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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-first Meeting
Montreal, 2-6 December 2013

REPORT OF THE SUB-GROUP ON THE PRODUCTION SECTOR

1. The Production Sector Sub-group reconvened at the 71st meeting of the Executive Committee to consider the HCFC production sector guidelines, the revised draft agreement for the China HCFC production sector and reports on the CFC production sector agreement for China. 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 UNIDO and the World Bank were also present as observers. Canada acted as the facilitator of the Sub-group.

Agenda item 1: Adoption of the Agenda

2. The Sub-group adopted the draft agenda contained in document UNEP/OzL.Pro/ExCom/71/SGP/1. The Sub-group also agreed to consider under agenda item 6, ‘Other matters’, issues related to stage II of the HPPMP for China as contained in the World Bank’s business plan for the years 2014-2016 (UNEP/OzL.Pro/ExCom/71/12).

Agenda item 2: Organization of work

3. The meeting agreed to start its discussion with consideration of issues related to the World Bank’s business plan (agenda item 6, ‘Other matters’).

Agenda item 3: Draft HCFC production sector guidelines

4. At its first session the Sub-group considered the draft HCFC production sector guidelines (UNEP/OzL.Pro/ExCom/71/SGP/2). The convenor asked members to address those paragraphs of the guidelines which remained in square brackets.

* Reissued for technical reasons on 11 December 2013.

5. It was agreed to remove the square brackets in paragraph (d) dealing with the compensation for eligible facilities. However, several members said that in light of the lack of agreement on key issues it might be better to consider projects on a case-by-case basis. They said that if the Executive Committee agreed to proceed in that way the guidelines might not then be necessary. However, others were of the view that the guidelines were necessary to guide the approval process and could not agree to proceed on a case-by-case basis in cases when there were no eligible facilities. One member also said that he did not see how it would be possible to work without those guidelines except in rare cases, such as the approval of the HPPMP for China, where the areas of disagreement were minor.

6. Due to a lack of agreement on a few of the issues and a lack of time it was agreed to postpone further consideration of the guidelines.

Agenda item 4: Revised draft Agreement between the Government of China and the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol for the phase-out of production of hydrochlorofluorocarbons (HPPMP)

7. The representative of the Secretariat said that all outstanding issues had been resolved with the exception of the penalties to be imposed for exceeding the agreed production limits and for redirecting production of controlled uses to production of feedstock. In response to a question regarding the offset of interest he said that any interest would be offset against future tranches in line with decision 70/20(c) and the overall framework agreement, which provided for funding of up to US $385 million for the whole agreement. The approach taken would be similar to that used in the consumption sector. He also said that there was no requirement in the agreement that annual payments be made in subsequent stages of the agreement.

8. In response to a question about the coordination efforts to be made to minimize climate impacts the representative of the Secretariat said that the budget for those efforts had not been established and that the World Bank would provide in 2014 an addendum to the agreement that would provide further details on monitoring and evaluation. The number of activities involved still required further discussion with the Government of China and depended on the different chemicals being addressed in the agreement. He explained that paragraphs 2 to 11 of the revised draft agreement set out the framework agreement for total phase-out while the remaining paragraphs addressed stage I of the HPPMP. He also confirmed that the agreement would take effect from the present meeting and that some of its elements had already been implemented. He also indicated that while balances would not be deducted from the maximum allowable funding under the agreement they would be returned after each tranche. All future funding still had to be justified and the total funding for the HPPMP had not been guaranteed.

9. There was agreement that when agreed production limits were exceeded, a penalty of US $1.73 for each kilogramme per year (per kg/year) would be applied. However, there was disagreement over whether to apply a penalty of US $0.05 or US $0.20 per kg/year for redirection of production for controlled uses to production for feedstock. The representative of the Secretariat explained that the penalty of US $0.05 per kg/year proposed by the World Bank for the redirection of production was meant to be profit neutral. However, it was suggested that it was not enough to make the penalty profit neutral as circumstances could change. The representative of the Secretariat noted that the penalty for agreed production limits applied to the overall framework agreement whereas the penalty for redirection could be assessed for stage II of the agreement.

10. One member recalled that according to decision 69/28(e)(vii)(a.) China had agreed to ensure that any compensated plant did not redirect any phased out HCFC production capacity towards feedstock, subject to a penalty to be specified in the HPPMP agreement, and asked that a paragraph be added to agreement that reflected that decision. The Sub-group agreed to add such a paragraph in the framework agreement

11. Another member said that according to decision 69/28(e)(v) China had also agreed to retire an additional 24 per cent production capacity as a condition for the approval of the total funding for stage I of the HPPMP and asked how that would be monitored or verified. The representative of the World Bank explained that while it would not be possible to ensure that 24 per cent reduction in production capacity during stage I of the HPPMP, China would undertake achieve that 24 per cent reduction as soon as possible. It was also explained that when monitoring and verifying that reduction the World Bank would report, in its verification reports, on the phase out achieved by each enterprise and not on the phase out achieved by the particular production lines within each enterprise.

12. The representative of the Secretariat said that approval of 30 per cent of the funding for each tranche before the submission of verification reports by the World Bank would allow China to enter into contracts with local enterprises and meet the requirement of disbursing 20 per cent of a tranche before the approval of a subsequent tranche. The remaining 70 per cent of funding would be released upon the approval of the verification report by the Executive Committee. It was agreed that while the funding approval schedule would be maintained for stage I of the HPPMP it could be reconsidered when approving the subsequent stages of the agreement.

13. The Production Sector Sub-group recommends that the Executive Committee:

(a) Agree a penalty for exceeding agreed production limits of US $1.73 per kg/year;

(b) Agree a penalty for redirection of production for controlled uses to production for feedstock of US $0.15 per kg/year; and

(c) Approve the revised draft Agreement between the Government of China and the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol for the phase-out of production of Hydrochlorofluorocarbons, contained in Annex I to the present report.

Agenda item 5: China CFC production sector agreement

(a) Verification report on 2012 CFC production in China pursuant to decision 66/54

14. The representative of the Secretariat introduced the verification report on 2012 CFC production in China and said that the Production Sector Sub-group might wish to consider the report in light of the request by the Government of China to allow production of CFCs for essential uses approved in 2014.

15. The Production Sector Sub-group took note of the verification report on 2012 CFC production in China.

(b) Modification of China's CFC production sector phase-out plan to permit exemptions for the production of CFCs for essential uses approved for other Parties for 2014

16. The representative of the Secretariat introduced the request for modification of China's CFC production sector phase-out plan to permit exemptions for the production of CFCs for essential uses approved for other Parties for 2014. It was asked whether either China or the Russian Federation had considered accessing pharmaceutical-grade CFCs from other countries with stockpiles of those substances. The Sub-group was informed that representatives of the Russian Federation had approached the representatives of China to inform them that Russian Federation intended to source its supply of CFCs for its essential use exemption for 2014 from China and that China had received an official document approved by the Russian Federation allowing the import of CFCs to meet its essential use exemption.

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

(a) To note the document on the modification of China's CFC production sector phase-out plan to permit exemptions for the production of CFCs for essential uses approved for other parties for 2014 (UNEP/OzL.Pro/ExCom/71/SGP/5);

(b) To modify the CFC production sector Agreement for China to allow the production for export of pharmaceutical-grade CFCs in 2014, with an annual review, for purposes of meeting the 2014 essential use exemption for metered-dose inhalers (MDIs) authorized by the Parties in decision XXV/2 for the other countries, provided the exporting country had reporting and verification systems in place and that the reporting and verification systems collected and reported on the following information:

(i) Documents from MDI manufacturers ordering pharmaceutical-grade CFCs;

(ii) Approvals from importing country governments for purchasing essential use pharmaceutical-grade CFCs;

(iii) Approvals received from governments of MDI-producing countries that ordered pharmaceutical-grade CFC and the essential production authorized;

(iv) Raw materials consumed for production run;

(v) Amount of pharmaceutical-grade CFC produced;

(vi) Amount of non-pharmaceutical-grade CFC produced;

(vii) Documentation (transport, storage, disposal) verifying that the amount of non-pharmaceutical CFCs had been destroyed;

(viii) Export documentation from producers;

(ix) Invoices from MDI manufacturers;

(x) Audit reports verifying all the above;

(c) To request the World Bank, as the implementing agency for the CFC production phase-out plan for China, to provide its services in carrying out the verification/audit and to submit reports to the Executive Committee on behalf of China on the understanding that:

(i) The World Bank verified that the producer had access to destroy the excess CFC produced using a destruction technique approved by the Parties;

(ii) The cost of verification would be approved in advance of the audit by the Executive Committee;

(d) That:

(i) The Secretariat, on behalf of the Executive Committee, would seek confirmation from the importing country of the actual quantities imported by that country;

(ii) The producing country agreed to limit the production of non-pharmaceutical specification grade CFCs to the extent possible and pay for their destruction; and

(iii) The Executive Committee would consider application of the penalty clause to any CFC production determined as being excessive by the verification reports.

Agenda item 6: Other matters

Issues related to stage II of the HPPMP for China as contained in the World Bank's business plan for 2014-2016

18. The representative of the Secretariat presented Table 1 from document UNEP/OzL.Pro/ExCom/71/12 and presented those elements of the resource allocations in the World Bank's business plan for 2014-2016 related to stage II of the HPPMP for China. Several members questioned the need for the request for preparation for stage II of the HPPMP for China and observed that the proposed funding for stage II overlapped with the end of stage I for the HPPMP in 2016. Given the amount of funding already approved for stage I, funding to prepare a project proposal for stage II might not be required, or required to the extent being requested. The removal of funding for that preparation would not foreclose discussion of that issue in the future if a compelling reason for such funding was be presented that was connected to the amount being requested.

19. It also appeared that there was some duplication of funding for the year 2016. There was already a tranche of US $25 million for stage I in that year and a further tranche of US $33 million for stage II as well. One member suggested that the actual programmed funding for the years 2016 to 2020 should be reduced from US $33 million to US $20 million, although also noted that the amount of US $20 million was simply indicative for the proposed tranches beyond 2016. The funding in the business plan for those tranches was not being negotiated at the present meeting. However, one member said that while there might not be a need for the full amount of US $33 million in 2016 there would be a need for some funding during that year for the preparation of stage II of the HPPMP for China.

20. The representative of the World Bank explained that funding for project preparation had been foreseen for 2015 as it was desirable that activities in the production sector took place in parallel with the consumption sector. The funding requirement for stage II of the HPPMP had been based on a model and the funding per tonne of phase-out had been established on a sliding scale in order to provide a higher incentive to enterprises to give up their quotas earlier. The World Bank was seeking guidance on how to make the process consistent with the consumption sector phase-out, although one member questioned whether there was really such a strong link between the production and the consumption sectors.

21. Following a discussion on whether it would be better to reduce the indicative amount of US $33 million to some lesser amount, or remove the indicative amount for the period 2017 to 2020, it was agreed that as the figure was not being endorsed by either the Production Sector Sub-group or the Executive Committee, that figure of US $33 million could remain unchanged in the World Bank's business plan for 2014 to 2016 in those references that were being made to the period 2017 to 2020.

22. The Sub-group recommends that the Executive Committee:

(a) Remove the allocation related to the preparation of stage II of the HCFC production management plan (HPPMP) for China from the World Bank's business plan for the 2014-2016 on the understanding that it could be re-inserted at a later time for consideration by the Executive Committee; and

(b) Remove the allocation for stage II of the HPPMP implementation for the year 2016 in the World Bank's 2014-2016 business plan noting that China may decide to submit in 2016 a proposal for stage II of the HPPMP that would commence in 2017.

Agenda item 7: Adoption of the report

23. The present report was issued during the 71st meeting of the Executive Committee.

Agenda item 8: Closure of the meeting

24. The meeting was closed on Thursday, 5 December 2013, at 21.00.

Annex I

REVISED DRAFT AGREEMENT BETWEEN THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL AND THE GOVERNMENT OF CHINA FOR THE PHASE-OUT OF PRODUCTION OF HYDROCHLOROFLUOROCARBONS REQUIRED BY THE MONTREAL PROTOCOL

1. This Agreement represents the understanding of the Government of China (the "Country") and the Executive Committee with respect to the total phase-out of production of the hydrochlorofluorocarbons (HCFCs) for controlled uses, as set out in Appendix 1-A ("The Substances") to this Agreement, and the freeze and 10 per cent baseline reduction foreseen for stage I of the HCFC Production Sector Phase-out Management Plan (HPPMP).

Framework agreement for total phase-out

2. The total compensation for the entire China HCFC production sector for phasing out HCFC production for controlled uses in accordance with the Montreal Protocol phase-out schedule shall not exceed US $385 million, inclusive of all project costs, excluding agency fees, with the allocation of payments beyond Stage I to be addressed in future stages.

3. The total amount of phase-out to be achieved under the HPPMP is 445,888 metric tonnes (MT), based on the verified 2010 ODS production data of: 310,000 MT of HCFC-22, 98,711 MT of HCFC-141b, 33,957 MT of HCFC-142b, 2,819 MT of HCFC-123 and 401 MT of HCFC-124.

4. Appendix 1-A to this Agreement establishes a starting point for aggregate reduction in HCFC production eligible for funding of 30,180 ODP tonnes (445,888 MT).

5. The Country agrees that funding for Stage I and beyond should be used to prioritize total permanent closure and dismantling of production lines.

6. The Country agrees:

(a) To retire an additional 24 per cent of the production capacity that was established as of 2010 beyond the total tonnage of 445,888 MT as mentioned in paragraph 3 above (i.e., 552,901 MT) to take into account average utilization of HCFC production capacity;

(b) The 552,901 MT includes all production lines based on the list of HCFC production plants, as specified in the addendum to the HPPMP referred to in paragraph 1 of Appendix 4-A of this Agreement, namely: (i) those production lines producing HCFCs for controlled uses that will be closed and dismantled; (ii) other production lines producing for both controlled uses and feedstock that will be retired as needed to achieve the target in paragraph 6(a); and

(c) Capacity closure and retirement strategies are to be further defined, monitored and updated in future tranche implementation work plans and progress reports.

7. The Country agrees to ensure that any funds in the possession of the Foreign Economic Cooperation Office/Ministry of the Environment (FECO/MEP) will return a reasonable rate of interest and that any interest will be offset in future tranches with the reporting requirements of FECO/MEP and the World Bank pursuant to decision 70/20(c) on the reporting on disbursement.

8. The Country will not provide funding in Stage I or beyond for the production line which produced CFCs in Zhejiang Juhua Fluoro-chemical Co. Ltd. in 2010.

8 (bis) The Country agrees to ensure that any compensated plant does not redirect any phased out HCFC production capacity toward feedstock, subject to a penalty to be specified in the agreement for each stage of the HPPMP.

9. The Country agrees to coordinate with its stakeholders and authorities to make best efforts to manage HCFC production and associated by-product production in HCFC plants in accordance with best practices to minimize associated climate impacts. The budget and activities for such coordination will be included in the tranche implementation work plan and progress report.

10. The Country agrees to optimize the implementation of the HPPMP and its addendum in order to minimize environmental and climate impacts as much as possible, including by giving priority to HCFC production closure to achieve the HCFC reduction targets set forth in Decision XIX/6 of the Nineteenth Meeting of the Parties to the Montreal Protocol.

11. The penalty is US$ 1.73 per kg/year of production in excess of the level required in this Agreement. The Country agrees that any compensated HCFC production plant that redirects any phased out HCFC production capacity to feedstock will be subject to the penalty to be specified in the agreement for each stage of the HPPMP.

Stage I of the HPPMP

12. Stage I of the HPPMP for the Country is approved in principle at a total of US $95 million to meet the freeze and 10 per cent reduction of the HCFC production baseline for compliance, inclusive of all project costs, excluding agency support costs, recognizing the Country's need to front-load payments, according to the following payment schedule: US $24 million for the 2013 tranche; US $23 million for the 2014 tranche; US $24 million for the 2015 tranche, and US $24 million for the 2016 tranche. The total funds for the 2014-2016 tranches will be released to the Country only after a verification report of prior year data confirming achievement of the previous production limits target has been approved by the Executive Committee.

13. Stage I of the HPPMP will result in a sustained level of 29,122 ODP tonnes by 2013 and 10 per cent reduction target of 26,210 ODP tonnes by 2015 in compliance with Montreal Protocol schedules**.**

14. The Country agrees to meet the annual production limits for the substances set out in row 1.2 ("Maximum Allowable Production of Annex C, Group I Substances") of Appendix 2-A ("The Targets, and Funding") to this Agreement, as well as in the reduction schedule for all substances mentioned in row 1.1 of Appendix 2-A.

15. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees, in principle, to provide the funding set out in row 3.1 of Appendix 2-A ("The Targets, and Funding") to the Country. The Executive Committee will provide this funding at the Executive Committee meetings specified in Appendix 3-A ("Funding Approval Schedule").

16. The Country accepts that, by its acceptance of this Agreement and fulfilment by the Executive Committee of its funding obligations for stage I described in paragraph 15 above, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect of any production of each

of the substances that exceeds the levels defined in rows 4.1.3, 4.2.3, 4.3.3, 4.4.3 and 4.5.3 of Appendix 2-A.

17. The Country agrees to implement this Agreement in accordance with stage I of the HPPMP submitted, and as modified by this Agreement with respect to funding levels and other conditions of approval specified in Executive Committee decision 69/28(e) , the addendum to the HPPMP referred to in paragraph 1 of Appendix 4-A, and the application of the flexibility clause as specified in paragraph 19 below as informed or requested in annual implementation work plans and progress reports. In accordance with paragraph 18(b), the Country will accept independent verification of achievement of the annual production limits set out in row 1.2 of Appendix 2-A. The aforementioned verification will be commissioned by the relevant implementing agency.

18. The Executive Committee will not provide the funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least twelve weeks in advance of the applicable Executive Committee meeting set out in the Funding Approval Schedule:

(a) The Country has met the targets set out in row 1.2 of Appendix 2-A for all relevant years. Relevant years are all years including the year in which this Agreement was approved;

(b) The achievement of these targets has been independently verified and the verification report will be submitted at least eight weeks in advance to the Secretariat of the relevant Executive Committee meeting, unless the Executive Committee decides that such verification is not required;

(c) The Country has submitted: annual implementation reports in the format in Appendix 4-A ("Format of Implementation Reports and Plans") covering each previous calendar year and confirming that the conditions set out in paragraphs 6 to 11 of this Agreement have been met where applicable; has achieved a significant level of implementation of activities initiated with previously approved tranches; and the rate of disbursement of funding available from the previously approved tranche exceeded 20 per cent; and

(d) The Country has submitted an annual implementation plan in the format in Appendix 4-A covering each calendar year up to and including the year for which the funding schedule foresees the submission of the next tranche or, in the case of the final tranche, until completion of all activities foreseen.

19. The Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances, to achieve the smoothest reduction of production and phase-out of the substances specified in Appendix 1-A.

(a) Reallocations categorized as major changes must be documented in advance in an annual implementation plan and approved by the Executive Committee, as described in sub-paragraph 18(d) above. The documentation can also be provided as part of a revision to an existing annual implementation plan, to be submitted eight weeks prior to any meeting of the Executive Committee. Major changes would relate to:

(i) Issues potentially concerning the rules and policies of the Multilateral Fund;

(ii) Modifications to any clause in this Agreement;

(iii) Provision of funding for programmes or activities not included in the current endorsed annual implementation plan involving costs exceeding 30 per cent of the total cost of the previous approved tranche;

(iv) Removal of activities in the annual implementation plan involving costs exceeding 30 per cent of the total cost of the previous approved tranche;

(v) Reallocations not categorized as major changes may be incorporated into the approved annual implementation plan being implemented at that time, and reported to the Executive Committee in the subsequent annual implementation report; and

(vi) Any funds remaining from Stage I of the HPPMP will be returned to the Multilateral Fund upon completion of the last tranche foreseen under this Agreement with the understanding that the funds returned would not be deducted from the maximum level of funding for the overall phase-out.

20. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A ("Monitoring Institutions and Roles") will monitor and report on implementation of the activities in the previous annual implementation plans in accordance with their roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification, as described in paragraph 18(b) above.

21. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. The World Bank has agreed to be the lead implementing agency (the "Lead IA") in respect of the Country's activities under this Agreement. The Country agrees to evaluations, which may be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of the Lead IA.

22. The Lead IA will be responsible for ensuring coordinated planning, implementation and reporting of all activities under this Agreement, including but not limited to independent verification, as per paragraph 18(b) above. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 2.2 of Appendix 2-A.

23. Should the Country, for any reason, not meet the targets for the phase-out of the substances set out in row 1.2 of Appendix 2-A or otherwise not comply with this Agreement, the Country agrees that it will not be entitled to the funding in accordance with the Funding Approval Schedule. At the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Approval Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all its obligations that should have been met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the funding by the amount set out in Appendix 7-A (Reductions in Funding for Failure to Comply for Stage I) in respect of each kg of reduction in production not achieved in any one year and, in respect of any redirection of phased-out HCFC production capacity to feedstock uses by compensated HCFC production plant, as indicated in the addendum to the HPPMP. The Executive Committee will discuss each specific case in which the Country did not comply with this Agreement, and take related decisions. Once these decisions have been taken, this specific case will not be an impediment to receiving future tranches, as per paragraph 15 above.

24. Funding under this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other HCFC production sector projects.

25. The Country will comply with any reasonable request by the Executive Committee or the Lead IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA with access to the information necessary to verify compliance with this Agreement.

26. Stage I of the reduction in production of HCFCs and the associated Agreement will be completed at the end of the year following the last year for which a maximum allowable total production level has been specified in Appendix 2-A. At that time, should there still be outstanding activities foreseen in the Plan and its subsequent revisions, as per paragraphs 18(d) and 19, the completion will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per sub-paragraphs 2(a), 2(b), 2(d), and 2(e) of Appendix 4-A will continue until the time of completion of Stage I, unless otherwise specified by the Executive Committee.

27. All of the conditions set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Montreal Protocol unless otherwise defined herein.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point (2010) for aggregate reductions in production (ODP tonnes)
HCFC-22	C	I	17,050
HCFC-141b	C	I	10,858
HCFC-142b	C	I	2,207
HCFC-123	C	I	56
HCFC-124	C	I	9
Total			30,180

APPENDIX 2-A: THE TARGETS, AND FUNDING FOR STAGE I OF THE AGREEMENT

Row	Particulars	2013	2014	2015	2016	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	1,058	0	2,912	0	3,970
1.2	Maximum allowable total production of Annex C, Group I substances (ODP tonnes)	29,122	29,122	26,210	26,210	n/a
2.1	Lead IA (World Bank) agreed funding (US $million)	24	23	24	24	95
2.2	Support costs for Lead IA (US $million)	1.344	1.288	1.344	1.344	5.320
3.1	Total agreed funding (US $million)	24	23	24	24	95
3.2	Total support costs (US $million)	1.344	1.288	1.344	1.344	5.320
3.3	Total agreed costs (US $million)	25.344	24.288	25.344	25.344	100.32
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under stage I of this Agreement (ODP tonnes)					923
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)					0
4.1.3	Remaining eligible production for HCFC-22 (ODP tonnes)					16,127
4.2.1	Total phase-out of HCFC-141b agreed to be achieved under stage I of this Agreement (ODP tonnes)					2,606
4.2.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)					0
4.2.3	Remaining eligible production for HCFC-141b (ODP tonnes)					8,252
4.3.1	Total phase-out of HCFC-142b agreed to be achieved under stage I of this Agreement (ODP tonnes)					441
4.3.2	Phase-out of HCFC-142b to be achieved in previously approved projects (ODP tonnes)					0
4.3.3	Remaining eligible production for HCFC-142b (ODP tonnes)					1,766
4.4.1	Total phase-out of HCFC-123 agreed to be achieved under stage I of this Agreement (ODP tonnes)					0
4.4.2	Phase-out of HCFC-123 to be achieved in previously approved projects (ODP tonnes)					0
4.4.3	Remaining eligible production for HCFC-123 (ODP tonnes)					56
4.5.1	Total phase-out of HCFC-124 agreed to be achieved under this stage I of Agreement (ODP tonnes)					0
4.5.2	Phase-out of HCFC-124 to be achieved in previously approved projects (ODP tonnes)					0
4.5.3	Remaining eligible production for HCFC-124 (ODP tonnes)					9

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE FOR STAGE I

1. Funding for future work plan will be considered for approval at the last meeting of the Executive Committee in the year prior to the year of the work plan.

2. For example, the work plan for 2014 and the progress report for the first tranche of the HPPMP will be submitted to the last meeting in 2013. Funding will be transferred to the implementing agency upon approval of the work plan and not more than 30 per cent of this amount could be released to the Country before the approval of the verification report by the Executive Committee.

3. A final verification report for Stage I will be submitted in 2017 to verify 2016 production. The last tranche of Stage I will be disbursed in full upon the approval of the 2015 verification report by the Executive Committee.

APPENDIX 4-A: FORMAT OF IMPLEMENTATION REPORTS AND PLANS FOR STAGE I

1. The first implementation report and plan for stage I of the HPPMP will contain an addendum that takes into account the final level of funding for the total phase-out, and that approved for stage I, including the conditions of approval in decision 69/28(e). The addendum would further define the conditions of approval in particular with respect to how decision 69/28(e) would be implemented.

2. The submission of the implementation report and plan for each tranche request will consist of five parts:

(a) A narrative report, with data provided by calendar year, regarding the progress since the year prior to the previous report, reflecting the situation of the Country in regard to phase-out of the substances, how the different activities contribute to it, and how they relate to each other in Appendix 1-A. The report should include ODS phase-out as a direct result of the implementation of activities, by substance, to allow the Secretariat to provide the Executive Committee with information on the resulting change in climate-relevant emissions. It will address how the conditions of approval in decision 69/28(e) (paragraphs 4-11 of this Agreement) have been addressed, the actions/activities taken to achieve these conditions and their budgets both in the plan and the progress report. It will identify any redirection of phased-out production capacity, as specified in paragraph 3 of the Agreement that is compensated by the Agreement to production for feedstock use by plant and by plant line where applicable. The report and plan will indicate what capacities are closed and dismantled and the target for the next year. Controlled and feedstock production by plant line, if applicable, should be provided. The report should further highlight successes, experiences, and challenges related to the different activities included in the plan, reflecting any changes in the circumstances in the Country, and providing other relevant information. The report should also include information on and justification for any changes vis-à-vis the previously submitted annual implementation plan(s), such as delays, uses of the flexibility for reallocation of funds during implementation of a tranche, as provided in paragraph 19 of this Agreement, or other changes. The narrative report will cover all relevant years specified in sub-paragraph 18(a) of this Agreement and may, in addition, include information on activities in the current year;

(b) A verification report on the results of the HPPMP and the production of the substances listed in Appendix 1-A, as per sub-paragraph 18(b) of this Agreement. Unless otherwise decided by the Executive Committee, such a verification shall be provided together with each tranche request and, as specified in sub-paragraph 18(a) of this Agreement, will provide verification of production for all relevant years for which a verification report has not yet been noted by the Executive Committee;

(c) A written description of the activities to be undertaken up to and including the year of the planned submission of the next tranche request, highlighting the interdependence of the activities, and taking into account experience gained and progress achieved in the implementation of earlier tranches; the data in the plan will be provided by calendar year. The description should also include a reference to the overall plan and progress achieved, as well as any possible changes to the overall plan that are foreseen. The description should cover the years specified in sub-paragraph 18(d) of this Agreement and also specify and explain in detail such changes to the overall plan. This description of future activities may be submitted as a part of the same document as the narrative report under sub-paragraph (a) above;

(d) A set of quantitative information for all annual implementation reports and annual implementation plans is to be submitted through an online database. This quantitative information, to be submitted by calendar year with each tranche request, will amend the narratives and description for the report (in accordance with sub-paragraph (a) above) and the plan (in accordance with sub-paragraph (c) above), the annual implementation plan and any changes to the overall plan, and will cover the same time periods and activities; and

(e) An executive summary of around five paragraphs is to be submitted in order to summarize the information required by sub-paragraphs (a) to (d) above.

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES FOR STAGE I

1. The overall monitoring will be the responsibility of the National Ozone Unit (NOU). The production will be monitored based on semi-annual reports provided by HCFC producers and confirmation by the NOU.

2. The NOU will also be responsible for reporting and shall submit the following reports in a timely manner:

(a) Annual reports on production of each substance for controlled and feedstock uses to be submitted to the Ozone Secretariat;

(b) Annual reports on progress in implementation of the country programme, to be submitted to the Executive Committee; and

(c) Project-related reports to be submitted to the Lead IA.

3. The Lead IA will carry out independent annual verifications at all producers for which tonnage was included in paragraph 3 of the Agreement for the years 2013-2016 to confirm that the HCFC production phase-out targets at the country level have been met. Annual HCFC production will be verified by following the Executive Committee’s Guidelines and Standard Format for Verification of ODS Production Phase-out using the Montreal Protocol’s definition of production i.e. (a) HCFC production is equal to the total annual HCFC production minus the total amount of HCFCs used in

feedstock applications. The verification reports will be submitted to the Executive Committee in accordance with paragraph 18 of this Agreement.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY FOR STAGE I

1. The Lead IA will be responsible for the overall supervision of the implementation of the stage I of the reduction in production of HCFCs under this Agreement. The Lead IA supervision will include at least the following:

(a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements, as set out in the Country's HPPMP and addendum;

(b) Assisting the Country in preparation of the implementation plans and subsequent reports, as per Appendix 4-A;

(c) Providing independent verification to the Executive Committee that the targets have been met and associated annual activities have been completed, as indicated in the implementation plan consistent with Appendix 4-A;

(d) Ensuring that experience and progress is reflected in updates of the overall plan and in future annual implementation plans, consistent with sub-paragraphs 2(c) and 2(d) of Appendix 4-A;

(e) Fulfilling the reporting requirements for the annual implementation reports, annual implementation plans and the overall plans, as specified in Appendix 4-A, for submission to the Executive Committee;

(f) Ensuring that appropriate independent technical experts carry out the technical reviews;

(g) Carrying out required supervision missions;

(h) Tracking implementation and use of funds to ensure that they are consistent with all the Lead IA policies and procedures, including safeguard policies, as well as Executive Committee policies and procedures and provisions of this Agreement;

(i) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the implementation plan and accurate data reporting;

(j) In case of reductions in funding for failure to comply in accordance with paragraph 1 of this Agreement, to determine, in consultation with the Country, the allocation of the reductions to the different budget items and to the agency support cost of the Lead IA;

(k) Ensuring that disbursements made to the Country are based on the use of the indicators; and

(l) Providing assistance with policy, management and technical support, when required.

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent entity to carry out the verification of the results and the production of the substances mentioned in Appendix 1-A, as per sub-paragraph 18(b) of this Agreement and sub-paragraph 2(b) of Appendix 4-A.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY FOR STAGE I

1. In accordance with paragraphs 11 and 23 of this Agreement, the amount of funding provided may be reduced by US$1.73 per kg/year of production beyond the level defined in row 1.2 of Appendix 2-A for each year from future funding tranches in which the target specified in row 1.2 of Appendix 2-A has not been met.

2. If any independent annual verification, as stipulated in paragraph 3 of Appendix 5-A to this Agreement, reveals that the phased out HCFC production capacity previously used for ODS production in 2010, as specified in paragraph 3 of the Agreement, in any HCFC production plants that are compensated by this Agreement is redirected to feedstock uses in a given year, the amount of funding may be reduced by US$0.15 per kg/year of redirected production from future funding.
