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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninety-fourth Meeting
Montreal, 27-31 May 2024
Item 16 of the provisional agenda¹

REPORT OF THE SUB-GROUP ON THE PRODUCTION SECTOR

Introduction

1. The Sub-group on the Production Sector, which had been reconstituted at the 94th meeting of the Executive Committee, met on 29 May 2024 on the margins of the 94th meeting. It consisted of the representatives of Argentina, Canada, Cuba, India, Italy, Jordan, Sweden and the United States of America, with Canada acting as facilitator. Representatives of the World Bank were also present as observers.

Agenda item 1: Adoption of the agenda

2. The facilitator of the Sub-group welcomed the participants.
3. The Sub-group adopted the provisional agenda as set out in document UNEP/OzL.Pro/ExCom/94/SGP/1.

Agenda item 2: Organization of work

4. The Sub-group agreed to follow the organization of work proposed by the facilitator.

Agenda item 3: HCFC production phase-out management plan for China: Report on the matter relating to the reporting of HCFCs captured from high-boiling residue under Article 7 of the Montreal Protocol (decision 93/99(c))

5. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/94/SGP/2, presenting the report on the matter relating to the reporting of HCFCs captured from high-boiling residue (HBR) under Article 7 of the Montreal Protocol, pursuant to decision 93/99(c), and the Secretariat's comments and recommendations. He informed the Sub-group that, subsequent to the issuance of the document, the Government of China had clarified that, while it would revise its 2022 Article 7 data report to include the HCFCs captured from HBR for one of the producers that had sold the HBR to a feedstock user, it had concerns about including the reporting of such data for the second producer that had used the

¹ UNEP/OzL.Pro/ExCom/94/1

HBR for an internal feedstock use. Regarding the second producer, the HCFC-142b used as feedstock had not been separated from the HBR, represented a very small proportion of the enterprise's total HCFC-142b production, and would not be included in the revision of its 2022 data. The feedstock use of HCFCs captured from HBR allowed an efficient use of resources and the achievement of environmental benefits by avoiding the production of an equivalent amount of HCFC-142b and the consequences associated with the conventional destruction of HBR. The Government had highlighted that separating the small quantity of HCFC-142b contained in the HBR would be practically and financially difficult and that, had the HBR been sent for disposal, the Government would not have reported under Article 7 the HCFCs contained therein. The Secretariat highlighted that it would be preferable not to create a system so onerous as to disincentivize the practice of using HCFCs contained in HBR for feedstock use. At the same time, it was important to help countries to report their production and feedstock uses under Article 7 accurately.

6. The representative of the World Bank added that, in 2023, the producer had installed equipment to separate HCFC-142b from HBR. The amount of HCFC-142b in HBR for that and future years was expected to be negligible compared to 2022. The World Bank would include details of the relevant activities undertaken by the enterprise in the HCFC production verification report that it would submit to the 95th meeting of the Executive Committee.

7. In the ensuing discussion, appreciation was expressed for the Government's efforts to quantify the HCFCs captured from HBR for the two producers. One member said that it was positive to see the use of residues in cases where virgin raw material would have had to be used instead. It was clarified that the "sample analysis" mentioned in paragraph 5 of the document was carried out roughly once a month and that HCFC-142b had accounted for approximately 2 per cent of the HBR at the enterprise. No other information was available on the composition of the HBR.

8. The representative of the Secretariat said that the first producer had sold HBR containing HCFCs to a different enterprise for feedstock use. There was a clear understanding that the Government would report those HCFCs. Regarding reporting on HBR from the second producer, the World Bank provided additional information indicating that the producer had installed equipment in 2023 to separate the HCFC-142b in HBR. Therefore, it was expected that negligible amounts of HCFC-142b would remain in the HBR. In view of the additional information provided, the Sub-group agreed to continue to consider the issue of reporting of HCFCs captured in HBR at the 95th meeting in the context of the 2023 HCFC production verification report, which would include the verification of the HBR generated in the enterprise.

9. One member noted that the Government would include reporting on HBR and HCFCs contained therein in the routine training for producers undertaken under the HCFC production phase-out management plan and suggested noting such effort in the recommendation.

10. The Sub-group on the Production Sector recommended that the Executive Committee:

(a) Note:

- (i) That the Government of China would revise its Article 7 data for HCFCs to reflect the HCFCs captured and sold from the high-boiling residue (HBR) identified in the 2022 annual HCFC production verification report;
- (ii) That the Government would continue to report under Article 7 of the Montreal Protocol HCFCs captured and sold from HBR;
- (iii) That the Government had agreed to include, as part of the training provided under the HCFC production phase-out management plan, the issue of reporting HCFCs captured and sold from HBR; and

- (b) Further consider the issue of reporting HCFCs captured in HBR at the 95th meeting in light of the additional information provided during the meeting of the Sub-group at the 94th meeting and the additional information in the 2023 HCFC verification report to be submitted to the 95th meeting.

Agenda item 4: Remaining issue from the updated guidelines and the standard format used for the verification of ODS production phase-out: Inclusion of national information on the change in HCFC stock level at integrated HCFC production facilities that were not subject to annual verification (paragraph 392 of document UNEP/OzL.Pro/ExCom/93/105)

11. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/94/SGP/3.
12. In the ensuing discussion, several members expressed the view that, unless there was a serious impediment to doing so, national information on the change in HCFC stock level at integrated HCFC production facilities that were not subject to annual verification should be included in a country's HCFC production verification. One member added that the inclusion of such information would provide a clearer picture of whether there had been any diversion from feedstock use and would not be overly burdensome, given that the information was collected anyway. Another member, referring to paragraph 5 of the document, asked why such information might be considered confidential, especially as it was nationally aggregated rather than enterprise-specific.
13. In response, other members said that it was for national ozone units to ensure that there was no diversion from feedstock use and that, bearing in mind those existing domestic processes, the information should not form part of the verification exercise. In addition, producers had indicated a reluctance to divulge what they considered to be confidential information. In the case of China, such information was provided to the Government at an enterprise-level and the Government was not at liberty to pass on such information to third parties.
14. Following the discussion, no agreement could be reached on whether to request the inclusion of national information on the change in HCFC stock level in integrated HCFC production facilities that were not subject to annual verification. However, it was recalled that the Government of China conducted regular investigations of HCFC feedstock uses and had comprehensive regulations requiring that stocks at integrated facilities are used exclusively for feedstock purposes.

Agenda item 5: Other matters

15. No other matters were raised.

Agenda item 6: Adoption of the report

16. The present report was reviewed by the facilitator and submitted to the Chair of the Executive Committee for transmission to the 94th meeting of the Executive Committee.

Agenda item 7: Closure

17. The meeting of the Sub-group on the Production Sector was closed at 4 p.m. on 29 May 2024.