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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventieth Meeting
Bangkok, 1-5 July 2013

PROJECT PROPOSAL: INDIA

This document consists of the comments and recommendation of the Fund Secretariat on the following project proposal:

Phase-out

- CTC phase-out plan for the consumption and production sectors: 2011 verification report and work plan covering the funds remaining World Bank

Background

1. At its 40th meeting in July 2003, the Executive Committee approved, in principle, a total of US \$52 million to assist India in complying with the Montreal Protocol control schedule for the production and consumption of carbon tetrachloride (CTC). At the 58th meeting, the final tranche of the project had been released. A summary of the CTC phase-out targets and funding tranches of the sector plan is presented in the following table:

Table1: CTC phase-out targets and funding provided

	Base-line	2003	2004	2005	2006	2007	2008	2009	2010
Max. allowable total consumption (ODP tonnes)	11,505	n/a	n/a	1,726	1,147	708	268	48	0
Max. allowable total production (ODP tonnes) for this agreement	11,553	n/a	n/a	1,726	1,147	708	268	48	-
World Bank agreed funding (US \$)		8,520,843	9,180,112	399,045	9,556,267	4,020,938	3,211,875	3,211,874	-
France agreed funding (US \$)		-	1,000,000	1,000,000	500,000	500,000	-	-	
Germany agreed funding (US \$)		-	700,000	700,000	300,000	300,000	-	-	
Japan agreed funding (US \$)		-	2,500,000	2,500,000	-	-	-	-	
UNIDO agreed funding (US \$)				3,500,000	399,046				
Total agreed funding (US \$)		8,520,843	13,380,112	8,099,045	10,755,313	4,820,938	3,211,875	3,211,874	

2. India submitted to the 61st meeting a verification of CTC consumption and production for 2009, as well as an implementation report, and an implementation plan for the remaining funding. Through decision 61/18, the Executive Committee requested the World Bank to continue verification of the CTC phase-out plan for the consumption and production sectors in the country, using the established format, until verification of both sectors for 2011 had been submitted. As a consequence, the World Bank has also submitted a 2011 verification report on the CTC sector in India. The verification report is not attached to this document but could be made available upon request.

3. Decision 65/10(j)(v) requested the World Bank, as the lead implementing agency, to provide a report on the implementation of the plan in time for the 66th meeting. The World Bank had informed in its submission to the 66th meeting that the remaining funds in the sector plan amounted to US \$1.4 million, and had submitted an implementation plan, which was subsequently withdrawn. Through decision 66/15(j)(iv), the Executive Committee had requested the World Bank to provide to the 67th meeting a work plan, which it did. However, subsequently the Government of India had asked that the submission be withdrawn as important stakeholders were not in agreement with the plan. The Executive Committee took decision 67/21 and requested the World Bank to submit a work plan to the next meeting. At the 68th meeting, the World Bank had submitted a work plan covering the funds remaining for the CTC phase-out plan, endorsed by the Government of India, as well as a verification report. After initial discussions at the margins of the 68th meeting, the representative of the World Bank informed members that, to allow further consultation with the stakeholders in India, the work plan would be withdrawn and resubmitted. Given the withdrawal, the Executive Committee also did not consider the verification for 2011. This document describes an updated work plan submitted for the Executive Committee's consideration, and restates the information provided by the Secretariat on the verification report presented to the 68th meeting.

Proposed 2012/2013 work plan

4. According to the information submitted by the World Bank, the work plan covers the funds not yet committed, which were stated to be US \$1.04 million. The World Bank advised, that since 2010, no quota order for sale to non-feedstock uses had been issued by the Ozone Cell of the Ministry of Environment and Forests, there were also no direct sales to non-feedstock users, and CTC was neither imported nor exported by the CTC producers. Activities directly related to the phase-out of CTC have been satisfactorily implemented, and India is in compliance with its obligations under the Montreal Protocol with regard to phase-out of consumption and production of CTC. However, CTC will continue to be produced in India and used as a feedstock in line with the Montreal Protocol.

5. The World Bank advised that the current grant agreement with the Government of India, being the basis for all of its activities in the CTC phase-out plan in the country, would expire by 31 December 2013.

6. A number of technical assistance activities are proposed in the updated work plan in order to ensure the sustainability of the CTC phase-out. The World Bank proposes to focus implementation on the following activities:

- (a) A study on the post-conversion market of alternatives to CTC in the consumption sector and their availability, in order to establish the sustainability of CTC consumption phase-out, including the assessment of availability of alternatives as well as health and safety considerations of alternatives; the budget foreseen for this effort is US \$100,000;
- (b) Awareness workshops on alternatives and sustainability of CTC phase out. CTC has already been phased out with various alternatives, some of which have adverse health and environmental impact. This activity will contribute to safe use of alternatives and inform any potential user not to consider CTC. A series of workshops at the regional level for enterprises in textile, metal cleaning and others is envisaged. The budget foreseen for this activity is US \$200,000;
- (c) Training of State Governments and pollution control board officers to strengthen their capacity to monitor, report, and control use at the industry level. A series of workshops for state pollution control boards is envisaged in different locations at a total cost of US \$150,000;
- (d) Preparation and issuance of “A decade of ODS phase out”, a publication with particular focus on CTC phase-out, at a total cost of US \$20,000;
- (e) Strengthening of the management information system in the Ozone Cell for monitoring the CTC production for feedstock, for subsequent preparation of Article 7 data reporting. The activity includes provision for hardware and software necessary to replace the existing, aging hardware, and adding an off-site backup system, at a total cost of US \$10,000; and
- (f) Support for a Project Management Unit (PMU), in particular for its on-going activities to ensure oversight and full support of the above activities. As the project draws to a close, the PMU will have to carry out, in addition to on-going monitoring and management tasks, a number of activities related to the finalisation of activities, ensuring orderly completion and sustainability. The PMU under the current agreement between the World Bank and the Government of India is meant to close at the end of 2013. The budget foreseen is US \$280,000.

7. The update also informed that, in the view of the World Bank, the PMU for the CTC project would have to be retained beyond the closing date of the grant agreement. This would be necessary to operate the critical CTC monitoring system to ensure that no CTC manufactured for feedstock use can be diverted to non-feedstock use in the future. Functioning of the PMU and operations of the CTC monitoring system were eligible activities that will enable the country to sustain smooth and efficient CTC phase-out. The World Bank informed that the Government of India is requesting that the balance of funds remaining at the closure of the India CTC phase-out plan be transferred to finance the operations of the PMU beyond the scheduled closing date of 31 December 2013. It is proposed that annual financial audits on expenditures beyond the closing date will be conducted and reported by the Government of India for the Executive Committee's consideration. The World Bank could facilitate the submissions of such reports to the Committee if it is desirable. The proposed budget for the PMU beyond the end of 2013 is incorporated in the work plan, at a level of US \$280,736.

Verification for the year 2011

8. The verification framework for this phase-out plan, which was developed by the World Bank and noted by the Executive Committee, requires the verification to be based on the Montreal Protocol definitions of consumption and production. It also requires the total annual CTC production, imports and exports to be covered, as well as the breakdown of CTC production for feedstock and non-feedstock applications. It includes the checking and validation of records such as production logs, production ratios between product and its feedstock, quotas and quantity of imports, excise records and other related documents.

9. The verification was carried out in May and June 2012 by a four-member team from Mukund M Chitale & Co. Chartered Accountants, the firm which has been involved in the same exercise for the past five years. Two of the members of the verification team have extensive experience in the chemical industry while the other two are knowledgeable in financial accounting. This verification had been submitted to the 68th meeting, but no decision had been taken because of India's withdrawal of its work plan.

10. The objectives of the verification was to confirm that the CTC consumption and production of controlled uses in 2011 had not exceeded the maximum allowable limits set in the Agreement, namely zero ODP tonnes in each case. The methodology employed was to verify the CTC production and imports from the supply side, and deduct from the total supply the CTC used as feedstock in the production of, primarily, dichloro vinyl acid chloride (DVAC). The balance would represent the CTC consumption for non-feedstock uses controlled under the Montreal Protocol.

11. Prior to visiting the enterprises, the verification team collected information through the Ozone Cell that forwarded a questionnaire to each CTC producer and feedstock user for completion, which were then verified during site visits. The verification team visited the four CTC producers, nine (previously eight) DVAC producers, and one vinyl chloride monomer (VCM) producer. The findings of the verification team include the level of total CTC production, sales for feedstock and for controlled use, the feedstock use and the overall mass balance.

12. The findings of the verification for 2011 in comparison to the two previous years are as shown in the following table.

Table 2: Findings of the verifications from 2009 to 2011

Year	2011	2010	2009
	(metric tonnes)		
Total CTC production	17,740	15,223	11,248
Feedstock use	17,001	16,424	15,792

Imports	0	417	1,593
Increase in stock	737	-785	-3,069
From current year production	17,740	15,223	11,130
Direct sales to non-feedstock users	0	0	113
Inventory built up from 2004; status at year end	0	48	48
CTC destroyed	0	0	0
Export of CTC	0	0	0

Note: Due to rounding errors, the mass balance incorrectly appears to have a differential of 2 mt

13. The verification found that sales to non-feedstock users were 0 metric tonnes (mt).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Consumption, verification and definition of VCM as a feedstock use

14. The verification followed the agreed methodology, and established that India had zero consumption. The result of the verification is line with Article 7 data reported by the Government of India.

15. At the end of 2009, the producers of CTC had 48 ODP tonnes remaining from a 2004 stockpile, which in 2004 had already been reported as consumption but had not been used; consequently, a non-feedstock user could use this quantity of CTC without it constituting consumption. An originally larger amount of CTC stemming from 2004 had been tracked in the accounting since then. The 2010 verification report had informed that during 2010 there was no quota for non-feedstock sales available to CTC producers. The Secretariat, had prior to the 64th meeting, requested advice from the World Bank on whether this is due to a general policy of the Government of India not to issue any quotas for non-feedstock uses anymore in the future, and pointed out that in this case it might no longer be necessary to account for the related amounts separately. The World Bank replied that the quota for non-feedstock sales was available as part of the CTC phase-out plan up to 2009. Since the phase-out plan has been completed, the Ozone Cell has not issued any quota for non-feedstock sales. The World Bank informed in June 2011 that the Government of India saw no need to maintain account of the quantity associated with the 2004 consumption.

16. Subsequent to this exchange an uncertainty about the possible consumption of CTC used in a VCM production plant arose, creating a potential non-compliance issue for the country in relation to its CTC use. At that time, the Secretariat had decided to maintain the account of the CTC quantities related to the 2004 consumption for the potential benefit of India in any ensuing discussion about VCM use of CTC. The issue of the use of CTC in VCM production had subsequently been temporarily resolved in decision XXIII/7 and finally in decision XXIV/6 of the Meeting of the Parties, where the Parties confirmed that the use of CTC in the production of VCM by pyrolysis of ethylene dichloride in the processes is considered to be a feedstock use; this specific process is being used by the VCM producer in India. As a result, in concurrence with the information provided by Mukund M Chitale & Co. Chartered Accountants, the Secretariat has removed the 48 ODP tonnes of CTC remaining from the 2004 consumption from the monitoring of CTC quantities.

Information provided in the progress report

17. The progress report submitted by bilateral and implementing agencies in May 2013 informed about the remaining balances of tranches approved for the CTC phase-out plan for India, as at 31 December 2012, as shown in Table 3 below.

Table 3: Remaining balances as at 31 December 2012

Agency	Date of tranche approval	Amount approved (US \$)	Balance (US \$)	Of that: Obligated (US \$)
World Bank	Jul-09	3,211,874	696,874	696,874
Japan	Apr-05	2,500,000	1,618,851	0
UNIDO	Apr-05	3,500,000	255,075	210,309
UNIDO	Jul-06	399,046	174,600	18,787
Total	-	9,610,920	2,745,400	925,970

18. The remaining balances for this phase-out plan are also discussed in the consolidated progress report (UNEP/OzL.Pro/ExCom/70/10). In that document the Secretariat proposes to consider requesting the return of the balances for this multi-year agreement by the end of 2013, in line with recommendations for other substances with a 1 January 2010 phase-out date (CFC and halon).

Work plan

19. The Secretariat has undertaken to provide the Executive Committee with additional information to allow consideration of options other than the return of funding recommended by the Secretariat, should the Executive Committee wish to do so. During the related assessment various ramifications have come to light but have not been concluded on. The Secretariat will continue discussions with the World Bank and will provide the Executive Committee with an update if needed.

RECOMMENDATION

20. The Executive Committee may wish to note the 2011 verification report for the phase-out in consumption and production of CTC in India.

21. In light of any decision taken during discussion of Agenda item 6(b)(i), Consolidated progress report, the Executive Committee may wish to, either, in case of approval of the related recommendation in that report:

- (a) Request the World Bank, as lead implementing agency, to submit project completion reports for all activities under the CTC phase-out plan for India to the last meeting in 2014.

Or

- (b) Request the World Bank to complete implementation of already approved work plans; and
- (c) Request a status report concerning ongoing activities, remaining balances, obligations and schedule for completion covering each bilateral and implementing agency involved to the first meeting in 2014.
