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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
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Twenty-ninth Meeting
Beijing, 24-26 November 1999

Addendum

**REPORT OF THE CHAIR OF THE WORKING GROUP ON THE PHASE-OUT PLAN
FOR THE SOLVENT SECTOR IN CHINA**

1. The Chair (Sweden) of the Working Group (comprising Bahamas, Brazil, China, Japan, Sweden and USA, assisted by UNDP and the Fund Secretariat) convened a series of meetings to facilitate the finalisation of the Solvent Sector Plan to phase out the use of ozone depleting substances in the solvent sector in China. Following discussions during the 28th ExCom Meeting, a meeting was held on 29 September 1999 in Washington D.C. That meeting facilitated the development of a revised proposal that was reviewed in meetings held in conjunction with the 29th ExCom Meeting during 21-25 November 1999 in Beijing.
2. The revised proposal incorporated extensive comments received as part of the Working Group review, including the adoption of a principle that would allow only one conversion project per enterprise. This approach would phase out all ODS solvents at those enterprises who use more than one ODS solvent. Thus, cost effectiveness would be improved and assuring that there would be no increase in secondary ODS solvent consumption when the primary ODS solvent has been phased out.

3. Other changes include adoption of a multi-path approach to reach small users and convert them cost effectively, the addition of a third technology center for improved technology transfer efficiency, revised methodology for costing conversion in small users, and use of solvent dealers to promote low cost conversions. Reduced funding for the TA component was also proposed.

4. The Working Group concentrated on implementation, costs, and organizational structure of the Solvent Sector Plan. Clarifications were obtained on the following:
 - Data refinement. Relevant elaboration of CFC-113, TCA and CTC imports, exports, production, and consumption by large, medium and small users and by sub-sectors.
 - Overall operating mechanism of the Solvent Sector Plan covering CFC-113, TCA and CTC. Roles of the organizations involved in implementation were explained. Emphasis was placed on synchronised closure and phase out in the production and consumption of ODS solvents.
 - Control of imports and exports.
 - How to identify and ensure efficient phase out in the large number of small solvent users.
 - Cost effectiveness comparisons. The comparisons use the cost experience of solvent projects approved by the ExCom.
 - Voucher system, roles of Alternative Technology Support System (ATSS) participants including dealers.
 - Baseline year; In accordance with ExCom guidelines, the baseline year was changed from 1997 to 1998, reflecting the latest available and verified last 12 months of data.

5. Other points included:

Taking into account measures already in place for the CFC production sector, a strategy that first targets the phase out of CFC-113 was agreed. The phased approach calls for a subsequent phase out for TCA and CTC, starting in 2002. However, an early, small component for TCA has been included in the CFC-113 component so that project design will allow only one project for each enterprise as mentioned in paragraph 2.

In response to the need for a “cap” on TCA and CTC during the early years of the plan, when supply and consumption is not yet controlled, China agreed that maximum controlled consumption of TCA will not exceed 6,900 ODS tons in any one year, and maximum controlled CTC consumption will not exceed 100 ODS tons in any one year. Policy measures will also ensure that switching from CFC-113 to TCA or other ODS solvents will not occur. Import and Export of CFC-113, TCA and controlled CTC will be regulated and banned.

[Agreed bilateral funding for investment projects from France and Japan, as well as the ODP tonnes to be addressed will be deducted from the China Solvent Sector Plan. The estimated incremental cost of the bilateral projects and the ODP tonnes to be phased out

will be included in calculation of the overall cost effectiveness of the Plan, which should be equal to, or better than, the cost effectiveness as calculated without bilateral involvement. As per China's decision, this would constitute a total involvement of bilaterals in the China Solvent Sector Plan.

On the basis of this report, the two project preparation requests in the solvent sector in China submitted by the Governments of France and Japan to the 29th Meeting of the Executive Committee could proceed separately from the Solvent Sector Plan in China.]

At the request of the Working Group, sensitivity analysis on the impact of ODS solvent price changes, lower capital cost and lower cost of ODS solvent substitutes was conducted and presented.

6. The Working Group agreed that major issues have been resolved and concluded that substantial progress towards finalizing the China Solvent Sector plan has been made. However, a few issues remain to be clarified. In order to avoid disruption between the objective of linking the phaseout schedule for CFC-113 production agreed under the CFC Production Plan and the CFC-113 consumption phaseout schedule as proposed in the Solvent Sector Plan, the remaining issues should be addressed expeditiously. It was agreed that the US delegation would take the lead in drafting a proposed agreement for the China Solvent Sector Plan, discuss with other interested donors in the group, forward it to the Government of China as appropriate for consideration and to other members of the Working Group for information. This work would be undertaken with a view to enabling a substantive discussion to facilitate an agreement on the funding level. This draft agreement, and any other outstanding issues, would be discussed in January 2000 in Paris, in conjunction with the UNEP Advisory Group meeting.