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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Thirty-sixth Meeting  
Montreal, 20-22 March 2002

**PRODUCTION SECTOR**

This document includes two parts:

Part I: Documents for the Meeting of the Subgroup on the Production Sector:

- Draft agenda for the Meeting of the Subgroup at the 36<sup>th</sup> Meeting of the Executive Committee.
- Request for replenishing the account for the technical audits of the ODS Production Sector.
- Revised agreement for the phase-out in the ODS Production Sector in the Democratic People's Republic of Korea.
- Request for authorization to carry out technical audit of the CFC Production Sector in Venezuela.

Part II: Report of the Executive Committee's Subgroup on Production Sector (to be provided at the 36<sup>th</sup> Meeting).

**DRAFT AGENDA**

1. Adoption of the agenda
2. An update from the Chief Officer on the development in the ODS Production Sector since the 35<sup>th</sup> Meeting
3. Request for replenishing the account for the technical audits of the ODS Production Sector
4. Revised agreement for the phase-out in the ODS Production Sector in the Democratic People's Republic of Korea
5. Request for authorization to carry out technical audit of the CFC Production Sector in Venezuela
6. Other matters
7. Closure of the meeting

**REQUEST FOR REPLENISHING THE ACCOUNT FOR THE TECHNICAL AUDITS  
OF THE ODS PRODUCTION SECTOR**

1. A total amount of US \$600,000 was approved at the 24<sup>th</sup> Meeting in 1998 to finance technical audits of the ODS producing facilities in ODS producing Article 5 countries. As of to date, the account has funded technical audits in the following countries:

- CFC audit in China;
- CFC and halon audits in India;
- CFC audit in Argentina;
- ODS audit in DPR Korea; and
- CFC audit in Mexico.

2. A total expenditure of US \$531,852 (including disbursements and obligations) has been charged to the account which currently carries a balance at US \$68,148. Additional technical audits foreseen for the year 2002 include:

- CFC audit in Venezuela;
- CTC/TCA audit in China; and
- CTC audit in India.

3. An estimated cost of these audits is US \$200,000. Offsetting against the current balance of US \$68,148, a replenishment of the account by US\$150,000 is requested. A report on the expenditures as of to date is as follows.

**Report on the Expenditures as of to date**

	<b>US Dollars</b>		<b>Description</b>
Opening Balance		600,000	
Less expenditures	40,000		CFC audit in Argentina
	45,000		ODS audit in Korea
	381,189		CFC audit in China and India
	25,000		Halon audit in India
	40,000		CFC audit in Mexico
	663	(531,852)	Misc/Bank charges
Closing Balance		68,148	
Amount carry forward		68,148	

**REVISED AGREEMENT FOR THE PHASE-OUT IN THE ODS PRODUCTION  
SECTOR IN THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA**

**(Note from the Secretariat)**

1. It is recalled that the Subgroup on the Production Sector reviewed a draft agreement for the phase-out in the ODS Production Sector in the Democratic People's Republic of Korea during the 35<sup>th</sup> Meeting of the Executive Committee. The Secretariat pursued the communication with the Government of DPR Korea after the 35<sup>th</sup> Meeting on the schedule of closing down the ODS producing facilities and was advised by the Government of the following timetable:

<u>Producing Facility</u>	<u>Time of Closure</u>
CFC-113	May 2001
Methyl Chloroform	May 2001
CFC-11, CFC-12	2003
CTC	2005

2. Following the principle that fund disbursement is contingent upon satisfactory verification of plant closure and dismantling, a disbursement schedule of the total funding level of US \$2,566,800 is proposed, in line of the schedule of closing of the producing facilities.

3. Accordingly, the draft agreement has been revised and attached as Annex I to this document.

4. UNIDO informed the Secretariat of its interest in implementing the project with the understanding that additional funding should be made available to UNIDO over and above its allocation for 2002, as indicated in Table 6 of its 2002 business plan.

**REQUEST FOR AUTHORIZATION TO CARRY OUT TECHNICAL AUDIT  
OF THE CFC PRODUCTION SECTOR IN VENEZUELA**

**(Note from the Secretariat)**

1. The Secretariat has received from the Government of Venezuela, through the World Bank, the preliminary data on the CFC Production Sector of the country, which consists of a single producer, Productos Halogenados de Venezuela C.A.(PRODUVEN). It is a joint ownership with Atofina of France. The submission, however, does not provide a schedule of closing down the CFC production, as per the approved guidelines for submitting a draft sector plan for phasing out the CFC production. The Secretariat is requesting this information from the Government.
2. In the meantime the Secretariat would like to seek the authorization from the Subgroup on the Production Sector to proceed with the technical audit once the Government has provided the above information.
3. The preliminary data on the CFC producing plant, PRODUVEN, is attached as Annex II to this document.

**Annex I**

**DRAFT AGREEMENT FOR THE PHASE OUT IN THE ODS PRODUCTION SECTOR  
IN DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA**

(a) The Executive Committee decides to approve in principle a total of US \$2,566,800 in funding for the closure of the entire ODS production capacity in DPR Korea. This is the total funding that would be available to DPR Korea from the Multilateral Fund for the total permanent closure and dismantling of all capacity for the production of the controlled substances under Annex A - Group I CFCs (CFC-11, 12 and 113), Annex B-Group II carbon tetrachloride, Annex B - Group III 1,1,1-trichloroethane, and/or the development of capacity to produce alternatives to these ODSs. The agreed level of funding would be paid out according to the following schedule of closing the facilities, upon the submission and the Executive Committee approval of the independent verification report on the permanent closure of the ODS production and dismantling of the production facilities.

**Schedule of closures and disbursement**

<b>Processing facility</b>	<b>Time of closure</b>	<b>Time of verification</b>	<b>Level of disbursement**</b>	<b>Time of disbursement</b>
CFC-113	May 2001	August 2001*	687,700	At approval
Methyl Chloroform	May 2001	August 2001*	656,650	At approval
CFC-11/12	2003	2003	733,700	Upon satisfactory verification of closure
CTC	2005	2005	488,750	Upon satisfactory verification of closure
<b>Total</b>			<b>2,566,800</b>	

\* Verified by Wakim Consulting during the technical audit.

\*\* Includes the replacement cost of the facility and 15% for dismantling.

(b) UNIDO has agreed to be the implementing agency for this project at a total support cost of US \$128,340. As the implementing agency, UNIDO agrees to be responsible for independently verifying for the Executive Committee that dismantling all ODS production lines is done appropriately by ensuring that the reactor, distillation towers, receiver tanks for finished products, and control and monitoring equipment are dismantled and rendered unusable for future ODS production, and are disposed of.

(c) The funding components of this decision shall not be modified on the basis of future Executive Committee decisions that may affect the funding of the ODS Production Sector or any related activity

(d) In light of the fact that the closure of CFC production capacity in DPR Korea will make CFCs more scarce, and that recycled CFC will be important to ensuring that CFC is available to meet continuing servicing needs in the country, DPR Korea will endeavour to preserve its recycled/reclaimed CFCs for its own use.

## Annex II

### PRELIMINARY DATA ON THE PRODUCTION SECTOR

1. List of plants in the country: There is one production facility in the country, only, namely:

**Name:** PRODUCTOS HALOGENADOS DE VENEZUELA, C.A. (PRODUVEN)

**Location:** Carretera Moron-Coro, Sector Empresas Mixtas, Estado Carabobo

**Production List:** CF-11//CF-12//HCFC-22//HCI

**Normal Capacity:** 10,000 Metric Tonnes per year, for ODS

**Date of Construction:** 1975

**Name of Proprietors:** Atofina - France 50%/Pequiven -Venezuela 50%

2. Effective production of ODS substances country-wide (Venezuela)

Tonnes/ Year	CFC-11	CFC-12	CFC-13	Others* HCFC-22	Halon 1211	Halon 1301
1993	1,110	4,439		2,055		
1994	901	3,650		1,434		
1995	921	3,562		1,656		
1996	893	3,542		1,590		
1997	1,498	4,151		1,607		
1998	723	3,016		1,298		
1999	660	2,203		453		
2000	455	1,809		500		

3. Effective production of ODS substances plant by plant  
PRODUVEN, sole producer in Venezuela

Tonnes/ Year	CFC-11	CFC-12	CFC-13	Others* HCFC-22	Halon 1211	Halon 1301
1993	1,110	4,439		2,055		
1994	901	3,650		1,434		
1995	921	3,562		1,656		
1996	893	3,542		1,590		
1997	1,498	4,151		1,607		
1998	723	3,016		1,298		
1999	660	2,203		453		
2000	455	1,809		500		

- 3.1 Industry turn over      0.01% of GNP  
   0.08% of Chemical industries

## 3.2 Quantities of exported CFCs

Tonnes/ Year	CFC-11	CFC-12	CFC-13	Others* HCFC-22	Halon 1211	Halon 1301
1993	315	1,189		171		
1994	539	1,123		115		
1995	359	819		153		
1996	598	1,040		153		
1997	857	1,512		200		
1998	169	799		210		
1999	439	644		272		
2000	135	781		227		

## 4. Total employees

- a) In the Production Sector (Direct labour + overheads + maintenance)  
b) In the packaging & sales sector

Year	Director labour	Overhead	Labs	Maintenance	Packaging & Sales
1993	23	44	3	23	18
1994	23	45	3	23	18
1995	21	44	3	22	16
1996	21	45	3	22	16
1997	20	43	3	21	16
1998	20	43	3	20	16
1999	17	23	3	17	14
2000	17	13	2	17	13

## 5. Consumption of Raw Materials (Tonnes/Year)

Year	CCl4		CHCl3	AHF		AHF
	CFC-11	CFC-12	HCFC-22	CFC-11	CFC-12	HCFC-22
1997	1,764	5,555	2,723	244	1,531	920
1998	860	4,076	2,240	120	1,134	742
1999	785	2,977	810	110	828	271
2000	562	2,520	894	77	696	291

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