personnel.

- 16) **Depending on the results, which authority is notified?**

Internally, SEMARNAT, and as deemed necessary, PROFEPA.

- 17) **In the event illegal substances are detected or the importer does not have an import license, what follows?**

Product is seized and item 12 above is implemented.

- 18) **Do you have a copy of permits issued, and thus, enable you to identify which companies are authorized to import?**

SISSAO is consulted.

- 19) **In the event the product is addressed to someone different to the "importer", what follows?**

Follow item 12 above.

- 20) **Do you have a report of daily list of CFCs coming into the country?**

The product coming into Mexico is registered, in general, in an internal registry at customs. When SISSAO is implemented, the registration will be made in parallel.

- 21) **Are reconciliations made on substances received with the products described on the import manifestation?**

Only if at the time of the review, the "red light" is red.

- 22) **If response is affirmative, who is responsible for this control?**

UTAM.

- 23) **Do they have available and are aware of the Rules in connection with Records, Import and Export Authorizations, and Export Certificates of Anti-Plague Products, Natural Nutrients and Toxic or Hazardous Substances and Materials?**

No.

- 24) **Which controls are in existence for observing compliance with clause IV of Article 26?**

Item 23.

ANNEX 3

QUESTIONNAIRE FOR CUSTOMS OFFICES PANTACO MEXICO CITY CUSTOMS OFFICE

- 1) **Did you receive the Training Manual for Customs Officers, relative to the protection to the ozone layer?**

Yes, on the training course in Manzanillo, Colima.

- 2) **Do you consider that training was adequate for carrying out your job?**

Yes, we were provided with specific products and the methodology.

- 3) **Who was responsible for the training?**

SEMARNAT, UNIDO and Mexico Customs.

- 4) **Is there a "rule book" or internal manual in this Customs Office for handling of these substances?**

The Customs Operating Manual (MOA) to detect materials of difficult identification.

- 5) **Do you know and / or have you read the National Manual of Rules and Import / Export Licensing System for ODSs?**

No. This is SEMARNAT responsibility.

- 6) **Please explain the procedure followed upon arrival of CFCs at Customs?**

Customs has not received containers with CFCs, but have received containers with products used by CFCs. In the case of these products, verification follows on the compliance with rules and restrictions applicable to these products, particularly with air conditioning.

- 7) **What documents must be shown when CFCs reach customs?**

When products reach customs, the documents to be requested consist of the order, and then the following documents in conformity with Customs Law:

I. On imports:

a) Commercial invoice to contain all necessary requisites and data per the rules established by the Ministry, when value at customs is determined in conformity with the transaction value and value of products exceed the amount established by such rules.

b) Bill of lading in maritime traffic or airway bill number in air traffic.

c) Documents supporting compliance with regulations and restrictions (not tariff related) to imports, which would have been issued in accordance with the Foreign Trade Law, as long as such are published in the Daily Gazette of the Federation and are identified in terms of the customs tariff and technical glossary *which corresponds in conformity with the tariff under the General Tax on Imports Law.*

d) The document which is used to determine the origin of the products for purposes of applying preferential tariffs, compensatory quotas, with country of origin seal and other measures which to that effect are established, in conformity with applicable rules.

e) Document which provides evidence of guarantee extended by means of a deposit in "customs guarantee account" per Article 84-A of this Law, when value declared is lesser than the estimated price established by Customs.

f) Weight certificate or volume issued by the certifying entity authorized by the Ministry by means of rules, in the case of bulk merchandise shipped to maritime traffic customs offices, in those cases established by the specific rules.

- g)** The documentation which permits the identification, analysis and control per rules issued by the Ministry.

In the case of products which may be identified individually, series number must be indicated, part number, model or technical or commercial specs, necessary for identifying the products and distinguish them from similar products, which such data is available, as well as the information referred to in item g). This information must be included on the order, invoice, shipping document or attached list which indicates the order number, signed by the importer, customs agent or legal representative. Notwithstanding the above, "maquila for export" companies or companies with export programs authorized by the Ministry of Economy, are not obligated to identify the product when they make "temporary imports", as long as the product being imported consist of components, raw materials and semi-finished products, already included in the corresponding import program. When these companies elect to change to the definitive import regime, they will comply by stating the series number of the products which would have been temporarily imported.

Article 39 of the Law will apply when dealing with reissues.

II. On exports:

- a)** The invoice or, as the case may be, any document confirming the commercial value of the product.

- b)** Documents which confirm compliance with rules and restrictions (not tariff related) on exports, which would have been issued in accordance with the Foreign Trade Law, as long as such rules and restrictions are published in the Daily Gazette of the Federation, and are identified in terms of the tariff number and glossary in conformity with the General Tax on Imports Law.

For purposes of fractions I and II of this article, the Ministry of Finance (Hacienda) may request that the order or invoice, in the case of consolidated orders, include the customs documentation required in conformity with the international agreements subscribed by Mexico.

In the case of exports of products which would have been imported under the terms of Article 86 of this Law, as well as products which would have been temporarily imported and are returned in the same status, susceptible of being individually identified, must indicate serial number, part, mark, model or, as the case may be, technical or commercial specs necessary to identify the products and distinguish them from similar products, which such data exists. This information must be included on the order, invoice or in attached list indicating the order number, signed by the exporter, customs agent or legal representative.

It shall not be requested to present commercial invoices on imports and exports made by embassies, consulates or members of the diplomatic and consular, personnel, those relative to electric power, crude oil, natural gas and derivatives when it is made via pipe lines or cable, including home menage.

The customs agent or customs legal representative must print on the order his bar code or use other control means, with the characteristics established by the Ministry.

For purposes of this article, the documents which must be presented together with the products for shipment, in order to comply with non-tariff rules and restrictions, Official Mexican Norms, and other obligations established by this Law for each customs regime, Ministry of Finance, by means of rules of general application, may indicate the obligations which may be complied with electronically or digitalized.

8) Who is the person responsible for reviewing the necessary documentation?

If Customs intervenes in the review, a "product verifier" and/or customs officer. In the case of "unloading" free of supervision, the review takes place at Central Administration and "Glosa".

9) Is there a job-profile for this responsibility? If so, what is the rule?

Reviewers must have a career diploma, must be licensed in Foreign Trade, International Affairs and Chemists.

10) Is there any kind of authorized list to confirm that the country of origin is a member of the Montreal Protocol?

There is a list with those countries not participating in the Protocol.

- 11) **How do you make sure that importer of record effectively exists and is licensed to import the CFC?**

Through consultation of the authorization at SISSAO.

- 12) **Which is the procedure followed in the event the substance arriving at customs does not concur with the documentation (quantity, source, destination, recipient number, packing, form, name and substance description)?**

Substance is seized and SEMARNAT and other corresponding entities are notified.

- 13) **Is there some test to detect unauthorized substances?**

Yes: pressure, temperature and coolers (electronic analyzers).

- 14) **In the event of doing a test, which is the procedure?**

If performed with portable equipment, the latter is connected to the bottle to determine the type of product. If major tests, duly trained personnel intervenes, who work at duly certified labs for type of product certification.

- 15) **Who is responsible for these tests?**

With the portable equipment, any duly trained customs officer; if external, a duly certified lab and the Customs Office Laboratory in Mexico City by specialized chemists.

- 16) **Depending on the results, which authority is notified?**

In the case of unauthorized substances, SEMARNAT, and also the corresponding entities, including legal process official agencies.

- 17) **In the event illegal substances are detected or the importer does not have an import license, what follows?**

The substance is seized; subsequently SEMARNAT is contacted to obtain supplementary information. Customs administrative process: irregularities, test period, the substance is subject to a bond, and final destination is determined jointly with SEMARNAT.

- 18) **Do you have a copy of permits issued, and thus, enable you to identify which companies are authorized to import?**

Hard copies, no, but we verify the authorizations filed at SISSAO.

- 19) **In the event the product is addressed to someone different to the "importer", what follows?**

If the authorization submitted is unknown, the administrative process is triggered, which under customs rules, means the seizure of the substances.

- 20) **Do you have a report of daily list of CFCs coming into the country?**

In the event that substances entered Mexico, these are registered before SISSAO, existing an Integral Automated Customs System, in which the customs tariffs are recorded for each and every item entering Mexican Territory and the customs tariffs corresponding to the type of ODS is selected and the information is sent out to SEMARNAT.

- 21) **Are reconciliations made on substances received with the products describe on the import manifestation?**

Affirmative.

- 22) **In response is affirmative, who is responsible for this control?**

Product reviewers, who confront the data on the application, checking they are duly reported and physically supporting the products.

- 23) **Do they have available and are aware of the Rules for Records, Import and Export Authorizations and Export Certificates for Exporting Anti-Plague Products, Natural Nutrients and Toxic or Hazardous Substances and Materials?**

Affirmative. On the printed rules at customs and in the INTRASAT Autonomous System, besides SISSAO.

- 24) **Which controls are in place to comply with clause IV of Article 26?**

Under the Integral Automated Customs System, when a customs tariff is declared, the system itself solicits the specific authorization number of the product and SEMARNAT provides the authorization number, which is reported on the import manifestation and confronting it against the record at SISISAO.