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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-fifth Meeting
Montreal, 4-8 April 2005

**ENHANCING CAPACITY-BUILDING IN THE NATIONAL OZONE UNITS OF
ARTICLE 5 COUNTRIES IN THE FINAL STAGES OF THE MONTREAL PROTOCOL
COMPLIANCE PERIOD (FOLOW-UP TO DECISION 44/64)**

Note from the Secretariat

1. At its 44th Meeting, the Executive Committee had a brief debate on an informal paper submitted by the representative of China on the above subject (Annex XX of UNEP/OzL.Pro/ExCom/44/73) and decided that some representatives could continue working on the issue intersessionally and submit a revised paper to the 45th Meeting (Decision 44/64).
2. The Government of China is submitting the attached supplementary paper to the 45th Meeting.

CONTINUE WORKING FOR THE GLOBAL SUCCESS OF THE MONTREAL PROTOCOL

(A supplementary paper submitted by the Government of China under Agenda Item 10)

I. Success to date

1. There is no doubt that implementation of the Montreal Protocol has been successful in the past 15 years and part of that success is attributable to the creation of the Multilateral Fund which has assisted in the efforts of the Article 5 countries in complying with the Montreal Protocol commitments. Data available to-date shows that the majority of Article 5 countries have been able to freeze their production and consumption of CFCs and halons, the two widely-used ODS in 1999 and, are well on their way to achieving the 50 per cent reduction target this year. The new modality of funding national and sector phase-out programmes has introduced predictability on funding levels and phase-out schedules of Article 5 countries.

2. The success of the Montreal Protocol is a concrete embodiment of the principle of common but differentiated responsibility of developed and developing countries in the protection of the global environment. This global co-operation has contributed to the smooth and co-ordinated functioning of the multiple of institutions associated with the Montreal Protocol: the Meeting of the Parties, the Executive Committee, the Secretariat, the four implementing agencies and the national ozone units in Article 5 countries. Of particular significance is the harmonious and cooperative spirit within the Executive Committee which has enabled the body to operate with efficiency and accomplishment.

II. Future challenges

3. In spite of the achievement to date, there is no reason that we should indulge in self gratification and fail to see the challenges ahead.

II.1 In achieving the complete phase-out of CFCs and halons by 2010, the Article 5 countries are still facing the following challenges:

- In most countries, investment-induced ODS phase-out activities have either been completed or nearing completion. Increasingly ODS phase-out activities will depend on the capacity of enforcement of legislation, supervision and management by governments of Article 5 countries.
- For the past decade, most of the funding from the Multilateral Fund has been supporting the phase-out of ODS in the consumption sectors and has not been directly supporting the production of ODS substitutes. As a result, the entire industry structure based on ODS substitutes in Article 5 countries has yet to be fully developed to compete with and take over from the ODS based production infrastructure. This could potentially delay the achievement of the zero consumption target in 2010.
- The reduced availability of CFCs and the lagging behind in the supply of the substitutes could result in increased prices of CFCs and a higher incentive for illegal

production and trade of the controlled substances and jeopardise the final phase of the implementation of the Montreal Protocol.

- Since funding has been provided only to enterprises which were set up before 25 July 1995, those enterprises which were created after 1995 could potentially continue producing with ODS-based technologies till 2015 to take advantage of the full lifespan of their equipment and create a need for CFCs post phase-out. These enterprises could pose a challenge to the management of achieving complete phase-out.

II.2 Assuming that the schedule of HCFC phase-out remains as it is, Article 5 countries will have to freeze their production and consumption of HCFCs in 2016. Since it is only 10 years from now, there are some issues that should be considered right now:

- Experience of phasing out CFCs prior to 1997 showed Article 5 countries were ill prepared in terms of policy, management and technologies and resulted in higher cost and lower efficiency in the activities implemented in those early years. There is every reason to learn from that experience and improve on the plans for the phasing out of HCFCs. This acquires greater urgency in view of the fact.
- That the production and consumption of HCFCs could exceed significantly those of CFCs.
- That the phase-out of HCFCs would not have the benefit of financial support and technological transfer supported by the Multilateral Fund as in the case of CFCs.

III. Major policies and measures the Chinese Government intends to adopt

4. To prepare itself for the future challenges of completing the national phase-out programme, the Government of China has planned a number of steps:

- Use the newly created country compliance centers (CCCC) to re-enforce and co-ordinate the national phase-out programme.
- Further develop the legal and regulation setup, with particular emphasis on strengthening and improving the “Four-tier Licensing System”, which covers production, consumption, marketing and import and export of the ODS.
- Accelerate the phase-out of CFCs to 30 June 2007, to discourage the continued dependence on CFCs.
- Accelerate and expand the development of ODS substitute technologies and the build up of the production capacity for ODS substitutes.
- Establish HCFCs monitoring and management working groups together with the related sectors, develop strategies and plans, and develop work plans for such areas as

policy- and regulation-building, substitute technology development and production, and capacity development for an institutional management system. All this will be undertaken with the aim of making adequate preparations for HCFCs phase-out activities, so as to make sure that the 2016 freeze target will be achieved successfully and the phase-out tasks after 2016 will be achieved.

IV. Suggestions to the Executive Committee of the Multilateral Fund

5. Evidently the above challenges are not unique to China but are faced by all Article 5 countries. The Executive Committee is the place where these challenges should be debated and solutions sought. That is why China has submitted this supplementary paper in addition to the CRP paper submitted to the 44th Meeting in an attempt to initiating discussion on these issues. As a start, China suggests the following:

- (a) The Executive Committee should review upcoming compliance requirements, orientation and tasks and the adaptability of existing working procedures and operational mechanisms. On that basis there should be a study on the needs for further changes and adjustments to the responsibilities, functions and modus operandi of the Secretariat, the Executive Committee, the various implementing agencies and the NOUs.
- (b) Issues such as NOU capacity-building and status of work should be on the agenda of each meeting of the Executive Committee as an important item. Article 5 countries should be supported and facilitated as they further strengthen their policies and laws and regulations for compliance, so as to strengthen the capacity of their governments on compliance monitoring and management. At the same time, in order to enhance the role of the Secretariat, UNEP and the regional networks, special training courses should be strengthened and information communication and exchange should be expanded.
- (c) As an important integral part of the Montreal Protocol, preparations for achieving the 2016 freeze target and the subsequent phase-out of HCFCs should enter as an important item into the agenda of the Executive Committee. There should be consideration of a window within the Multilateral Fund for supporting, facilitating, organizing and guiding, as well as helping Article 5 countries to make good use of the ten available years to be prepared for HCFCs phase-out related work. This could include the development of laws and policies for HCFCs production and consumption control and management, capacity-building for various institutions, the development of substitute technologies and the expansion of production capability of substitutes, so that, by the year 2016 and in the ensuing years, the tasks for compliance in terms of HCFCs freeze target and phase-out would be successfully accomplished without the support from the Multilateral Fund. This would be the last journey towards the overall achievement of the historical mission of the Montreal Protocol, to ensure the successful achievement of the 2016 freeze and the subsequent phase-out of HCFCs.
