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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Sixty-fourth Meeting  
Montreal, 25-29 July 2011

**REPORT OF THE PRODUCTION SECTOR SUB-GROUP**

1. The Production Sector Sub-group was reconvened at the 64<sup>th</sup> Meeting of the Executive Committee. The Sub-group consisted of Argentina, Australia, China, Cuba, Japan, Kuwait, Switzerland, and the United States of America. Representatives from UNIDO and the World Bank were also present as observers. Australia was the convenor.

**Agenda item 1: Adoption of the agenda**

2. The Sub-group agreed to add to agenda item 5 “Other matters” a sub-agenda item “the issue of the application of decision 60/47”. The Sub-group adopted the draft agenda, as amended. A copy of the revised agenda is found in Annex I.

**Agenda item 2: Organization of work**

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

**Agenda item 3: Status report on the technical audit of the HCFC Production Sector in China**

4. The Secretariat presented a status report on the technical audit of the HCFC production sector in China and updated the information in document UNEP/OzL.Pro/ExCom/64/SGP/2. It indicated that a contract would be awarded in one week to the lowest bidder and all 31 HCFC production plants in China would be visited. A Panel constituted to review the requests for proposals (RFPs) with the Fund Secretariat agreed with the decision of the procurement office of the United Nations in Nairobi on the condition that the contract included the terms of reference, the Executive Committee decisions, and the correspondence between UNON and the winning bidder.

5. In response to questions about timing, the Secretariat indicated that it had requested a revised timetable and payment schedule associated with the timetable as part of the contract. The winning bidder had indicated that it would be able to provide an interim report on HCFC-141b, HCFC-142b and a sample of HCFC-22 production plants in advance of the 65<sup>th</sup> Meeting.

**Agenda item 4: Work to-date on remaining elements of a final decision with respect to the HCFC production sector**

6. The Convenor indicated that he and the Secretariat had developed a draft decision based on the document on work to-date on remaining elements of a final decision with respect to the HCFC production sector (UNEP/OzL.Pro/ExCom/64/SGP/3). It was also pointed out that the Recommendation included elements that they were thought to have been agreed-in-principle and other elements that had not yet been agreed that were found in brackets. The Sub-group agreed to address the draft decision.

7. The Panel agreed that recommendations a and b taken together had been agreed with the addition of the words ODS-producing facilities as indicated in recommendation b.

8. Recommendation c had two options. In support of the first option, it was noted that this had been the case with the CFC production phase-out and there was concern on how to address the all of the components of the second option. Support was expressed for the second option and the phrase “whichever most cost-effective” was added to it. However, as there was not agreement, both options remained in square brackets.

9. With respect to recommendation d, it was suggested that as the consumption sector HPMPs are already being addressed by many producing countries, some of which that had approved HPMPs, the words “in the first HPMP” should be deleted. However, it was noted that the recommendation was only an encouragement but that the decision emanated from decision XIX/6. Therefore, the recommendation remained in brackets. The Sub-group agreed that recommendations e and f had been agreed in principle, but did not have time to address recommendations g, h, and i that remained in square brackets in the document. The Secretariat was requested to reproduce the draft decision as modified by the present meeting to the next meeting including the text of sub-paragraphs (a)(i)-(a)(vii) to (d) of decision 19/36. A copy of the draft decision as agreed at this meeting is provided in Annex II of the present document.

**Agenda item 5: Other matters**

10. It was noted that the 2011 progress report of Medical Technical Options Committee indicated the production and export of CFC pharma-grade CFCs from India in 2010. The Secretariat and the World Bank were asked to provide any information on the subject. The Secretariat indicated that it has not received a request from the Government of India with respect to decision 60/47 and that while the technical audit of CFC production for 2009 had been submitted, it had not yet received 2010 audit. The Bank confirmed that the technical audit in India had not been completed and India indicated that its 2010 technical audit by the World Bank would be submitted to the 65<sup>th</sup> Meeting. After some discussion on the appropriate venue for addressing the subject, the Sub-group agreed that this matter would be discussed at the 65<sup>th</sup> Meeting in the light of the 2010 technical audit.

**Recommendations**

11. In light of the discussion above, the Production Sector Sub-group recommends that the Executive Committee:

(a) Notes:

- (i) The report of the Sub-group on the Production Sector found in UNEP/OzL.Pro/ExCom/64/52; and
- (ii) That the Sub-group would continue its discussions on the Guidelines for the HCFC production sector on the draft decision to-date (Annex II of the subject report) and the Implementation of decision 60/47.

**Annex I**

**AGENDA**

1. Adoption of the agenda.
2. Organization of work.
3. Status report on the technical audit of the HCFC Production Sector in China, document UNEP/OzL.Pro/ExCom/64/SGP/2.
4. Work to-date on remaining elements of a final decision with respect to the HCFC production sector, document UNEP/OzL.Pro/ExCom/64/SGP/3.
5. Other matters.
  - (a) Application of decision 60/47.
6. Adoption of the report.
7. Closure.



## Annex II

### TEXT OF A POSSIBLE DECISION FOR HCFC PRODUCTION SECTOR GUIDELINES

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

- (a) Adopts the practices and procedures laid out in paragraphs (a)(i)-(a)(vii) to (d) of decision 19/36 of the Executive Committee for the HCFC production sector, including paragraph (a)(vii) which states that “the environmental clean-up of the ODS-producing facility should not constitute an incremental cost; however, it should be done in an environmentally responsible manner”;
- (b) Notes that countries may wish to use the flexibility clause in agreements to fund clean-up of ODS-producing facilities on the understanding that any such use of funding, approved in principle in agreement, should be identified in the annual work programme requests in advance of using the funds for a non-incremental cost;
- (c) [Calculates production costs on the basis of closure taking into account foreign ownership and export to non-Article 5 components of facilities being closed;  
  
or  
  
Calculates production costs on the basis of closure, conversion, and/or redirection to feedstock, whichever is the more cost-effective, taking into account foreign ownership and export to non-Article 5 components of facilities being closed;]
- (d) Encourages a synchronized production/consumption phase-out [as part of the first HPMP];
- (e) Considers, as appropriate, providing incentives for early phase-out of HCFC production and/or providing disincentives for HCFC production that would be phased out later;
- (f) Requires a robust monitoring system, similar to that used for the verification of the CTC phase-out, to monitor facilities that received funding but continued to produce HCFCs for feedstock uses;
- (g) [Gives priority to phasing out HCFCs with larger ODP values first, taking into account national circumstances, and the requirements for parallel reductions in the consumption sector;]
- (h) [Decides a cut-off date of ..... for establishment of production sector plant capacity eligibility; and]
- (i) [Decides whether activities in swing plants that have already received CFC closure funding may be eligible for additional support for HCFC production phase-out.]

Note: Recommendations in [...] have not been agreed in principle.

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