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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-ninth Meeting
Montreal, 15-19 April 2013

REPORT OF THE SUB-GROUP ON THE PRODUCTION SECTOR

1. The Production Sector Sub-group reconvened at the 69th Meeting of the Executive Committee to consider the HCFC production sector guidelines and the China HCFC production sector. The Sub-group consisted of representatives of Canada, Finland, India, Japan, Kuwait, Nicaragua, Serbia, the United Kingdom of Great Britain and Northern Ireland, the United States of America and Uruguay. Representatives from the World Bank were also present as observers. Canada acted as the convener of the Sub-group.

Agenda item 1: Adoption of the Agenda

2. The Sub-group adopted the draft agenda contained in UNEP/OzL.Pro/ExCom/69/SGP/1. The Sub-group also agreed to consider under agenda item 5, Other matters, the agreement between the World Bank and China for stage I of HCFC phase-out in the polyurethane foam and production sectors.

Agenda item 2: Organization of work

3. The meeting agreed to address the agenda as presented.

Agenda item 3: HCFC production sector guidelines

4. At its first session the Sub-group considered the draft HCFC production sector guidelines (UNEP/OzL.Pro/ExCom/69/SGP/2). The convener asked the members to address those paragraphs of the guidelines which remained in square brackets.

5. In the discussion that followed it was pointed out that it would be important to monitor feedstock use as all countries were required to report the amounts used under Article 7, especially as there had been some disagreement as to whether some substances were being used as process agents or for feedstocks. It would also be important to consider the possibility of flexibly applying the suggested cut-off date of 21 September 2007 for plants that were established after that date. Some members indicated that they supported funding for swing plants, while others reiterated that they considered swing plants not to be eligible for funding. It was also questioned whether the Executive Committee was the appropriate forum

to decide whether any additional support should be provided to swing-plants for HCFC production phase-out and whether the issue would be better addressed by the Meeting of the Parties.

6. Due to the lack of progress, it was agreed to postpone consideration of the guidelines.

Agenda item 4: China HCFC production sector

(a) China HCFC production sector phase-out management plan (stage I)

7. The production sector Sub-group met in an informal group to discuss the China HCFC production sector phase-out management plan.

(b) Costs and rationale for the administrative cost functions identified in the draft Agreement and project duration

8. The representative of the secretariat said that as a follow-up to decision 68/47(a)(ii) the World Bank had been requested to provide a breakdown of the costs and rationale specified in the decision and that the World Bank had provided estimated costs which ranged from US \$6.6 million to US \$6.8 million. While those costs were itemized in table 1 of document UNEP/OzL.Pro/ExCom/69/SGP/3, more information was required on the sub-items listed in that table. In addition, experience gained with each of the items should be reported in the project completion reports to enable an estimate the costs for the China HCFC production sector phase-out management plan to be made.

9. The representative of the World Bank explained that although further details on the items could be provided, it could not further itemize the costs involved. The World Bank found it expedient to use the same approach for all its projects, which were treated on a fee basis. She also said that the as the information to be included in project completion reports would only be available at the end of 2013 those reports could not be submitted until the first meeting of the Executive Committee in 2014.

10. The Production Sector Sub-group recommends that the Executive Committee agree the following:

- (a) That information should be provided on the estimate of the costs of both the items and the elements in the description in Table 1 of document UNEP/OzL.Pro/ExCom/69/SGP/3 and the rationale for consideration at the 70th meeting of the Executive Committee; and
- (b) That each item and each element in the description of Table 1 should be reported on in the project completion report (PCR) for the CFC production sector projects that is to be submitted to the 72nd meeting of the Executive Committee.

Agenda item 5: Other matters

Agreement between the World Bank and China for stage I of HCFC phase-out in the polyurethane foam and production sectors

11. The representative of the Secretariat explained that in reviewing the agreement between the World Bank and China the Secretariat had noted that the production sector had been included in the agreement for the polyurethane foam sector plan that had been approved at the 64th meeting. The World Bank had explained that that the consumption and production sectors would have combined funds in the administrative arrangements but that any use of funds for the production sector was contingent upon

approval of the production sector plan by the Executive Committee. A notional US \$7 million had been set aside by the World Bank as a brief financial bridge that could be used between the time the Executive Committee approved the production sector grant funds and those funds were made available.

12. It was observed that it would be preferable for the Sub-Group to have a document before it that outlined the issues so that it could have a better understanding of the implications of the proposed allocation of funds to the production sector.

13. The Production Sector Sub-group recommends that the Executive Committee agree the following: to request the Secretariat to prepare a brief report on the agreement between the World Bank and China for stage I of HCFC phase-out in the polyurethane foam and production sectors, and on the allocation to be made from the polyurethane foam sector to the production sector, for the consideration of the Production Sector Sub-group at the 70th meeting of the Executive Committee.

Agenda item 6: Adoption of the report

14. The present report was issued during the 69th meeting of the Executive Committee.

Agenda item 7: Closure of the meeting

15. The meeting was closed on Thursday, 18 April 2013.
