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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Ninetieth Meeting
Montreal, 20-23 June 2022

REPORT OF THE SUB-GROUP ON THE PRODUCTION SECTOR

Introduction

1. The Sub-group on the Production Sector, as reconstituted at the 90th meeting of the Executive Committee, met on 21 and 22 June 2022 in the margins of the 90th meeting. It consisted of the representatives of Brazil, Canada, Cuba, Finland, India, Italy, the United States of America, and Zimbabwe, 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/89/SGP/1/Rev.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: Review of the approach used by China to report production of HCFC-133a and CFC-113a under Article 7 of the Montreal Protocol (decision 87/57(e)(ii))

5. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/89/SGP/4, and said that pursuant to decision 87/57(e)(ii) the Government of China had reviewed its approach to reporting production of HCFC-133a and CFC-113a under Article 7 of the Montreal Protocol. Based on that review, the Government had adopted a more rigorous approach to data reporting; from 2020 it would report the production of HCFC-133a and CFC-113a under Article 7 in a manner consistent with the verification reports submitted under the country's HCFC production phase-out management plan (HPPMP).

6. While the representative had confirmed that the more rigorous approach to data reporting would apply to both HCFC-133a and CFC-113a, it was pointed out that the data in the verification reports submitted under China's HPPMP did not include all of the country's CFC-113a production. The representative of the Secretariat said that the more rigorous approach would also be applicable to reporting CFC-113a data; although it would not be specifically verified, it would be reported by the Government using the rigorous approach.

7. Further clarification was sought on reporting of production of controlled substances as feedstock versus as intermediates. The Secretariat explained, with the aid of a flow chart and an example, that the HCFC-133a that was produced and fed into the next reactor in the same chain of chemical processes was considered an intermediate; while the HCFC-133a and CFC-113a produced at the end of a chain of chemical processes, and sent to storage, and subsequently used in another chemical process were considered as feedstock.

8. One member said that the term intermediate was not defined under the Montreal Protocol. For the purposes of the Montreal Protocol any chemical compound that was used to produce another chemical in an industrial process was considered feedstock for that process.

9. Subsequently, the representative of the Secretariat said that there had been informal consultations among the members and a revised draft recommendation had been prepared for the consideration of the Sub-group, but one member had proposed changes that had not been included due to a lack of time. That member suggested the removal of a reference to controlled substances which was broader than the substances considered under the agenda item, and it was suggested to refer only to the production of HCFC-133a and CFC-113a. That change was agreed by the Sub-group.

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

- (a) The review of the approach used by the Government of China to report production of HCFC-133a and CFC-113a under Article 7 of the Montreal Protocol (decision 87/51(e)(ii)); and
- (b) That the Government of China had informed the Executive Committee that starting from 2020, the country would report under Article 7 of the Montreal Protocol the production of HCFC-133a and CFC-113a consistent with the verification reports submitted under the country's HCFC production phase-out management plan and with the Government's more rigorous approach to data reporting of those substances.

Agenda item 4: Draft guidelines and the standard format used for the verification of ODS production phase-out (decision 88/80)

11. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/89/SGP/2 which included the updated draft guidelines and standard format for use during the verification of ODS production phase-out as requested by decision 83/70. The document also included information on “vertically integrated facilities” pursuant to decision 87/57(d). Based on newly available data, it appeared that in addition to the use of trucks to transport HCFCs for feedstock use, it was a common practice for integrated facilities that transported HCFCs by pipe to also have a storage tank for those chemicals. Consequently, the Secretariat was of the view that the definition of a “vertically integrated facility” should not depend on the method of transporting the HCFCs to the downstream facility but rather the institutional and operational integration of the HCFC production line with any downstream production facility.

12. One member sought clarification on how the Executive Committee would be informed if a vertically integrated plant changed its method of transporting HCFCs to the downstream facility. In response, the representative of the Secretariat said that the risk of diversion may not be based solely on the method used to transport the feedstock, therefore this information may not be required. Instead, the Secretariat requested reporting of annual stock change. Another member asked whether and how the suggestion by the Secretariat to request information on changes of HCFC stock levels in integrated facilities would address the risk of diversion of feedstock to controlled uses. The representative of the Secretariat explained that this risk could indeed be addressed by requiring reporting the annual changes in the stock, aggregated by substance at the beginning and end of the year, and all the feedstock produced are accounted for.

13. One member expressed a concern that the proposed changes to the guidelines could present an additional burden on Article 5 countries, which would not be acceptable.

14. Subsequently the member sought clarification on the scope of the verification. The representative of the Secretariat clarified that the verification guidelines would only apply to the substances covered by the phase-out Agreement under which the verification was submitted. The facilitator added that the verification guidelines would only apply to existing and future production phase-out projects being funded by the Multilateral Fund, not completed production phase-out projects.

15. Regarding the verification that production of HCFCs was for feedstock uses, it was clarified that the practice was for a one-time verification of newly established production lines and that no subsequent verifications were required for vertically integrated lines. The facilitator explained that the purpose of the verification exercise was to confirm that the country had met its target in the Agreement and to ensure that HCFCs produced for feedstock use were used for that purpose.

16. It was asked whether the guidelines applied to previous production sector agreements and would apply to HFCs. The representative of the Secretariat said that while it was up to the Executive Committee to decide whether to develop new guidelines for the verification of HFC production, in the past when there had not been guidelines for HCFCs the guidelines for CFCs had been used instead. The representative of the World Bank said that some of the desired changes to the guidelines might be difficult to implement in the already approved HCFC production phase-out management project under implementation. It was suggested that the Secretariat consult with the World Bank to better understand the concerns.

17. The facilitator said that there was insufficient time to complete the discussion of the issue at the present meeting. He asked the members to continue their discussion informally and suggested that depending on the extent of changes requested, the sub-group could meet again or the agenda item would be reopened at the next meeting of the Executive Committee.

Agenda item 5: Draft HCFC production sector guidelines (decision 88/81)

18. The representative of the Secretariat introduced document UNEP/OzL.Pro/ExCom/89/SGP/3.
19. The facilitator asked if there had been any developments in the positions previously expressed in the Sub-group.
20. After a brief discussion it was noted that there did not appear to be any change in the positions of the members and the Sub-group agreed to maintain the issue on the agenda and defer further consideration of the draft HCFC production sector guidelines to the next meeting of the Executive Committee.

Agenda item 6: Other matters

21. No other matters were raised.

Agenda item 7: Adoption of the report

22. The present report was reviewed by the facilitator and submitted to the Chair of the Executive Committee for transmission to the 90th meeting of the Executive Committee.

Agenda item 8: Closure

23. The meeting of the Sub-group on the Production Sector was closed at 3.00 pm on 22 June 2022.