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

REPORT OF THE SUB-GROUP ON THE PRODUCTION SECTOR

Introduction

1. The Production Sector Sub-group met on the margins of the 70th meeting of the Executive Committee to continue its discussion of the HCFC production sector guidelines. It also considered the administrative costs for the China HPPMP, the draft agreement for the China HPPMP (stage I), the request to carry out the technical audit of the HCFC production sector for India, the status of the sub-account for the technical audits of the ODS production sector and the report on the allocation from the polyurethane foam sector to the production sector pursuant to decision 69/28(c). The meetings of the Sub-group were attended by representatives of Canada, Finland, India, Japan, Nicaragua, the United Kingdom of Great Britain and Northern Ireland, the United States of America and Uruguay, with Canada acting as facilitator. Representatives of UNIDO and the World Bank were also present as observers.

Agenda item 1: Adoption of the Agenda

2. The Sub-group adopted the provisional agenda contained in document UNEP/OzL.Pro/ExCom/70/SGP/1 and agreed to discuss, under agenda item 8 (Other matters), the possibility to amend China's CFC production agreement for China to export chlorofluorocarbons for metered-dose inhalers to meet Russia's essential-use exemption (EUE) for 2014 should that EUE be approved at the Meeting of the Parties. The agenda of the Sub-group as adopted is contained in Annex I of the present report.

Agenda item 2: Organization of work

3. The Meeting agreed to address the agenda as adopted and took up agenda item 4, "China HCFC Production Sector" before agenda item 3, "HCFC production sector guidelines".

Agenda item 3: HCFC production sector guidelines

4. The Sub-group continued its discussion of the HCFC production sector guidelines (UNEP/OzL.Pro/ExCom/70/SGP/2), which it had previously considered on the margins of the 69th meeting. The facilitator asked the Sub-group for its views on those sections of the guidelines that had been placed in brackets and several members suggested modifications to the bracketed text related to factors to be taken into account when calculating compensation.

5. Due to a lack of progress, it was agreed to postpone further consideration of the guidelines.

Agenda item 4: China HCFC Production Sector

(a) Administrative costs of the HCFC production phase-out management plan (HPPMP) for China pursuant to decision 69/28(b)(i).

6. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/70/SGP/3 which contained a recommendation on the administrative costs of the World Bank for stage I of the HPPMP in China.

7. There was consideration as to whether the 5.6 per cent agency fee would only apply to stage I of the HPPMP or to the entire duration of the HPPMP. Plants would likely be decommissioned over time so that fewer audits might be required in the future. However, the creation of new integrated plants might create a gap in the verification of HCFCs if those plants were not subject to verification by the World Bank under the proposed arrangement. The representative of the World Bank said that it was difficult to predict what might occur, but that the World Bank would be willing to address new facilities provided

that its costs could be covered. Some members of the Sub-group supported the Secretariat's recommendation that the support fee of 5.6 per cent be approved if the World Bank submitted a cost breakdown of its proposed administration costs.

8. [To be completed].

(b) Draft agreement for China HCFC production phase-out management plan agreement (HPPMP) (stage I) pursuant to decision 69/28(f).

9. The representative of the Secretariat introduced the draft agreement for stage I of the China HPPMP (UNEP/OzL.Pro/ExCom/SGP/4) and explained the principal changes that had been made as a result of discussions with the World Bank. The operative paragraphs of the framework agreement had been taken from decision 69/28(e), and the Secretariat and the World Bank had agreed on some textual changes that were consistent with that decision.

10. Subsequently the representative of the Secretariat introduced version of the draft agreement and it was observed that as some of the text was still bracketed it would be useful for a small group to continue to refine the text which should also include a reference to decision 69/28(e)(viii). The Sub-group agreed to send the draft agreement to a small group of interested members for further consideration.

11. [To be completed].

Agenda item 5: Report on the allocation of polyurethane foam sector to the production sector in the agreement between the World Bank and China for stage I of the HCFC phase-out in the polyurethane foam and production sectors pursuant to decision 69/28(c).

12. Following a brief report by the World Bank, one member agreed with the Secretariat's recommendation to request the World Bank to seek the approval of the Executive Committee for any future allocations among sectors. However, the World Bank suggested some modifications to the recommendation.

13. It was agreed that the representatives of the Secretariat and the World Bank should meet informally to adjust the text of the recommendation to avoid that misunderstanding.

14. [To be completed].

Agenda item 6: Status of the sub-account for the technical audits of the ODS Production Sector.

15. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/SGP/6, the report on the status of the sub-account for the technical audits of the ODS production sector.

16. The Sub-group on the Production Sector recommended that the Executive Committee take note of the report on the sub-account for the technical audits of the ODS production sector as contained in document UNEP/OzL.Pro/ExCom/SGP/6 and that US \$385,418.72 had been returned to the Fund for reprogramming.

Agenda item 7: Request for authorization to carry out the technical audit of the HCFC production sector in India.

17. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/SGP/6, which contained the request request for authorization to carry out the technical audit of the HCFC production sector in India.

18. It was observed that the issue related to the eligibility of swing plants, which had been brought up at the level of the Parties. There had been no agreement of the eligibility of the plants under consideration and some members indicated that it would not be desirable to undertake the proposed technical audit until that issue had been decided. Some were of the view that four of the five plants in question were not eligible for funding while there was insufficient information on the fifth plant, although it appeared that that it had started production in 2008.

19. The representative of India wished the report to reflect his concern that the failure to resolve the issue of eligibility would have an effect on compliance with the 2013 and 2015 control measures. That issue was of importance to all Article 5 countries which were in a challenging position. Until a decision had been taken, compliance could not be applicable to the facilities in question.

20. Due to a lack of consensus no recommendation could be agree to with respect to this issue..

Agenda item 8: Other matters.

The possibility to amend China's CFC production agreement for China to export chlorofluorocarbons for metered-dose inhalers to meet Russia's essential-use exemption (EUE) for 2014 should that EUE be approved at the Meeting of the Parties

21. Due to a lack of time, consideration of the essential-use exemption for 2014 for chlorofluorocarbons for metered-dose inhalers was deferred until the next meeting of the Sub-group.

Agenda item 9: Adoption of the report.

22. [To be completed].

Agenda item 10: Closure.

23. [To be completed].

Annex I

Agenda of the meeting of the Production Sector Sub-group

1. Adoption of the agenda.
2. Organization on work.
3. HCFC production sector guidelines.
4. China HCFC production sector:
 - (a) Administrative costs of the HCFC production phase-out management plan (HPPMP) for China pursuant to decision 69/28(b)(i);
 - (b) Draft agreement for the China HCFC production phase-out management plan agreement (HPPMP) (stage I) pursuant to decision 69/28(f).
5. Report on the allocation from the polyurethane foam sector to the production sector in the agreement between the World Bank and China for stage I of HCFC phase-out in the polyurethane foam and production sectors pursuant to decision 69/28(c).
6. Status of the sub-account for the technical audits of the ODS Production Sector.
7. Request for authorization to carry out the technical audit of the HCFC production sector in India.
8. Other matters:

The possibility to amend China's CFC production agreement for China to export chlorofluorocarbons for metered-dose inhalers to meet Russia's essential-use exemption (EUE) for 2014 should that EUE be approved at the Meeting of the Parties
9. Adoption of the report.
10. Closure of the meeting.
