



**Programa de las
Naciones Unidas
para el Medio Ambiente**

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COMITÉ EJECUTIVO DEL FONDO MULTILATERAL
PARA LA APLICACIÓN DEL
PROTOCOLO DE MONTREAL

Cuadragésima Octava Reunión
Montreal, 3 al 7 de abril de 2006

PROPUESTAS DE PROYECTO: CHINA

Este documento contiene los comentarios y las recomendaciones de la Secretaría del Fondo sobre las siguientes propuestas de proyectos:

Fumigantes

- Plan sectorial del tabaco para la eliminación CFC-11: programa de trabajo de 2006 ONUDI

Agentes de proceso

- Eliminación de la producción y el consumo de CTC para agentes de proceso y otros usos no identificados (Fase I): programa anual de 2006 Banco Mundial
- Eliminación de la producción y el consumo de CTC para agentes de proceso y otros usos no identificados (Fase II): programa anual de 2006 Banco Mundial

Producción

- Plan sectorial para la eliminación de la producción de CFC: programa anual de 2006 Banco Mundial

Los documentos previos al período de sesiones del Comité Ejecutivo del Fondo Multilateral para la Aplicación del Protocolo de Montreal no van en perjuicio de cualquier decisión que el Comité Ejecutivo pudiera adoptar después de la emisión de los mismos.

Para economizar recursos, sólo se ha impreso un número limitado de ejemplares del presente documento. Se ruega a los delegados que lleven sus propios ejemplares a la reunión y eviten solicitar otros.

PROYECTOS PLURIANUALES – HOJA DE EVALUACIÓN DE PROYECTO CHINA

TÍTULO DEL PROYECTO **ORGANISMO BILATERAL/ORGANISMO DE EJECUCIÓN**

Plan sectorial del tabaco para la eliminación gradual de CFC-11: plan de trabajo de 2006 – 2007	ONU/UNEP
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ORGANISMO DE COORDINACIÓN NACIONAL:	Dirección Estatal de Protección Ambiental
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DATOS DE CONSUMO MÁS RECIENTE PARA SAO OBJETO DEL PROYECTO

A: DATOS DEL ARTÍCULO 7 (TONELADAS PAO, 2004, A FEBRERO DE 2006)

Anexo A Grupo I CFC	17 902		
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B: DATOS SECTORIALES DEL PROGRAMA DE PAÍS (TONELADAS PAO, 2004, A FEBRERO DE 2006)

SAO	Espumas	Refrig.	Aerosoles	SAO	Solventes	Agentes de procesos	Otros
				CFC-11			463,05

Consumo de CFC remanente admisible para la financiación (toneladas PAO)	0
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PLAN ADMINISTRATIVO DEL AÑO EN CURSO: Financiación total (1 613 500 \$EUA); eliminación total: 148,6 ton. PAO.

DATOS DEL PROYECTO		2001	2002	2003	2004	2005	2006	2007	Total
CFC-11 (Toneladas PAO)	Límite de consumo anual	1 000	880	700	500	300	150	0	
	Eliminación anual nueva abordada	90	120	180	200	200	150	150	
CONSUMO TOTAL DE SAO A ELIMINAR									
Consumo total de SAO a agregar (HCFC)									
Financiación total del proyecto (\$EUA):		2 000 000	2 000 000	2 000 000	1 800 000	1 700 000	1 500 000	0	11 000 000
Total de costos de apoyo (\$EUA):		180 000	180 000	150 000	135 000	127 500	112 500		885 000
COSTO TOTAL AL FONDO MULTILATERAL (\$EUA)		2 180 000	2 180 000	2 150 000	1 935 000	1 827 500	1 612 500		11 885 000
Relación de costo a eficacia final del proyecto (\$EUA/kg)									9,00

RECOMENDACIÓN DE LA SECRETARÍA	Aprobación de la financiación para la quinta parte (2006), como se indica arriba.
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DESCRIPCIÓN DEL PROYECTO

1. En nombre del Gobierno de China, la ONUDI presentó a la consideración del Comité Ejecutivo, en su 48ª Reunión, un Informe sobre la marcha de las actividades relativas a la ejecución del programa de trabajo de 2005 para la eliminación gradual de CFC-11 en el sector del tabaco (Plan sectorial del tabaco), junto con un pedido de 1,5 millones \$EUA para la ejecución del programa de trabajo anual de 2006 y 2007. Esto representará el pago final del Fondo Multilateral para la eliminación total del CFC-11 usado para la expansión de las hojas de tabaco en China.

Antecedentes

2. En su 32ª Reunión, el Comité Ejecutivo aprobó un acuerdo con el Gobierno de China para la ejecución del plan sectorial del tabaco, destinado a eliminar 1 090 toneladas PAO de CFC-11 entre 2001 y 2007. En la misma Reunión, el Comité Ejecutivo asignó 2 millones \$EUA a la ONUDI para la ejecución del programa de trabajo de 2001.

3. En las Reuniones 36ª, 39ª, 42ª y 45ª, el Comité Ejecutivo aprobó las partidas de financiamiento para el plan sectorial del tabaco que ascendieron a 7,5 millones \$EUA.

Informe sobre la marcha de las actividades relativas a la ejecución del programa de trabajo de 2005

4. A principios de 2005, se determinó la cuota de consumo de CFC-11 para cada empresa, según la cuota de consumo total de 2005 para el sector del tabaco y el nivel real de producción de cada empresa. Se solicitó a las 17 empresas de expansión de tabaco admisibles que expresaran su interés en eliminar su cuota de CFC-11 para 2005 mediante un sistema de licitación pública. Sin embargo, para marzo de 2005 no se habían recibido ofertas de las 17 empresas, dado que éstas prefirieron recibir la ayuda financiera hacia fines de 2007, cuando todo el consumo de CFC-11 en este sector habría sido eliminado. En estas circunstancias, la Administración Estatal del Monopolio del Tabaco anuló el proceso de licitación y decidió proporcionar incentivos a las empresas admisibles que estaban dispuestas a desmontar los equipos de expansión que utilizan CFC, que estaban situadas cerca de otras empresas que podrían proveerlas de tabaco ya expandido y que podrían producir nuevas inversiones.

5. El Comité concedió el esquema de compensación para las 9 empresas que desmontarán 12 aparatos de expansión que utilizan CFC. Se convino que los equipos dejarían inmediatamente de funcionar y se desmontarían antes del 31 de diciembre de 2005. Posteriormente, en abril de 2005, la Administración Estatal del Monopolio del Tabaco y la Administración Estatal para la Protección del Medio Ambiente examinaron las ofertas y seleccionaron a las nueve compañías que aparecen en la tabla siguiente para el desmontaje de sus equipos de expansión que utilizan CFC-11. Un aparato adicional que utiliza CFC-11, instalado después del 25 de julio de 1995 (Mianyang Cigarette Factory) también se desmontó bajo la supervisión del Gobierno de China, sin compensación del Fondo Multilateral.

No. del plan del sectorial	Nombre de compañía	Aparatos de expansión	Fecha de instalación
8	Guangzhou General Cigarette Factory (Shaoguan)	2	Dic. de 91 y sept. de 94
9	Guangzhou General Cigarette Factory (Nanxiong)	1	Junio de 95
14	Guangzhou General Cigarette Factory (Nanhai)	1	Marzo de 92
12	Hainan Hongta Cigarette Co., Ltd.	1	Sept. de 92
54	Yanji Cigarette Factory	1	Enero de 92
36	Shijiazhuang Cigarette Factory	1	Abril de 92
2	Xuchang Cigarette General Factory (Zhumadian)	1	Dic. de 92
57	Xiamen Cigarette Factory (Huamei)	1	Marzo de 95
37	Zhangjiakou Cigarette Factory	1	Junio de 91
51	Nanchang Cigarette Factory	1	Oct. de 92
5	Zhengzhou Cigarette General Factory (Luohe)	1	Oct. de 94
Total		12	

6. A fines de diciembre de 2005 y de acuerdo con el consumo de CFC-11 informado por las empresas, el consumo total de CFC-11 en este sector era 128 toneladas PAO.

7. En 2005 se pusieron en ejecución las siguientes actividades de asistencia técnica y se espera que estén terminadas para 2006:

- a) Un estudio sobre el efecto de diversas hojas de tabaco en la calidad de tabaco expandido sin CFC-11; y
- b) Un estudio sobre cómo la técnica de expansión del CO₂ afecta a los componentes químicos volátiles del tabaco.

Programa de trabajo anual para 2006 y 2007

8. La principal actividad que se pondrá en ejecución en el programa de trabajo de 2006-2007 es el otorgamiento de nuevas cuotas de CFC-11 por parte del Gobierno de China, para reducir el CFC-11 en 300 toneladas PAO, lo que darán lugar a la eliminación total del CFC-11 usado en el sector del tabaco. Se invitará a las seis empresas admisibles restantes, que tengan equipos de expansión que utilizan CFC, a que presenten sus cuotas mediante un mecanismo de licitación pública. Los equipos adicionales de expansión de las cinco empresas no admisibles (es decir, establecidas después del 25 de julio de 1995) también se desmontarán sin ayuda del Fondo Multilateral. Las ofertas se abrirán en abril de 2006.

9. De acuerdo con el plan sectorial del tabaco, la ONUDI, en nombre del Gobierno de China, solicita 1 500 000 \$EUA para la ejecución del programa de trabajo de 2006-2007, más gastos de apoyo del organismo de 112 500 \$EUA.

10. En 2007, la Administración Estatal para la Protección del Medio Ambiente y la ONUDI presentarán informes detallados sobre todas las actividades puestas en ejecución y los resultados alcanzados durante la ejecución del Plan sectorial de tabaco (es decir, de 2001 a 2007).

COMENTARIOS Y RECOMENDACIÓN DE LA SECRETARÍA

COMENTARIOS

11. La Secretaría examinó el Informe sobre la marcha de las actividades relativas a la ejecución del programa de trabajo de 2005 presentado por la ONUDI, basado en el acuerdo entre el Gobierno de China y el Comité Ejecutivo, y en la estrategia de eliminación gradual para el sector del tabaco. La Secretaría tomó nota de que, gracias a las actividades puestas en ejecución en 2005, el consumo de CFC-11 para la expansión de tabaco fue 172 toneladas PAO, por debajo del nivel de consumo de CFC-11 establecido por el plan sectorial del tabaco.

12. En el informe de la ONUDI se indica que los representantes del Grupo de Trabajo Especial para el plan sectorial del tabaco, la Administración Provincial del Monopolio del Tabaco, la Oficina Local de Protección del Medio Ambiente y las oficinas notariales locales controlaron y supervisaron el desmontaje de los equipos de expansión que utilizan CFC. Todo el procedimiento se documentó (en videos y fotografías) y las oficinas notariales locales expedieron las escrituras pertinentes (el Grupo de Trabajo Especial para el plan sectorial del tabaco conservó todos estos expedientes).

13. Para el programa de trabajo de 2006-2007, la Secretaría observa que el objetivo de eliminación gradual de CFC-11 de 300 toneladas PAO respeta el Acuerdo. Según el Informe sobre la marcha de las actividades de 2005, el consumo restante de CFC-11 en el sector del tabaco es sólo 128 toneladas PAO, lo que está por debajo del consumo propuesto para 2006 (150 toneladas PAO). En estas circunstancias, la Secretaría pidió información a la ONUDI sobre la viabilidad de terminar el proyecto un año antes de la fecha propuesta en el plan original. La ONUDI informó que junto con el Gobierno de China harían todos los esfuerzos por terminar el proyecto antes de tiempo, posiblemente antes de junio de 2007.

14. A pedido de la Secretaría, la ONUDI indicó que las compañías de tabaco han invertido unos 120 millones \$EUA para reemplazar los equipos de expansión que utilizan CFC con tecnologías alternativas que no lo utilizan.

RECOMENDACIÓN

15. La Secretaría del Fondo recomienda la aprobación general de la sexta partida del proyecto con los gastos de apoyo asociados al nivel de financiamiento indicado en la tabla siguiente, a condición de que la ONUDI presente un Informe sobre la marcha de las actividades relativas a la ejecución del plan de trabajo de 2006 a la primera Reunión del Comité Ejecutivo en 2007 y un informe de terminación de proyecto sobre todo el plan sectorial del tabaco a la primera Reunión del Comité Ejecutivo en 2008.

	Título del proyecto	Financiamiento del proyecto (\$EUA)	Gastos de apoyo (\$EUA)	Organismo de ejecución
a)	Plan sectorial del tabaco para la eliminación gradual de CFC-11: programa anual para 2006 - 2007	1 500 000	112 500	ONUDI

ELIMINACIÓN DE LA PRODUCCIÓN Y EL CONSUMO DE CTC PARA AGENTES DE PROCESO Y OTROS USOS NO IDENTIFICADOS (FASE I): PROGRAMA ANUAL DE 2006 Y VERIFICACIÓN DEL PROGRAMA ANUAL DE TRABAJO DE 2005

Introducción

16. En su 38ª Reunión, en noviembre de 2002, el Comité Ejecutivo aprobó, en principio, 65 millones \$EUA para el Acuerdo con la República Popular de China, destinados a eliminar la producción de CTC para usos controlados y el consumo de CTC y de CFC-113 como agente de proceso (Fase I), y desembolsó la primera partida de 2 millones \$EUA en esa Reunión para comenzar la ejecución. Posteriormente en su 39ª, 43ª y 46ª Reuniones, el Comité Ejecutivo aprobó los programas anuales de 2003 a 2005 en los niveles de financiamiento de 20 millones \$EUA, de 16 millones \$EUA y de 2 millones \$EUA, respectivamente.

17. El Banco Mundial presentó el programa anual de 2006 a la 47ª Reunión, quedando entendido de que el financiamiento para 2006 se liberaría sólo cuando la verificación de los resultados de la ejecución del programa anual de 2005 estuviera disponible. Por lo tanto, el Comité Ejecutivo aprobó el programa anual de 2006 en la 47ª Reunión, pero retuvo los fondos hasta que el Banco Mundial presentara la verificación de los resultados de la ejecución de 2005 (Decisión 47/27).

18. El Banco Mundial presenta a esta Reunión la verificación terminada de la producción y el consumo de CTC y de CFC-113 para 2005 (adjuntos), y solicita la liberación de la partida de 2006 que asciende a 16 millones \$EUA y los gastos de apoyo asociados de 1,2 millones \$EUA, bajo la Fase I del plan de sector.

19. Para facilitar la referencia, se reproducen a continuación los objetivos de eliminación y los niveles asociados de financiamiento fijados en el Acuerdo sobre el CTC (Fase I).

		Bases ^{1/}	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
		Toneladas PAO										
1.	Producción máxima admisible e importaciones de CTC	86 280	64 152	64 152	61 514	54 857	38 686	32 044	26 457	23 583	17 592	11 990
2.	Materia prima de CTC	N/C	55 319	45 400	45 333	39 306	28 446	21 276	15 129	11 662	5 042	-
3.	Consumo máximo admisible de CTC para otros usos de agentes de proceso ^{2/}	N/C	N/C	7 389	7 832	8 302	8 800	9 328	9 888	10 481	11 110	11 997
4.	Consumo máximo admisible de CTC en usos de agentes de proceso del Apéndice 2	3 825	4 347	5 049	5 049	5 049	493	493	493	493	493	220
5.	Otros usos no identificados	N/C	N/C	6 314	3 300	2 200	947	947	947	947	947	-
6.	Consumo máximo admisible de CFC-113 en el sector de agentes de proceso	17,2	17,2	17,2	17,2	14	14	10,8	8,4	0	0	0
7.	AYUDA DEL FONDO MULTILATERAL (en miles de \$EUA)											Total \$EUA
8.	Financiamiento de Fondo Multilateral			2 000	20 000 ^{3/}	16 000 ^{3/}	2 000 ^{3/}	16 000 ^{3/}	5 000 ^{3/}	3 000 ^{3/}	1 000 ^{3/}	65 000
9.	Gastos de apoyo del organismo			150	1 500	1 200	150	1 200	375	225	75	4 875

^{1/}Las bases incluyen el consumo medio de CTC entre 1998 y 2000.

^{2/}Usos del Apéndice IV.

^{3/}Conforme a la consideración del calendario de desembolsos de la 39ª Reunión del Comité Ejecutivo.

20. La verificación de la producción y de consumo de CTC y de consumo de CFC-113 en 2005 consiste en tres partes: verificación de la producción de CTC, verificación del consumo de CTC y de CFC-113 como agentes de proceso, y un resumen de las verificaciones.

Verificación de la producción de CTC en 2005

21. El mismo equipo de tres consultores que había realizado la verificación en 2004 realizó la verificación de la producción en febrero de 2006. Dicho equipo estuvo formado por dos expertos técnicos y un analista financiero. El informe incluyó una parte de auditoría técnica y otra de auditoría financiera.

22. La parte de auditoría técnica contuvo los resultados de las visitas y de la investigación de 11 de los 16 productores de CTC en China. Los otros 5 productores habían cerrado, por lo tanto no fueron visitados. La Tabla 1 del informe de verificación de la producción de CTC de 2005 contiene una lista de las 16 plantas, con su nombre, la cuota de producción de 2005 asignada por la Administración Estatal para la Protección del Medio Ambiente, la producción real verificada de 2005, y los comentarios respecto al estado de la planta (cerrada o en producción).

23. La verificación recopiló la información siguiente de cada uno de las plantas: identificación de la planta; historia de la planta, como fecha de construcción, número de líneas de producción de CTC, capacidad y producción básica para 2002 y 2001; proceso de producción de la planta; cuota de producción para 2004 asignada por la Administración Estatal para la Protección del Medio Ambiente; registros diarios de producción y transferencias; inventario diario y mensual de CTC; y datos sobre CTC envasado para las ventas a partir de los registros diarios de transferencia del almacén de productos.

24. El equipo de verificación también comprobó el consumo de materias primas, cloro y de materias primas orgánicas como el metano, el metanol y el etileno a partir de los registros diarios de transferencias por turno y de la apertura y cierre del inventario de producción mensual. Además, el equipo calculó la producción de CTC a la razón de consumo de materia prima y los comparó con los valores teóricos para determinar si los valores variaron o no dentro de una gama razonable.

25. Dado que la producción de los productos de clorometano generó una serie de otros productos además del CTC, el equipo también recopiló la información sobre producción de los coproductos cloruro de metilo, cloruro de metileno, cloroformo y percloroetileno, con el fin de alcanzar un equilibrio material entre los insumos y la producción.

26. Al mismo tiempo, el analista financiero del equipo examinó la confiabilidad del plan contable, facturas de compras y registros de ventas. Los resultados de la auditoría técnica y de las auditorías financieras se compararon luego para comprobar su coherencia, y sobre esa base el equipo sacó sus conclusiones sobre el cumplimiento de la planta con respecto a la cuota asignada por la Administración Estatal para la Protección del Medio Ambiente.

27. El informe de verificación contiene un resumen de la verificación realizada en cada una de las plantas. Dicha verificación incluyó: producción, inventario y ventas de CTC; suministros y consumo de cloro; suministro y consumo de metano, metanol y etileno, dependiendo de la tecnología aplicada en la planta; una presentación en tablas de los resultados de la producción de

CTC, los productos coproducidos de clorometano, consumo de materias primas y las razones correspondientes. La verificación de cada planta concluyó con una evaluación de si la planta había cumplido o no con su cuota asignada de producción para 2005, después de hacer una comparación de los resultados de las auditorías técnicas y financieras que se realizaban simultáneamente. Finalmente, el informe presentó los resultados de la producción de CTC, el consumo y la razón con las materias primas y el número de días de explotación.

28. El equipo de verificación informó que 6 de los 11 productores de CTC visitados produjeron más de las cuotas asignadas por la Administración Estatal para la Protección del Medio Ambiente y, en consecuencia, la producción total de CTC fue 43 203 toneladas métricas en 2005. Sin embargo, la Administración Estatal para la Protección del Medio Ambiente informó 8 586,8 toneladas métricas usadas como materias primas en la producción de los productos químicos sin SAO y se informó que otras 132,9 toneladas métricas habían sido destruidas. La Tabla 2-1 del informe de verificación de la producción de CTC de 2005 da una lista de 23 usos de CTC como materia prima en la producción de productos químicos sin SAO en 2005, proporcionada por la Administración Estatal para la Protección del Medio Ambiente con detalles sobre los usos, compra de CTC y consumo de CTC en 2005. La Tabla 2-2 contiene un informe de la Administración Estatal para la Protección del Medio Ambiente sobre la destrucción de CTC en 2005, con información sobre la eliminación de CTC, la cantidad de CTC destruido o convertido y la fuente del informe. El equipo de verificación no visitó ninguna de las compañías que afirmaron estar utilizando CTC como materia prima para la producción de productos químicos sin SAO.

29. Finalmente, la verificación concluyó que, en 2005, China produjo 37 931 toneladas PAO (34 483,2 toneladas métricas) de CTC, después de deducir 8 586,8 toneladas métricas para la producción de productos químicos sin SAO y 132,9 toneladas métricas que se destruyeron. Por lo tanto, la producción estaba por debajo del objetivo de 38 686 toneladas PAO (35 169,09 toneladas métricas), según lo establecido en el Acuerdo firmado con el Comité Ejecutivo.

30. La Secretaría, de acuerdo con la práctica establecida de presentar documentos sobre la verificación de la producción, no incluye la parte de los datos. No obstante, dichos datos pueden ponerse a disposición cualquier miembro del Comité Ejecutivo que lo solicite.

Verificación del consumo de CTC y de CFC-113 como agente de proceso bajo la Fase I, en 2005

31. Un equipo de dos personas, un experto técnico y un analista financiero realizó la verificación del consumo de CTC y de CFC-113 en febrero de 2006. El equipo verificó el consumo de CTC y de CFC-113 en cada una de las cinco empresas que utilizaban actualmente CTC y CFC-113 como agente de proceso para los usos cubiertos por el plan sectorial de CTC/agente de proceso (Fase I). La Tabla 1 del informe de verificación del consumo de CTC y CFC-113 da una lista de estas empresas con información sobre el uso de CTC, nombre de la planta, inventario de apertura y de cierre, compras y consumo de CTC o de CFC-113 en 2005.

32. La verificación comenzó con un examen de la historia de la planta, inclusive la fecha de construcción, el número de líneas de producción para cada uso de CTC y/o CFC-113, y su capacidad en el año básico de 2001 y años posteriores. Luego examinó como datos primarios los indicados a continuación:

- Cuotas de consumo de CTC y/o CFC-113 recibidas de la Administración Estatal para la Protección del Medio Ambiente para 2005;
- Pedidos de compra de CTC y/o CFC-113 y registros diarios de los movimientos (del exterior al almacén de la planta y del almacén de la planta al almacenaje en talleres);
- Inventario de CTC y/o CFC-113, inclusive la cantidad de CTC y/o de CFC-113 que quedaba en el almacén de la planta y en el sistema de producción; y
- Consumo mensual de CTC o CFC-113, calculado como: inventario de apertura de agente de proceso + compra de agente de proceso – inventario de cierre de agente de proceso

33. El equipo también recopiló como información secundaria datos de apoyo sobre los registros de envasado y de movimiento de las existencias de CR, polietileno clorosulfonado y PTFE de la línea de producción al almacén de productos; registros de despachos y movimientos de las existencias de CR, polietileno clorosulfonado y PTFE fuera del almacén de producto para ventas; registros de inventarios semanales y mensuales de las existencias de CR, polietileno clorosulfonado y PTFE; registros diarios de producción y número de días de explotación; y razones de consumo del CTC/ CR, CTC/ polietileno clorosulfonado o CFC-113/ PTFE.

34. El informe da un resumen de cada una de las empresas visitadas, con una descripción de las empresas, la verificación realizada y los resultados. Los resultados contienen una presentación de los inventarios de apertura y cierre, adquisiciones de CTC y consumo de CTC para el año. Da también una evaluación de la producción real del producto final de la planta obtenida mediante el examen de la producción y el movimiento del inventario. El CTC comprado por la planta se trató como parte del consumo nacional en 2005 y se comparó con la cuota asignada por la Administración Estatal para la Protección del Medio Ambiente.

35. La verificación confirmó que las compras verificadas de CTC y CFC-113, en 2005, en el sector de agentes de proceso (Fase I) fueron las siguientes:

- **Compra y consumo del CTC:** La compra y el consumo verificados del CTC en 2005 fue 485,02 toneladas PAO y 1 394,65 toneladas PAO, respectivamente, de las cuales 909,63 toneladas PAO de CTC se consumió de las reservas de 2004, mientras que 485,02 toneladas PAO de la compra de CTC estaba por debajo del consumo máximo permitido de CTC para 2005 (493,00 toneladas PAO) en el sector de agentes de proceso.
- **Compra y consumo de CFC-113:** La compra y el consumo verificados de CFC-113 en 2005 fue 3,20 toneladas PAO y 3,20 toneladas PAO, respectivamente, que estaba por debajo del consumo máximo permitido de CFC-113 (14,00 toneladas PAO) para 2005 en el sector de agentes de proceso.

36. La verificación también observó que, en 2005, la prueba de producción y modificación de equipos de la nueva línea de polietileno clorosulfonado instalada en Jilin Chemical (diciembre de 2004) no fue satisfactoria y las razones de consumo de CTC todavía seguían siendo altas.

Resumen de los informes de verificación

37. El resumen de verificación da una visión de conjunto sobre la producción y el consumo de CTC y el consumo de CFC-113, comparado con los objetivos fijados en el Acuerdo aprobado en la 38ª Reunión. También proporciona una evaluación de los resultados de la verificación comparado con los requisitos del Protocolo de Montreal en las sustancias pertinentes. Incluye una sección sobre la verificación de la producción de CTC, una sección sobre el uso de CTC como materia prima por parte de los productores de CFC, una sección sobre el consumo de CTC como materia prima para la producción de sustancias química sin SAO, una sección sobre el uso de CTC como agente de proceso para los usos cubiertos por el plan de sector (Fase I), la importación y exportación de CTC y, finalmente, una evaluación global de la producción y el consumo de CTC en China para el año 2005, usando las definiciones sobre producción y consumo del Protocolo de Montreal. Para facilitar la referencia, cinco de las tablas que resumen el informe de verificación de 2005 para el plan de sector de CTC/agente de proceso (Fase I) se reproducen a continuación: Tablas 1, 2, 6, 7 y 8.

38. La Tabla 1 presenta una evaluación de la producción de CTC, consumo de CTC y consumo de CFC-113 como agentes de proceso en China para 2005, comparado con los cuatro criterios establecidos en el Acuerdo bajo la Fase I del plan de sector.

Tabla 1: Producción y consumo de CTC en toneladas PAO

Año	Producción de CTC * (Fila 1 del Acuerdo)		Uso de CTC para el consumo de materia prima de CFC (Fila 2 del Acuerdo)		Uso de CTC para los 25 usos de agentes de proceso (Fila 4 del Acuerdo)		Uso de CFC-113 para los 25 usos de agentes de proceso (Fila 5 del Acuerdo)	
	Permitido	Verificado	Permitido	Verificado	Permitido	Verificado	Permitido	Verificado
Base	86 280	N/C	N/C	N/C	3 825	N/C	17,2	N/C
2001	64 152	N/C	55 139	NA	4 347	N/C	17,2	N/C
2002	64 152	N/C	45 400	NA	5 049	N/C	17,2	N/C
2003	61 514	59 860	45 333	39 839	5 049	3 080	17,2	17,1
2004	54 857	50 195	39 306	34 168	5 049	3 886	14	10,8
2005	38 686	33 080	28 446	25 811,3	493	485,02	14	3,2
2006	32 044		21 276		493		10,8	
2007	26 457		15 129		493		8,4	
2008	23 583		11 662		493		0	
2009	17 592		5 042		493		0	
2010	11 990		0		220		0	

39. La Tabla 2 proporciona una evaluación de la producción de CTC real verificada comparado con la cuota admisible y el objetivo, por compañía y por agregado nacional. También incluye el CTC usado como materia prima para la producción de sustancias químicas sin SAO y el CTC destruido, según lo informado por la Administración Estatal para la Protección del Medio Ambiente; y el cálculo de la producción de CTC que se compararía con el objetivo del Acuerdo.

40. La Administración Estatal para la Protección del Medio Ambiente informó que en la verificación global de CTC había incluido las compañías y los usuarios de CTC para usos de

materia prima sin SAO y declaró que en 2005 un total de 14 296,84 toneladas PAO como materia prima para tales fines. Se informó que esta cantidad incluía algunos usos de agentes de proceso recientemente identificados, pero que todavía no había sido confirmado por el Grupo de Expertos de Evaluación Técnica. En concordancia con las estipulaciones del Protocolo de Montreal, para los usos de materia prima sin SAO, el total de producción de CTC se redujo en 14 296,84 toneladas PAO.

41. La Administración Estatal para la Protección del Medio Ambiente también observó que se podrían identificar más usos como materia prima y más compañías, y confirmarlo mediante la labor que la Administración Estatal para la Protección del Medio Ambiente emprende actualmente para la ejecución del plan de sector de CTC/agente de proceso (Fases I y II). Dado que la lista de compañías y su producción es algo delicado desde el punto de vista comercial, la lista no se incluyó en este documento, pero está disponible para una evaluación interna de la Secretaría, si la solicita.

Tabla 2: Resumen de cuotas otorgadas por la Administración Estatal para la Protección del Medio Ambiente y producción real de CTC verificada para 2005

Nombre del productor de CTC		Cuota de producción de CTC para 2005 (toneladas métricas)	Producción de CTC para 2005 (toneladas métricas)	Comentarios
CTC 1	Luzhou North Chemical Co., Ltd.	2 106,00	2 098,63	
CTC 2	Zhejiang Juhua Fluoro-chemical Co., Ltd.	13 604,00	14 951,88	
CTC 3	Liaoning Panjing No. 3 Chemical Plant	0	0	Planta cerrada
CTC 4	Chongqing Tianxuan Chemical Co., Ltd.	0	0	Planta cerrada el 26 de dic. de 2003
CTC 6	Chongqing Tianyuan Chemical General Plant	0	0	Planta cerrada el 16 de abril de 2004.
CTC 7	Taiyuan Chemical Industrial Co., Ltd.	0	0	Planta cerrada
CTC 8	Luzhou Xinfu Chemical Industry Co., Ltd.	717,00	705,54	Planta cerrada
CTC 9	Jiangsu Meilan Chemical Co., Ltd.	2 303,00	4 320,08	Una línea de producción puesta en operación en 2005 para convertir CTC en CM1.
CTC 10	Guangzhou Hoton Chemical (Group) Co., Ltd.	0	0	Planta cerrada
CTC 11	Sichuan Honghe Fine Chemical Co., Ltd.	5 668,00	5 767 154	
CTC 12	Shanghai Chlor-Alkali	6 609,00	7 211,10	
CTC 14	Wuxi Greenapple Chemical Co., Ltd.	1 000,00	999,74	
CTC 15	Shandong Jinling Group Co., Ltd.	1 100,00	4 198,12	Dos nuevas líneas de CM puestas en producción en 2005.
CTC 16	Shandong Dongyue Fluoro-Silicon Material Co., Ltd.	1 461,00	2 350,20	
CTC 5	Chongqing Tiansheng Chemical Co., Ltd.	5,00	5,00	Planta de destilación de residuos del CTC
CTC 13	Quzhou Jiuzhou Chemical Co., Ltd.	596,00	595,56	Planta de destilación de residuos del CTC
Producción bruta de CTC en China para 2005		35 169,00 toneladas métricas	43 203,00 toneladas métricas (47 523,30 toneladas PAO)	
Usos como materia prima para productos químicos sin SAO			12 997,13 toneladas métricas (14 296,84 toneladas PAO)	Informe de la Administración Estatal para la Protección del Medio Ambiente
Dstrucción por incineración			132,99 TA (146,29 toneladas PAO)	Informe de la Administración Estatal para la Protección del Medio Ambiente
Producción de CTC para 2005 según el Acuerdo			30 072,88 TA (33 080,17 toneladas PAO)	Producción bruta – usos de materia prima, productos químicos sin SAO –cantidad destruida –
Límite del Acuerdo de la producción de CTC en China para 2005			38 686,00 toneladas PAO	

42. La Tabla 6 contiene una evaluación de la producción de CTC de acuerdo con la definición del Protocolo de Montreal, usando los resultados de la verificación.

Tabla 6: Producción nacional de CTC

Producción de CTC	(Toneladas PAO)
Producción bruta de CTC en 2005	47 523,30
Usos de CTC como materia prima para productos químicos sin SAO	-14 296,84
CTC destruido por tecnologías aprobadas por las Partes	- 146,29
Producción de CTC según el Acuerdo de 2005	33 080,17
Utilización como materia prima para la producción de CFC	- 25 811,30
Producción nacional de CTC según el Protocolo de Montreal	7 268,87

43. La Tabla 7 contiene una evaluación del consumo de CTC, según la definición del Protocolo de Montreal y el calendario de control.

Tabla 7: Consumo nacional de CTC

Producción y consumo de CTC	(Toneladas PAO)	Base del PM
Producción de CTC según el Protocolo de Montreal	7 268,87	29 367,4
Importación de CTC	0	
Exportación de CTC	5,23	
Consumo de CTC según el Protocolo de Montreal	7 263,64	55 903,8

44. Finalmente, la Tabla 8 da la evaluación de la posición de China en 2005 con respecto a la producción y el consumo de CTC, bajo el requisito del Protocolo de Montreal.

Tabla 8: Requisito del Protocolo de Montreal y producción y consumo nacionales

	Producción (toneladas PAO)	Consumo (toneladas PAO)
Base del Protocolo de Montreal	29 367,4	55 903,8
Límite del Protocolo de Montreal en 2005 (85% de la base)	7 341,85 *	8 385,57
Producción actual y consumo de CTC en 2005	7 268,87	7 263,64

* La producción permitida de CTC para el consumo incluye la producción adicional de 10% del nivel básico permitido para las necesidades domésticas básicas desde 2005 hasta 2009 y de 15% a partir de 2010.

COMENTARIOS Y RECOMENDACIONES DE LA SECRETARÍA

COMENTARIOS

Verificación de la producción y consumo de CTC y consumo de CFC-113 de 2005

45. La verificación se realizó conforme al marco de verificación desarrollado por el Banco Mundial para realizar las verificaciones de los planes de sector de eliminación de CTC para China e India y del que el Comité Ejecutivo tomó nota. El resumen de la verificación sirvió especialmente

para dar un panorama de la ejecución del plan de sector de CTC (Fase I) que incluyó una evaluación de la producción y del consumo de CTC, y el consumo de CFC-113 comparado con los objetivos fijados en el Acuerdo, y también una evaluación del potencial de China para cumplir con el Protocolo de Montreal.

46. La evaluación general de la verificación confirmó que China produjo un total de 47 523,3 toneladas PAO de CTC, de las cuales dicho país declaró que 14 296 toneladas PAO se utilizaron como materia prima para la producción de productos químicos sin SAO y las otras 146,24 toneladas PAO se destruyeron. Sin embargo, la parte de la verificación sobre la producción de CTC concluyó que la Administración Estatal para la Protección del Medio Ambiente informó que un total de 9 445,48 toneladas PAO de CTC se utilizaban como materia prima para la producción de productos químicos sin SAO y dio una lista de estos usos. No hubo cambio con respecto al CTC que se afirmó haber sido destruido. En consecuencia, el volumen total de CTC utilizado como materia prima para la producción de productos químicos sin SAO y que se destruyó sería 9 591,72 toneladas PAO, en lugar de 14 442 toneladas PAO, según lo informado bajo la evaluación general de verificación. Hay una diferencia de unas 4 800 toneladas PAO en la cantidad de producción de CTC informada como materia prima para productos químicos sin SAO.

47. Esta discrepancia tiene repercusiones en la situación de China con respecto al logro de los objetivos del Acuerdo y el requisito del Protocolo de Montreal. Si las 14 442 toneladas PAO informadas en la evaluación general se utilizaron, la producción total de CTC para usos controlados y para materia prima de CFC bajaría a 33 081 toneladas PAO (47 523,3-14 442), lo que está por debajo del objetivo máximo de producción de CTC de 38 686 toneladas PAO, como estipula el Acuerdo para 2005. Además, si se sustrae 25 811,3 toneladas PAO de las 33 081 toneladas PAO, cantidad confirmada por la verificación de producción de CFC como CTC utilizado como materia prima para la producción de CFC, las 7 270 toneladas PAO restantes colocarían a China por debajo del objetivo de cumplimiento del Protocolo de Montreal, calculado en 7 341 toneladas PAO.

48. No obstante, si las 9 591 toneladas PAO de CTC informadas en la parte de verificación de producción fueron utilizadas, el total de CTC para usos controlados y como materia prima de CFC sería de 37 931 toneladas PAO (47 523,3 – 9 591,72) y permitiría a China permanecer dentro del objetivo máximo de producción de CTC de 38 686 toneladas PAO, según lo estipulado en el Acuerdo. Sin embargo, si además se sustraen las 25 811,3 toneladas PAO de las 37 931 toneladas PAO, cantidad confirmada por la verificación de producción de CFC como CTC utilizado como materia prima para la producción de CFC, las 12 120 toneladas PAO restantes colocarían a China por encima del objetivo de cumplimiento del Protocolo de Montreal, calculado en 7 341 toneladas PAO.

49. Según el análisis anterior, la discrepancia de datos sobre la producción de CTC que se informó como uso para materia prima destinada a productos químicos sin SAO no afectaría la situación de China con respecto al objetivo del Acuerdo, pero sí podría poner en duda su estado de cumplimiento bajo el Protocolo de Montreal. El equipo de verificación del Banco Mundial no pudo aclarar la situación, porque no visitó ninguna de las compañías donde se dan estos usos para productos químicos sin SAO.

50. Los datos sobre la producción de CTC utilizada como materia prima para los productos químicos sin SAO fueron proporcionados por la Administración Estatal para la Protección del

Medio Ambiente. En el caso de la verificación de producción de CTC existe una lista de la Administración Estatal para la Protección del Medio Ambiente de estos usos de materia prima, con los detalles sobre el tipo, la compra de CTC y el consumo de CTC en 2005. La parte de la evaluación global no da ningún detalle, por razones de secreto comercial, pero se compromete a proporcionar información a la Secretaría para el examen interno. La Secretaría solicitó esta información pero todavía no la ha recibido.

51. Es verdad que la Decisión 44/29 aclaró que el Acuerdo para la Fase I en China no debería incluir la producción de CTC para uso como materia prima de los productos químicos sin SAO. Sin embargo, la misma Decisión también exigió que China verificara tales usos e informara a la Secretaría del Ozono, bajo el Artículo 7 del Protocolo de Montreal. La Administración Estatal para la Protección del Medio Ambiente afirma haber incluido dichos usos en la verificación global. Dado que el equipo independiente de verificación del Banco Mundial no cubrió ninguno de estos usos, sería importante conocer el procedimiento y la organización empleados durante la verificación de la Administración Estatal para la Protección del Medio Ambiente. También sería importante saber si la verificación utilizó la definición de materia prima definida en el Protocolo de Montreal y los resultados de dicha verificación.

52. Según la política del Protocolo de Montreal, la determinación de los usos como materia prima de CTC cae bajo la responsabilidad de los Gobiernos nacionales. Sin embargo, cuando hay una discrepancia de varios miles de toneladas PAO que podría afectar la situación de un país con respecto a su cumplimiento bajo el Protocolo de Montreal, sería responsabilidad para la verificación independiente del Banco Mundial el incluir estas empresas en su auditoría de campo, aun sobre una base selectiva.

53. Respecto de otra cuestión, la verificación de consumo de CTC confirmó que, en 2005, la producción de prueba y la modificación de equipos de la nueva línea de polietileno clorosulfonado instalada en Jilin Chemical (diciembre de 2004) había fracasado y que las razones de consumo de CTC aún seguían siendo altas. Dado que el proyecto estaba destinado a reducir eventualmente el nivel de emisiones a 220 toneladas PAO en 2010 bajo la Fase I del plan de sector, cuál sería el paso siguiente para alcanzar el objetivo de emisiones, si este proyecto no llegara a lograrlo.

54. De acuerdo con la práctica de presentar informes de verificación similares del sector de producción, la Secretaría no presenta la parte de los datos de la verificación, pero los pone a disposición de los miembros del Comité Ejecutivo que lo soliciten.

55. La Secretaría comunicó estas cuestiones al Banco Mundial para que aclarase la situación, pero hasta el momento de redactar el presente documento no había recibido respuesta.

RECOMENDACIÓN

56. Pendiente.

**ELIMINACIÓN DE LA PRODUCCIÓN Y EL CONSUMO DE CTC PARA AGENTE DE
PROCESO Y OTROS USOS NO IDENTIFICADOS (FASE II):
PROGRAMA ANUAL DE 2006**

DESCRIPCIÓN DEL PROYECTO

Antecedentes

57. En su 47ª Reunión en 2005, el Comité Ejecutivo aprobó, en principio, el plan de sector para la eliminación de los usos de agente de proceso con SAO y la producción correspondiente de CTC en China (Fase II) con un financiamiento de 46,5 millones \$EUA, más los gastos de apoyo de 3 487 500 \$EUA para el Banco Mundial. La Reunión desembolsó 15 millones \$EUA, más gastos de apoyo de 1 125 millones \$EUA al Banco Mundial, para la primera parte del proyecto y esperó que la Secretaría y el Banco Mundial decidieran las partes posteriores que se incluirán en el proyecto de acuerdo que se presentará a la 48ª Reunión. El Comité también pidió que el Banco Mundial presentara a la 48ª Reunión un proyecto de acuerdo final para el proyecto, junto con un plan anual de ejecución para 2006 (Decisión 47/54).

58. En nombre del Gobierno de China, el Banco Mundial presentó el programa anual de 2006 para el plan sectorial para la eliminación de los usos como agente de proceso con SAO y de la producción correspondiente de CTC en ese país. Los objetivos de eliminación de la Fase I y la Fase II (Fase II) del plan de sector para 2006 se combinan y presentan a continuación, observando que el programa anual de trabajo de 2006 para la Fase I fue aprobado en la 47ª Reunión, con el financiamiento retenido hasta que se presente la verificación del programa de trabajo de 2005 (Decisión 47/27). La verificación de la Fase I del plan de sector también se presenta a esta Reunión.

59. El Banco Mundial también presentó el proyecto de acuerdo para la Fase II del plan sectorial y pide 10 millones \$EUA para el programa de trabajo de 2006 con 750 000 \$EUA para gastos de apoyo. El programa anual de trabajo de 2006 y el proyecto de acuerdo se adjuntan al presente documento.

Programa anual de trabajo de 2006

60. El programa propone que los objetivos globales de eliminación del programa anual de trabajo de 2006 para la Fase II exijan que China asegure que su consumo de CTC para agentes de proceso no exceda 7 892 toneladas PAO, y la producción, 29 661 toneladas PAO, para usos controlados y como materia prima para la producción de CFC.

61. El programa anual de trabajo propone actividades que se emprenderán para lograr estos objetivos y abarcan el nivel de políticas, el nivel de empresas y las actividades de asistencia técnica. La mayor parte de las actividades ya se están ejecutando bajo la Fase I del plan sectorial y se están solidificando y consolidando para cubrir la Fase II.

62. Bajo la sección de políticas, el Gobierno planifica reforzar los sistemas de cuotas de producción de CTC y los sistemas de cuotas de consumo de CTC para el sector de agentes de proceso, y consolidar el sistema de registro de ventas de CTC. Además en 2006 se promulgará la "Circular complementaria sobre el estricto control de nueva construcción o expansión de capacidad

de la línea de producción y consumo de CTC”. La Circular prohibirá la nueva construcción y la expansión de capacidad de todas las líneas de producción que utilicen CTC como agente de proceso. La Circular está destinada a restringir el rápido desarrollo de consumo de CTC para los nuevos usos potenciales de agentes de proceso, que todavía el Partido no ha examinado ni aprobado. Esto también facilitará la eliminación del CTC utilizado en nuevos usos potenciales de agentes de proceso.

63. A nivel de empresa, se ejecutarán cinco tipos de actividades: cuotas de producción para los productores y los controles de emisiones de CTC, conversiones tecnológicas, cierres de empresas de agentes de proceso, y firma de acuerdos con empresas sobre el cese permanente para el uso de CTC para algunas líneas de producción relacionadas con 13 usos de agentes de proceso. Todas estas actividades se basarán en la asignación de cuotas. Si bien la mayor parte de éstas son una continuación de actividades existentes bajo la Fase I, la última actividad es nueva. Algunas de las empresas que utilizan CTC en 13 de los usos no quieren desmontar la línea de producción multifuncional, sino comprometerse a cesar la producción del producto relacionado con CTC y utilizar sólo la línea de producción para la producción de otros productos con tecnología sin SAO. Se les pedirán firmar un acuerdo de cese permanente del uso del CTC como agente de proceso para productos relacionados con CTC.

64. Bajo el programa de asistencia técnica, aparte de la prórroga del sistema de información de gestión para incluir las SAO y la capacitación del personal implicado en la ejecución de las actividades de eliminación, en 2006 se ejecutarán las nuevas actividades siguientes:

- Investigación doméstica de nuevos consumidores de agentes de proceso con excepción de los de las Fase I y Fase II: Dado que el Gobierno chino prometió proporcionar un informe detallado sobre los nuevos usos de agentes de proceso en China para fines de 2006, y prometió eliminar nuevos usos de agentes de proceso una vez que las Partes los catalogara como agentes de proceso, es muy importante y urgente que China identifique claramente y cuanto antes a todos los consumidores de agentes de proceso con excepción de los incluidos en las Fase I y Fase II. A principios de 2006 se seleccionará a un consultor para realizar la investigación, que abarcará las condiciones de producción, el proceso de producción, la capacidad, el consumo de CTC, el conocimiento de la empresa de posibles tecnologías sustitutas, etc. La investigación asistirá a China a controlar la eliminación futura de nuevos agentes de proceso.
- Estudio de consumo y emisiones de CTC en la producción de polipropileno clorado/ del acetato de etileno-vinilo clorado: China pidió 994 toneladas PAO en consumo de CTC en el plan sectorial de la Fase II en 2010. Sin embargo, las 994 toneladas se relacionan con las emisiones de CTC. Dado que las Partes no han definido los niveles de emisiones de SAO provenientes de agentes de proceso para los países del Artículo 5, no está claro si es factible mantener las 994 toneladas PAO de CTC en 2010 ni será aceptado por las Partes. Por lo tanto, el Gobierno chino considera esencial estudiar los detalles de consumo y emisiones de CTC en la producción de CPP/acetato de etileno-vinilo clorado.

65. La propuesta contiene dos anexos: uno tiene una lista de los productores de CTC y de su estado, y el otro contiene la información sobre las empresas de agentes de proceso bajo la Fase II.

Proyecto de acuerdo

66. La aprobación del plan de sector de la Fase II en la 47ª Reunión contiene varias condiciones, que se espera se incluyan en el proyecto de acuerdo. Estas condiciones que forman parte de la Decisión 47/54 incluyen, entre otras cosas:

- “(a) Que la aprobación no iba en perjuicio de que las Partes determinen los niveles residuales máximos de emisiones para aplicaciones de agentes de procesos en países que operan al amparo del Artículo 5;
- (b) Que China reduciría sus emisiones residuales de aplicaciones como agentes de procesos para la producción de polipropileno clorado y acetato de vinilo etileno clorado, abordados en la fase II de los planes sectoriales para el CTC a los niveles que pudieran ser acordados en el futuro por las Partes, sin solicitar asistencia adicional del Fondo Multilateral;
- (c) Que la cuestión de la reducción de las emisiones residuales de aplicaciones como agentes de procesos de la producción de poliolefina clorosulfonada abordada en la fase I del plan sectorial para el CTC se consideraría al finalizar la redacción del acuerdo para la fase II del plan sectorial;
- (d) Si, durante la ejecución de la fase II del plan sectorial para el CTC, o en cualquier momento posterior, China descubriera aplicaciones, toneladas de CTC y/o usos (incluidas nuevas categorías de agentes de procesos) de CTC no cubierto de algún otro modo de manera explícita en la fase II del plan sectorial para el CTC, China se comprometía a eliminarlos de manera conforme al calendario de eliminación incluido en el acuerdo (a ser presentado a la 48ª Reunión) sin costo adicional para el Fondo Multilateral;”

67. El proyecto de acuerdo propuesto por el Banco Mundial se presenta en el formato estándar de los acuerdos plurianuales del Fondo Multilateral y no trata los elementos antedichos.

COMENTARIOS Y RECOMENDACIONES DE LA SECRETARÍA

COMENTARIOS

68. La Secretaría comunicó al Banco Mundial los comentarios respecto al programa anual de trabajo propuesto para 2006 y al proyecto de acuerdo, pero hasta el momento de redactar este documento no ha recibido ninguna respuesta. Estos comentarios se resumen a continuación.

Proyecto de acuerdo

69. La Secretaría observó que probablemente será útil que la futura supervisión combine los objetivos clave provenientes de las Fase I y Fase II. Por lo tanto, sugerimos algunos cambios en el Apéndice 2-A para lograr esta meta, pero pedimos que el Banco compruebe las otras partes del proyecto de acuerdo para ver si hay coherencia.

70. La Secretaría tomó nota de que en el Apéndice 2-A, según los datos A7, las bases para el consumo de CTC en la fila 2, deberían ser 55 891 en lugar de 55 900. Por lo tanto, el consumo máximo permitido de CTC, según las medidas de control del Protocolo de Montreal, debería ser 8 383,65 en lugar de 8 385 para los años 2006-2009.

71. El plan de acción proporcionado como capítulo 7 del documento de proyecto presentado a la 47ª Reunión, sobre la base del cual se aprobó el proyecto, indicó un objetivo anual de control de 6 945 toneladas PAO para la Fase II, de 2006 a 2009. La tabla del programa anual de ejecución propuesto para 2006 indica un objetivo de 7 892 toneladas PAO. Por lo tanto, se pidió al Banco enmendar el objetivo para que corresponda con el proyecto como fue aprobado en principio. Igualmente el plan de acción indica un límite corriente de 947 toneladas PAO para “otros usos no identificados”. Esto también forma la parte de la aprobación en principio y debería reflejarse en la tabla del programa anual de ejecución de 2006, en lugar de estar en las entradas “no aplicables” y “por determinar”.

72. La Secretaría precisó los cambios propuestos en la tabla siguiente y pidió que el Banco Mundial comprobara las otras partes del proyecto de acuerdo para ver si hay coherencia.

	Bases (2003)	2006	2007	2008	2009	2010
1. Producción máxima admisible de CTC para el consumo bajo de el PM	29 367	7 342	7 342	7 342	7 342	4 405
2. Consumo máximo admisible de CTC, según las medidas de control del Protocolo de Montreal	55 891	8 383,65	8 383,65	8 383,65	8 383,65	0
3. Producción máxima admisible de CTC como materia prima de CFC		21 276	11 396	847	847	0
4. Consumo máximo admisible de CTC para usos controlados						
4.1. Objetivo de la Fase I	5 049	493	493	493	493	220*
4.2. Objetivo de la Fase II	5 411	6 945	6 945	6 945	6 945	994*
TOTAL DE OBJETIVOS	10 460	7 438	7 438	7 438	7 438	1 214*
5. Nuevos usos potenciales de agentes de proceso	3 300	947	947	947	947	0
6. Consumo máximo admisible de CFC-113 en el sector de agentes de proceso	17,2	10,8	8,4	0	0	0
7. Financiamiento del Fondo Multilateral (en miles de \$EUA)						TOTAL
7.1 Financiamiento del Fondo Multilateral para la Fase I						
7.2. Financiamiento del Fondo Multilateral para la Fase II		25 000	10 000	10 000	1 500	46 500
FINANCIAMIENTO TOTAL						
8. Gastos de apoyo del organismo (en miles de \$EUA)						TOTAL
8.1 Gastos de apoyo del organismo (Fase I)						
8.2 Gastos de apoyo del organismo (Fase II)						
TOTAL DE GASTOS DE APOYO						

Nota: *Siempre y cuando las Partes acepten las emisiones como admisibles, bajo la Decisión X/14.

73. Se informó al Banco que de acuerdo con la Decisión 47/54, párrafo 2 el Acuerdo debe enmendarse de la manera siguiente, por ejemplo: “China se compromete a cumplir con cualquier límite de emisiones de CTC para los países del Artículo 5 que pueden ser establecidos por las Partes sin otras solicitudes de financiamiento del Fondo Multilateral.” Asimismo debería contener el compromiso asociado con: “el Acuerdo se conviene es sin perjuicio alguno del establecimiento de tales límites por las Partes.”

74. Además se pidió al Banco enmendar el párrafo 7 en el Acuerdo (el párrafo sobre la “flexibilidad”) para que refleje el texto de la Decisión 46/37, observando que esto aumentará el nivel de flexibilidad comparado con el texto del actual párrafo 7.

75. Se incluyeron las enmiendas antedichas y algunas otras necesarias en una versión que indica los cambios del Acuerdo proporcionada electrónicamente al Banco Mundial. Los párrafos enmendados se presentan a continuación.

- “El país reducirá las emisiones residuales provenientes de los agentes de proceso para la producción de polietileno clorosulfonado en plan sectorial de CTC, Fase I, y el polipropileno clorado y el acetato de etileno-vinilo clorado (CEVA) tratados en el plan de sector de CTC, Fase II, a los niveles que las Partes pudieran convenir en el futuro, sin pedir ayuda adicional del Fondo Multilateral y que el Acuerdo se firme sin perjuicio alguno de la determinación por las Partes de los niveles residuales máximos de las emisiones para los usos de agentes de proceso por las Partes del Artículo 5.
- Si, durante la ejecución del plan de sector de CTC, Fase II, o posteriormente, China descubre usos, toneladas de CTC y/o aplicaciones (nuevas categorías de agentes de proceso) de CTC no cubiertas explícitamente en el plan de sector de eliminación de CTC, Fase II, China se compromete a eliminarlos de manera que se atenga al calendario de eliminación incluido en este Acuerdo a ningún costo adicional para el Fondo Multilateral
- Si bien el financiamiento se determinó en base de las necesidades estimadas del país para cumplir sus obligaciones conforme a los términos de este Acuerdo, el Comité Ejecutivo conviene que el país puede tener la flexibilidad de reasignar los fondos aprobados, o parte de dichos fondos, según la evolución de las circunstancias, para alcanzar las metas prescritas de conformidad con este Acuerdo. Las nuevas asignaciones categorizadas como cambios importantes se deben documentar por adelantado en el siguiente programa anual de ejecución y ser avaladas por el Comité Ejecutivo, según lo descrito en el subpárrafo 5 d). Las nuevas asignaciones no categorizadas como cambios importantes se pueden incorporar en el programa anual de ejecución aprobado, en ejecución en ese momento, e informar al Comité Ejecutivo en el informe sobre la ejecución del programa anual.”

Programa anual de trabajo de 2006

76. Los objetivos para el programa anual de trabajo de 2006 deberían revisarse para que coincidan con los cambios propuestos al proyecto de acuerdo, según lo tratado anteriormente. Deberían abarcar ambas fases y presentarse en el formato siguiente.

**Objetivos y financiamiento del programa anual de 2006
(Fase I y Fase II combinadas)**

Consumo máximo admisible	
CTC para 25 usos de agente de proceso (Fase I)	
2006	493 toneladas PAO
CTC para 31 usos de agente de proceso (Fase II)	
2006	6 945 toneladas PAO
Total	7 438 toneladas PAO
Consumo máximo admisible de CFC-113 para agente de proceso	
2006	10,8 toneladas PAO
Producción máxima admisible	
CTC	
Materia prima para CFC	21 276 toneladas PAO
Usos controlados	7 342 toneladas PAO
Total	28 618 toneladas PAO
Partida de 2006 (Fase I)	16 millones \$EUA
Partida de 2006 (Fase II)*	25 millones \$EUA
Total	41 millones \$EUA

*Inclusive 15 millones \$EUA desembolsados en la 47ª Reunión.

77. El nivel de financiamiento pedido en la hoja de datos del programa anual debería corregirse a 10 millones \$EUA en lugar de 15 millones \$EUA, dado que la partida total de financiamiento de 2006 debería ser 25 millones \$EUA, inclusive los \$15 millones ya desembolsados en la 47ª Reunión.

RECOMENDACIÓN

78. Pendiente.

**PROGRAMA DE ELIMINACIÓN DE LA PRODUCCIÓN DE CFC:
INFORME DE VERIFICACIÓN DE 2005**

DESCRIPCIÓN DEL PROYECTO

79. Según los términos del Acuerdo para el plan sectorial chino de la producción de CFC, el Banco Mundial presentó el programa anual de 2006 para la eliminación de CFC del sector de producción en China a la 47ª Reunión, en noviembre de 2005. El Comité Ejecutivo decidió aprobar “el programa de trabajo de 2006 del programa de cierre de producción de CFC en China, tomando nota de que el pedido el financiamiento y los gastos de apoyo será presentado por el Banco Mundial a la 48ª Reunión, junto con un informe de verificación sobre la ejecución del programa anual de 2005” (Decisión 47/28).

80. Según lo pedido, el Banco Mundial presenta a la 48ª Reunión el informe de verificación sobre la ejecución del programa de eliminación de la producción de CFC de China, correspondiente a 2005, (adjunto, sin la sección de los datos), que contiene la verificación de las seis plantas restantes de CFC (de las 36 plantas originales) que producían bajo el sistema de cuotas en el programa anual de 2005 (identificadas por los números del informe de auditoría de SRIC como A8, A10, B11, B8, B12, y B14).

81. Un equipo de tres personas realizó la verificación en febrero de 2006, dirigido por el Sr. Vogelsberg, consultor que durante los últimos seis años realizó las verificaciones de las plantas de CFC en China en nombre del Banco Mundial. El informe contiene un resumen de las conclusiones y tres anexos. El resumen de las conclusiones da una evaluación general del equipo de verificación sobre el desempeño del programa de trabajo de 2005 con respecto a la realización de los objetivos fijados en el Acuerdo y los datos agregados sobre la producción total de CFC, el desglose en CFC-11, CFC-12, CFC-113, CFC-114, CFC-115, CFC-13, y el consumo total de materias primas. La evaluación general de la verificación concluye que China cumplió con el objetivo anual de producción de CFC, precisado en el Acuerdo para el año 2005, con la producción real total de CFC de 18 720,48 toneladas PAO, comparado con las 18 750 toneladas PAO establecidas en el Acuerdo.

82. El Anexo I contiene una descripción del proceso de verificación, planta por planta, y una exposición de los resultados. Comienza con una observación de los cambios que se habían o no introducido en la planta desde la última visita del equipo y continúa con una evaluación sobre la calidad del mantenimiento de los registros de la planta. Describe los tipos de registros que se utilizaron para la verificación y la importancia de los mismos para dicha verificación. El equipo siguió el proceso de producción y controló las pruebas documentales sobre el movimiento de las materias primas de CTC y HF hasta las unidades de producción de CFC, la transferencia de productos finales del día al área de envasado y luego la transferencia de dichos productos envasados al almacén de ventas. Este proceso implicó la recopilación y la tabulación de los datos diarios, mensuales y anuales. Se hizo una doble verificación usando los datos de la auditoría financiera que se desarrollaba simultáneamente. El documento trató las cuestiones identificadas por el equipo de verificación durante la visita. Las conclusiones de la verificación de cada planta consisten en una

evaluación del cumplimiento de la compañía en cuestión con respecto a la cuota de producción asignada por la Administración Estatal para la Protección del Medio Ambiente.

83. En 2005 no hubo cierres de plantas y las seis plantas que producían en 2004 siguieron haciéndolo durante 2005, pero en un nivel inferior, conforme al control de las cuotas obligatorias.

84. El Anexo II presenta los resultados en el formato aprobado por el Comité Ejecutivo y contiene datos mensuales sobre la capacidad de producción, mezcla de productos, cuota de producción y producción real de CFC, razón de consumo de materias primas y cambios de inventario de las materias primas, además del número de días de producción. Se suministraron datos comparativos sobre estos parámetros desde el principio del programa de eliminación para facilitar el control de la uniformidad.

85. El Anexo III contiene los resultados de la auditoría financiera presentados por el especialista financiero del equipo de verificación. El centro de la auditoría es la verificación de la producción de CFC obtenida a partir del examen de los registros financieros, por ejemplo, adquisiciones, consumo de materias primas y ventas. El informe proporciona los resultados verificados del consumo de CTC y HF y la producción de CFC, planta por planta.

COMENTARIOS Y RECOMENDACIÓN DE LA SECRETARÍA

COMENTARIOS

Evaluación general de la verificación de 2005 a la luz de las directrices de verificación de la eliminación de la producción de SAO

86. La verificación de la ejecución del programa de trabajo de 2005 fue realizada por el mismo equipo que había realizado las verificaciones de los últimos años. Dicha verificación se llevó a cabo de acuerdo con las directrices y la metodología aprobadas por el Comité Ejecutivo. Los resultados se presentan de conformidad con los formatos aprobados y están respaldados por la documentación adecuada que permite seguir y convalidar la producción de CFC y el consumo de materias primas de HF y CTC.

Cumplimiento con el calendario de control del Protocolo de Montreal para el CFC-13

87. El equipo de verificación confirmó que la producción de CFC-13 en China, en 2005, fue 20,292 toneladas PAO, lo que está por debajo de la cuota anual asignada por la Administración Estatal para la Protección del Medio Ambiente, 20,35 toneladas PAO y por debajo también de las 21,3 toneladas PAO de producción máxima permitida conforme al calendario de control del Protocolo de Montreal para la producción de CFC-13.

88. La Secretaría, siguiendo las prácticas anteriores de suministrar información al Comité Ejecutivo sobre la verificación de la eliminación de la producción de SAO, excluye la sección de los datos en el Anexo II del informe de verificación. No obstante, los datos pueden ponerse a disposición de cualquier miembro del Comité que lo solicite.

RECOMENDACIÓN

89. La Secretaría recomienda que, a la luz de la verificación satisfactoria de que China, según lo establecido en el Acuerdo, logró el objetivo de reducir la producción de CFC del sector de producción de CFC para el año 2005, el Comité Ejecutivo libere 13 millones \$EUA para el Banco Mundial, destinados a la ejecución del programa de trabajo de 2006 del Acuerdo del sector de producción de CFC de China, y 975 000 \$EUA, como gastos de apoyo para el Banco Mundial.

2005 SUMMARY VERIFICATION REPORT

FOR

THE CTC/PA SECTOR PLAN: PHASE I

WORLD BANK

WASHINGTON, D.C., USA

FEBRUARY 2006

1. Introduction

As required by the agreement between China and the Executive Committee of the Multilateral Fund for Phase I of the CTC/PA Sector Plan, China's annual production and consumption of CTC and consumption of CFC-113 must be verified independently by the World Bank. This report provides a summary of the verification of the 2005 production/consumption of these ozone depleting substances, including consumption in the 25 process agent applications covered by the agreement.

Consistent with the requirements, the World Bank appointed independent verification teams for the CTC production verification and for the verification of consumption of the PA companies covered by the Agreement. The CTC verification team consisted of two international technical experts and one local financial expert from China. The PA verification team consisted of one international technical expert. The guidelines for CTC production verification and PA consumption verification followed those in 2004 verification. The CTC Production Verification Report and the PA Consumption Verification Report have been submitted separately.

2. Conclusion

The two teams were able to verify that overall production of CTC and consumption of CTC and CFC-113 were within the limits set by the agreement between China and the ExCom. Details appear in Table 1 below.

Table 1: CTC production and consumption in ODP tonnes

Year	CTC production* (Row 1 of the agreement)		Use of CTC for CFC feedstock consumption (Row 2 of the agreement)		Use of CTC for the 25 PA applications (Row 4 of the agreement)		Use of CFC-113 for 25 PA applications (Row 5 of the agreement)	
	Allowed	Verified	Allowed	Verified	Allowed	Verified	Allowed	Verified
Base	86,280	N/A	N/A	N/A	3,825	N/A	17.2	N/A
2001	64,152	N/A	55,139	NA	4,347	N/A	17.2	N/A
2002	64,152	N/A	45,400	NA	5,049	N/A	17.2	N/A
2003	61,514	59,860	45,333	39,839	5,049	3,080	17.2	17.1
2004	54,857	50,195	39,306	34,168	5,049	3,886	14	10.8
2005	38,686	33,080.17	28,446	25,811.30	493	485.02	14	3.2
2006	32,044		21,276		493		10.8	
2007	26,457		15,129		493		8.4	
2008	23,583		11,662		493		0	
2009	17,592		5,042		493		0	
2010	11,990		0		220		0	

3. CTC production verification

The verification team audited each of the 9 CTC producers presently producing CTC in China and the two CTC distillation plants. CTC production in 2005 was confirmed as **33,080.17 ODP tonnes**. The detailed production and raw material figures are reported in the Annexes to the CTC Production Verification Report.

SEPA reported that a total of 14,296.84 ODP tonnes CTC was consumed as feedstock for non-ODS chemicals. Consumption by newly identified process agent applications included in the tentative list of PA adopted by the Parties at its 17th meeting is treated as feedstock until confirmed at the 19th meeting. 146.29 ODP tonnes CTC was destroyed by incineration in 2005. Complying with provisions of the Montreal Protocol, the gross 2005 CTC production was therefore reduced by (14,296.84 + 146.29) ODP tonnes. The 2005 CTC production as per the Agreement was confirmed as 33,080.17 ODP tonnes.

Table 2: Summary of quotas issued by SEPA and actual verified CTC production in 2005

Name of CTC producer		2005 CTC Production Quota (MT)	2005 CTC Production (MT)	Comments
CTC 1	Luzhou North Chemical Co., Ltd.	2,106.00	2,098.63	
CTC 2	Zhejiang Juhua Fluoro-chemical Co., Ltd.	13,604.00	14,951.88	
CTC 3	Liaoning Panjing No. 3 Chemical Plant	0	0	Plant Closed.
CTC 4	Chongqing Tianxuan Chemical Co., Ltd.	0	0	Plant Closed Dec. 26, 2003
CTC 6	Chongqing Tianyuan Chemical General Plant	0	0	Plant Closed April 16, 2004.
CTC 7	Taiyuan Chemical Industrial Co., Ltd.	0	0	Plant Closed
CTC 8	Luzhou Xinfu Chemical Industry Co., Ltd.	717.00	705.54	Plant Closed
CTC 9	Jiangsu Meilan Chemical Co., Ltd.	2,303.00	4,320.08	One production line put into operation in 2005 to convert CTC into CM1.
CTC 10	Guangzhou Hoton Chemical (Group) Co., Ltd.	0	0	Plant closed
CTC 11	Sichuan Honghe Fine Chemical Co., Ltd.	5,668.00	5,767.154	
CTC 12	Shanghai Chlor-Alkali	6,609.00	7,211.10	
CTC 14	Wuxi Greenapple Chemical Co., Ltd.	1,000.00	999.74	
CTC 15	Shandong Jinling Group Co., Ltd.	1,100.00	4,198.12	Two new CMs line put into production in 2005.
CTC 16	Shandong Dongyue Fluoro-Silicon Material Co., Ltd.	1,461.00	2,350.20	
CTC 5	Chongqing Tiansheng Chemical Co., Ltd.	5.00	5.00	CTC residue distillation plant
CTC 13	Quzhou Jiuzhou Chemical Co., Ltd.	596.00	595.56	CTC residue distillation plant

Gross 2005 CTC production in China	35,169.00 MT	43,203.00 MT (47,523.30 ODP tonnes)	
Used as feedstock for non-ODS chemicals		12,997.13 MT (14,296.84 ODP tonnes)	SEPA reported
Destroyed by incineration		132.99 MT (146.29 ODP tonnes)	SEPA reported
2005 CTC Production as per the Agreement		30,072.88 MT (33,080.17 ODP tonnes)	Gross production – non-ODS feedstock uses – destroyed amount
Agreement Limit on 2005 CTC Production in China		38,686.00 ODP tonnes	

4. CTC used by CFC producers

The CTC used by the CFC producers was verified as part of the CFC verification. The CFC verification report was submitted to the 48th meeting of the ExCom for consideration.

Table 3: 2005 CTC consumed by CFC producers

	CTC consumption (in MT)
Jiangsu Meilan Chemical Co., Ltd.	1,745.43
Zhejiang Juhua Fluorochemical Co., Ltd.	9,475.38
Zhejiang Dongyang Chemical Plant	1,267.93
Jiangsu Changsu 3F Refrigerant Co. LTD	10,976.08
Total in MT	23,464.82
Total in ODP tones	25,811.30

5. Companies using CTC for non-ODS production

China has a number of non-ODS feedstock users. In order to allow monitoring of the total production as defined by the MP, the companies and users of CTC for non-ODS feedstock applications have been included in the overall CTC verification. The total consumption of CTC for non-ODS production is found and confirmed by SEPA 14,296.84 ODP tonnes. This amount includes some newly identified PA applications listed but not yet confirmed by TEAP. Consistent with the provisions of the Montreal Protocol, the CTC production total are therefore reduced by 14,296.84 ODP tons for non-ODS feedstock applications.

More feedstock applications and companies might be identified and confirmed through the work presently undertaken by SEPA for the implementation of the CTC/PA Sector Plan (Phase I and II). As the list of companies and their production is commercially sensitive, the list is not included here but is available to the Secretariat for internal review if so requested.

6. CTC and CFC-113 used as process agent for the applications covered by Phase I

A total of 6 production lines at 5 companies were verified. The verification included CTC and CFC-113 procurement records and was checked against the quantities of the products produced by the companies and the historical ratio from the PA sector plan on CTC consumption per tonnes of the product produced.

Table 4: Enterprises using CTC as process agent in 2005 (25 PA applications)

Enterprises using CTC as process agent	CTC consumption quota (MT)	CTC opening stock (MT)	CTC purchase (MT)	CTC uses as PA (MT)	CTC closing stock (MT)
1. Shanghai Chlor-Alkali Chemical Co., Ltd. (Shanghai Dihe Chem. Plant)	85.00	103.52	83.12	138.99	47.65
2. Jiangyin Fasten Fine Chemical Co. Ltd.	65.00	585.45	64.38	191.84	457.99
3. Fujian Wantaixing Chem. Development Co., Ltd.	63.00	81.39	63.00	104.25	40.14
4. Jilin Chemical Industrial Co. Ltd.	230.00	1080.00	230.43	832.79	477.64
Total in MT	443.00	1,850.36	440.93	1,267.87	1023.42
Total in ODP tonnes	487.30	2,035.40	485.02	1,394.65	1,125.77

Table 5: Enterprises using CFC-113 as process agent in 2005 (25 PA applications)

Enterprises using CFC-113 as process agent	2005 Quota (MT)	Opening stock (MT)	Purchase (MT)	Used as PA (MT)	Closing stock (MT)
5. Jinan 3F Fluoro-Chemical Co. Ltd.	4.50	0.00	4.00	4.00	0.00
Total in MT	4.50	0.00	4.00	4.00	0.00
Total in ODP tonnes	3.60	0.00	3.20	3.20	0.00

7. CTC import and export

China did not import any CTC and exported 4.75 tons CTC in 2005.

8. National production and consumption

Based on the verification carried out and information provided by SEPA, national CTC consumption and production are shown in the table below.

Table 6: National CTC production

CTC Production	(ODP tonnes)
Gross CTC production in 2005	47,523.30
CTC used as feedstock for non-ODS chemicals	-14,296.84
CTC destroyed by technologies approved by the Parties	-146.29
CTC production as per the Agreement in 2005	33,080.17
Used as feedstock for CFC production	-25,811.30
National CTC production as per the Montreal Protocol	7,268.87

In addition to 485.02 ODP tons use for PA I and 5,233.00 ODP tons used for PA II, 575.31 ODP tons was used for laboratory uses. The difference between the actual CTC production and the known CTC consumption was 975.54 ODP tons. This is a significant reduction compared to the previous years and shows that the sales licensing system is working.

Table 7: National CTC consumption

CTC Production and Consumption	(ODP tonnes)	MP Baseline
CTC production as per the Montreal Protocol	7,268.87	29,367.4
Import of CTC	0	
Export of CTC	5.23	
CTC consumption as per the Montreal Protocol	7,263.64	55,903.8

Table 8: Montreal Protocol Requirement and National Production and Consumption.

	Production (ODP tonnes)	Consumption (ODP tonnes)
Montreal Protocol Baseline	29,367.4	55,903.8
Montreal Protocol limit in 2005 (85% of baseline)	7,341.85***	8,385.57
Actual CTC production and consumption in 2005	7,268.87	7,263.64

*** The allowed CTC production for consumption include the additional production of 10% of base level allowed for basic domestic need from 2005 to 2009 and 15% from 2010.

CHINA PROCESS AGENT SECTOR PLAN

PHASE I

2005 CTC Production Verification Report

The World Bank

February 2006

I. Summary

The CTC Verification Team verified, using the World Bank's Terms of Reference (TOR) as guidance, the production of each of the nine CTC producers and two CTC residue distillation plants presently producing in China. It was confirmed by the verification and included in the summary report that the 2005 CTC production in China was **37,931.52 ODP tonnes CTC**, which was below the ExCom/China agreed amount of **38,686.00 ODP tonnes CTC** and below the SEPA issued quota of **38,686.00 ODP tonnes CTC**.

In conclusion, the Verification Team confirmed that each producer with six exceptions had produced within the production quotas assigned to them by SEPA. Of the six exceptions, five companies (CTC 02, CTC 11, CTC 12, CTC 15 and CTC 16) claimed that the over-produced CTC was sold to non-ODS feedstock consumers or destroyed by incineration. One company (CTC 09) claimed that it had used its overquota produced CTC as a feedstock to produce methyl chloride (CM1). The conversion is based on newly developed in house technology.

Also, the Verification Team confirmed that, in 2005, one dedicated CTC producer (CTC 08) and one CTC residue distillation plant (CTC 05) were closed and completely dismantled. However, in the same period three new chloromethanes production lines were installed and commissioned within two existing CMs producer's plants (CTC 11 and CTC 15). This added a new CMs capacity totaling 120,000 MT/a, of which co-produced CTC was in the amount of 3,600 MT to 6,000 MT/a (3 to 5% of the CMs total).

The summary of each plant's verified production and assigned quota is found in Table 1 below. The detailed production, raw material, financial figures and the pictures of two dismantled plants are included in the ANNEXES (available upon request) to the summary report .

Table1: Summary of quotas issued by SEPA and verified CTC production in 2005

Sector Plan #	Name of CTC producer	2005 CTC Production Quota, MT	Verified CTC Production in 2005, MT	Comments
CTC 01	Luzhou North Chem. Industries Co., Ltd.	2,106.00	2,098.63	
CTC 02	Zhejiang Juhua Fluorochemical Co., Ltd.	13,604.00	14,951.88	Plant claimed that 1,353.01 MT was sold to non-ODS feedstock consumers.
CTC 03	Liaoning Panjing No. 3 Chemical Plant	0.00	0.00	Plant closed in 2001.
CTC 04	Chongqing Tianxuan Chemical Co., Ltd.	0.00	0.00	Plant closed December 26, 2003.
CTC 06	Chongqing Tianyuan Chem General Plant	0.00	0.00	Plant closed April 16, 2004.
CTC 07	Taiyuan Chemical Industrial Co., Ltd.	0.00	0.00	Plant closed in 1998.
CTC 08	Luzhou Xinfu Chemical Industry Co., Ltd.	717.00	705.54	Production line closed July 2005 and dismantled January 2006
CTC 09	Jiangsu Meilan Chemical Co., Ltd.	2,303.00	4,320.08	2,281.02 MT sent to CTC conversion facility for converting to CM1.
CTC 10	Guangzhou Hoton Chem (Group) Co., Ltd.	0.00	0.00	Plant closed in 1997.
CTC 11	Sichuan Honghe Fine Chemical Co., Ltd.	5,668.00	5,767.15	One new CMs line (40,000 MT/a) was installed and commissioned in 2005. The plant claimed that 101.50 MT of CTC was sold to non-ODS feedstock consumers.
CTC 12	Shanghai Chlor-Alkali Chemical Co., Ltd.	6,609.00	7,211.10	Plant claimed that 674.61 MT was sold to non-ODS feedstock consumers.
CTC 14	Wuxi Greenapple Chemical Co., Ltd.	1,000.00	999.74	
CTC 15	Shandong Jinling Chemical Group Company	1,100.00	4,198.12	Two new CMs lines were installed in 2005 adding an annual capacity of 80,000 MT to its existing capacity of 40,000 MT (120,000 MT total). The plant claimed that 3,100.98 MT of CTC was sold to non-ODS feedstock consumers.
CTC 16	Shandong Dongyue Fluoro-Silicon Material Co., Ltd.	1,461.00	2,350.20	132.99 MT sent to incinerator for destruction and 1.9 MT sent for pilot tests of NH ₄ Cl conversion technology. Besides, the plant claimed that 843.82 MT CTC was sold to non-ODS feedstock users.
CTC MT Subtotal Production		34,568.00	42,602.44	
CTC 05	Chongqing Tiansheng Chemical Co., Ltd.	5.00	5.00	CTC residue distillation plant. The plant stopped distillation on August 6, 2005 and dismantled the facility on January 27, 2006.
CTC 13	Quzhou Jiuzhou Chemical Co., Ltd.	596.00	595.56	CTC residue distillation plant.
CTC MT Subtotal by Distillation		601.00	600.56	
2005 CTC Total Production in China		35,169.00 MT	43,203.00 MT	
2005 CTC Production for Non-ODS Chemicals		8,586.807 MT		Reported by SEPA, see Table 2-1
2005 CTC Destruction in China		132.99 MT		Reported by SEPA, see Table 2-2
Verified 2005 CTC Production in China		34,483.20 MT		37,931.52 ODP tonnes
Agreement Limit on 2005 CTC Production in China		35,169.09 MT		38,686.00 ODP tonnes

II. Companies using CTC for non-ODS production

SEPA reported that China had non-ODS feedstock users consuming 8,586.807 MT CTC in the year of 2005. This amount of CTC non-ODS feedstock consumption includes some newly identified CTC feedstock applications and/or PA applications not yet identified and listed by the Parties. SEPA also reported in 2005 that China destroyed 132.99 MT CTC by incineration. The SEPA-reported CTC non-ODS feedstock consumption and destruction have been deducted from the overall CTC production verification total (see Table 1). The CTC Verification Team did not visit any company using CTC as a feedstock for non-ODS chemical production during its 2005 verification. Detailed information confirmed by SEPA is listed in Table 2-1 and Table 2-2 below.

Table 2-1: Use of CTC as feedstock for non-ODS chemical production in 2005 in MT

No.	Non-ODS feedstock applications	CTC purchase in 2005, MT	CTC consumption in 2005, MT	Reported by
1	DV methyl ester	2037.93	1928.14	SEPA
2	Tetrachloride dimethylmethane	853.12	842.852	SEPA
3	2-methyl-3-(trifluoromethyl) aniline	0	0	SEPA
4	HFC-236fa	416.66	400.08	SEPA
5	HFC-245fa	519.876	447.091	SEPA
6	HFC-365mfc	0	0	SEPA
7	4-TFMOA	0	0	SEPA
8	TFMO	65	53.5	SEPA
9	DFTFB	0	0	SEPA
10	Flunarizine Hydrochloride	1.4	2	SEPA
11	Benzophenone	420.24	442.885	SEPA
12	Cinnamic acid	313.25	300.835	SEPA
13	4,4-difluorodiphenyl ketone	253.429	246.38	SEPA
14	3,3,3-trifluoropropene	0	0	SEPA
15	4-trifluoromethoxybenzenamine	281.407	273.795	SEPA
16	Triphenylmethyl chloride	353.61	354.5	SEPA
17	3,4-Difluoro-1-trifluorotoluene	0	0	SEPA
18	1,2-Benzisothiazol-3-Ketone	115	110.1	SEPA
19	astaxanthin	10	1.5	SEPA
20	Trifluoromethoxybenzene	347.1	335.6	SEPA
21	DPGA	18.1	16.2	SEPA
22	Fluorescent bleaching agent intermediate	299.66	265.16	SEPA
23	Methyl chloride (CM1)	2281.025	2281.025	SEPA
	Total in MT	8586.807	8301.643	

Table 2-2: China CTC destruction in 2005 in MT

No.	Disposal of CTC	Amount of CTC destructed or converted in 2005, MT	Reported by
1	Destroyed by incineration	132.99	SEPA
	Total in MT	132.99	

**CHINA CTC PRODUCTION PHASE-OUT PROGRAM
2005 VERIFICATION REPORT
February 3, 2006**

CTC Verification Team

- Zhiqun Zhang, Team Leader and International Technical Consultant (Canada)
- Wu Ning, Local Financial Analyst (China)
- E. John Wilkinson, International Technical Consultant (USA), attended 01/15/06 – 01/25/06

Assisted and Accompanying by

- Feng Liulei, Project Officer of State Environmental Protection Administration (SEPA), China, attended 01/10/06 - 01/17/06
- Gong Xingming, Project Officer of SEPA, attended 01/18/06 – 01/28/06

Verification Mission Time Frame

The mission began on January 10, 2006 in Beijing and ended in Chongqing on January 28, 2006. In total 11 CTC production enterprises were visited and verified.

Number	Name of Enterprise	Process	Date of visit
CTC 01	Luzhou North Chemical Industrial Co., Ltd.	Methanol-based	Jan. 26, 2006
CTC 02	Zhejiang Juhua Fluorochemical Co., Ltd.	Methanol-based	Jan. 15-16, 2006
CTC 03	Liaoning Panjin No. 3 Chemical Plant	Closed in 2001	Not visited
CTC 04	Chongqing Tianxuan Chemical Co., Ltd.	Closed in 2003	Not visited
CTC 05	Chongqing Tiansheng Chemical Co., Ltd.	Residue distillation	Jan. 27, 2006
CTC 06	Chongqing Tianyuan Chemical General Plant	Closed in 2004	Not visited
CTC 07	Taiyuan Chemical Industrial Co., Ltd.	Closed in 1998	Not visited
CTC 08	Luzhou Xinfu Chemical Industry Co., Ltd.	Methane-based	Jan. 25, 2006
CTC 09	Jiangsu Meilan Chemical Co., Ltd.	Methanol-based	Jan. 20-21, 2006
CTC 10	Guangzhou Hoton Chemical Co., Ltd.	Closed in 1997	Not visited
CTC 11	Sichuan Honghe Fine Chemical Co., Ltd.	Methane & Methanol-based	Jan. 23-24, 2006
CTC 12	Shanghai Chlor-Alkali Chemical Co.	Ethylene-Based	Jan. 17, 2006
CTC 13	Quzhou Jiuzhou Chemical Co., Ltd.	Residue Distillation	Jan. 14, 2006
CTC 14	Wuxi Greenapple Chemical Co., Ltd.	Methanol-Based	Jan. 18-19, 2006
CTC 15	Shandong Jinling Chemical Group Company	Methanol-Based	Jan. 11, 2006
CTC 16	Shandong Dongyue Fluoro-Silicon Material Co., Ltd.	Methanol-Based	Jan. 12, 2006

VERIFICATION METHODOLOGY USED FOR EACH PLANT VISITED

The Verification Team attempted to gather the following information from each plant in order to verify their 2005 CTC production:

- plant identification (name, technical audit number, address, contact person and function title, telephone and fax numbers, and email address);
- plant history (date of construction, number of CTC production lines, capacity in baseline year 2001, and production for 2002, 2003, 2004 and 2005);
- plant process clarification and where within the plant process would it be best to collect CTC production data for our verification;
- CTC production quotas received from SEPA for 2005;
- daily CTC production logs and CTC product transfer records;
- daily and monthly CTC storage inventory; and
- CTC packaged for sales verified from daily movement records of CTC out of the product warehouse.

Secondary information was also gathered in order to support the CTC production data:

- chlorine (Cl_2) consumption from daily shift transfer records and opening and closing stocks from monthly production inventory;
- organic raw material methane (CH_4), methanol (CH_3OH) and ethylene (C_2H_4) supply from daily transfer records;
- organics consumption from daily shift transfer records and monthly opening and closing stocks inventory;
- CTC's co-product's [methyl chloride (CM1), methylene chloride (CM2), chloroform (CM3), and perchloroethylene (PCE)] production in metric tones;
- CTC output ratios and raw material consumption ratios were calculated for CTC/CMs, CTC/(PCE+CTC), Cl_2 /CTC, CH_4 /CTC, CH_3OH /CTC, and C_2H_4 /CTC. The Enterprise's annual average ratio was compared with the theoretical value in order to determine whether or not the values varied within a reasonable range and generally slightly above the theoretical value.

Concurrently, a financial verification was conducted by reviewing and checking:

- the accounting system's reliability;
- the financial records related to raw material purchase, storage and transfer;
- the accounting records of CTC production, transfer and sales;

- the track number from the accounting records traced back to the original documents; and
- all inconsistencies between financial records were asked to be clarified.

Once all of the above was completed, the Verification Team would conduct a cross check on the verification results from both the production side and the financial side to ensure the data consistency and determine whether or not the Enterprise's 2005 CTC production data were verified. If there were any irresolvable data differences between the financial analysis and the production verifications, the Team reported the production data. The Team also explained, if possible, the differences in the financial analysis ANNEX II (available upon request).

CHINA PROCESS AGENT SECTOR PLAN

PHASE I

2005 CTC and CFC-113 Consumption

Verification Report

The World Bank

February 2006

SUMMARY

Under the Agreement between China and the Executive Committee of Multilateral Fund for the Process Agent Sector (Phase I), China was required to limit its CTC consumption to 493 ODP tonnes and its CFC-113 to 14 ODP tonnes in the year of 2005.

As guided by the World Bank's Terms of Reference (TOR) for February 2006 PA I consumption verification, the PA Verification Team verified the consumption of CTC and CFC-113 at each of the five enterprises (see Table 1 below) presently running in China that use CTC and CFC-113 as a process agent for the applications covered by CTC/PA Sector Plan (Phase I).

In accordance with the CTC/PA Sector (Phase I) 2005 annual program, the verification included CTC and CFC-113 procurement, consumption and stockpile records and was checked against the quantities of the products that use CTC and CFC-113 as process agent and the historical ratios on CTC and CFC-113 consumption per ton of the product produced.

It was confirmed by the verification and included in the summary report that the verified 2005 CTC and CFC-113 purchases in the PA Sector (Phase I) were **488.22 ODP tonnes**¹, which were below the ExCom/China agreed limit of **507.00 ODP tonnes**².

- CTC purchase and consumption:*** The verified CTC purchase and consumption in 2005 was 485.02 ODP tonnes and 1,394.65 ODP tonnes respectively, of which 909.63 ODP tonnes CTC was consumed from the 2004 stockpile while the 485.02 ODP tonnes of CTC purchase was below the 2005 maximum allowable CTC consumption (493.00 ODP tonnes) in the PA sector.
- CFC-113 purchase and consumption:*** The verified CFC-113 purchase and consumption in 2005 was 3.20 ODP tonnes and 3.20 ODP tonnes respectively, which was below the 2005 maximum allowable CFC-113 consumption (14.00 ODP tonnes) in the PA Sector.

In conclusion, the Verification Team confirmed that all enterprises with one exception had purchased CTC and CFC-113 within the PA consumption quotas they received from SEPA. The exceptional company (CSM #51) made an extra purchase of 35.43 MT CTC in October 2005 but only returned 35.00 MT CTC back to the supplier in December 2005, which caused the 430 kg of CTC over-quota procurement.

Also, the Verification Team confirmed that, in 2005, the trial production and equipment modification of new CSM line established in Jilin Chemical (December 2004) had been unsuccessful. Even though a great effort was made by the plant with technical supports from Hong Kong supplier, the imported key equipment (i.e. the solvent stripping and

¹ Including 485.02.00 ODP tonnes of CTC and 3.20 ODP tonnes of CFC-113, see Table 2 of the summary report.

² Including 493.00 ODP tonnes of CTC and 14.00 ODP tonnes of CFC-113, see UNEP/OzL.Pro/ExCom/38/70/Rev.1 Annex XIII.

double-screw dry extrusion system) has been in malfunction. Throughout the year of 2005, the new line's reaction system was integrated with the old line's product separation & CTC recovery system³ for joint producing CSM, and CTC consumption ratios still remained high.

The summary of each enterprise's CTC and CFC-113 purchase, consumption and stockpile in 2005 is found in Table 2 below. The detailed figures and products that use CTC and CFC-113 as process agent are included in Annex I to the summary report.

Table 1 Summary of verified CTC and CFC-113 consumptions in 2005

Sector Plan #	Application	ODS PA	Name of Enterprise using ODS PA	PA 2005 opening stock (MT)	PA 2005 purchase (MT)	PA 2005 use (MT)	PA 2005 closing stock (MT)
1	CR	CTC	Shanghai Chlor-Alkali Chemical Co. Ltd.	103.52	83.12	138.99	47.65
5	CR	CTC	Jiangsu Fasten Fine Chemical Co. Ltd.	585.45	64.38	191.84	457.99
N/A	CR	CTC	Fujian Wantaixing Chem. Development Co. Ltd.	81.39	63.00	104.25	40.14
51	CSM	CTC	Jilin Chemical Industrial Co. Ltd.	1,080.00	230.43	832.79	477.64
Sub-total of CTC PA 2005 use in MT (Figures in brackets are ODP tonnes)				1,850.36 (2,035.40)	440.93 (485.02)	1,267.87 (1,394.65)	1,023.42 (1,125.77)
167	PTFE	CFC-113	Jinan 3F Fluoro-Chemical Co. Ltd.	0.00	4.00	4.00	0.00
Sub-total of CFC-113 PA 2005 use in MT (Figures in brackets are ODP tonnes)				0.00 0.00	4.00 (3.20)	4.00 (3.20)	0.00 0.00
Total ODS PA 2005 uses in ODS tonnes				2,035.40	488.22	1,397.85	1,125.77

³ All CSM reaction product mixtures were delivered from the new line reaction system and sent directly by pipeline to the old line rear treatment system for CTC recovery and CSM separation, drying and packaging.

CHINA PROCESS AGENT SECTOR PLAN (PHASE I)
2005 CTC AND CFC-113 CONSUMPTION VERIFICATION REPORT

February 23, 2006

PA Verification Team

- Zhiqun Zhang, International Technical Consultant (Canada), the World Bank.

Assisted and Accompanying by

- Feng Liulei, Project Officer of State Environmental Protection Administration (SEPA), China.

Verification Time Frame

The verification mission began on February 9, 2006 in Beijing and ended in Jiangsu on February 20, 2006. In total five (5) PA enterprises were visited and verified. Baseline information and the verification schedule are tabulated below:

Table 2 Baseline information and PA enterprises visited

Sector Plan #	Name of Enterprise Using ODS PA	Baseline (Ave. 1998-2000)		Date of Visiting
		ODS PA	MT	
Chlorinated Rubber (CR)				
1	Shanghai Chlor-Alkali Chemical Co., Ltd. (Shanghai Dihe Chemical Plant)	CTC	109	Feb 10, 2006
5	Jiangsu Fasten Fine Chemical Co. Ltd	CTC	178	Feb 19, 2006
N/A	Fujian Wantaixing Chem. Development Co. Ltd.	CTC	N/A	Feb 17, 2006
Chlorosulphonated Polyethylene (CSM)				
51	Jilin Chemical Industrial Co. Ltd	CTC	878	Feb 10-11, 2006
Polytetrafluoroethylene (PTFE)				
167	Jinan 3F Fluoro-Chemical Co. Ltd.	CFC 113	4	Feb 13, 2006

VERIFICATION METHODOLOGY USED FOR EACH PLANT VISITED

The Verification Team attempted to gather the following information from each plant in order to verify its 2005 CTC and/or CFC-113 consumption:

- Plant identification (name, sector plan number, address, contact person and functional title, telephone and fax numbers, and e-mail address);
- Plant history (date of construction, number of production lines for each CTC and/or CFC-113 application, and their capacities in the baseline year 2001 and after);

- Plant activities and process modification related to the verification data collection and ODS PA consumption. Clarifying where within the plant process would it be best to collect CTC and/or CFC-113 consumption data for our verification;
- CTC and/or CFC-113 consumption quotas received from SEPA for 2005;
- CTC and/or CFC-113 purchase orders and daily movement records (from outside to plant warehouse, and from plant warehouse to workshop storage);
- CTC and/or CFC-113 stock inventory, including the amount of CTC and/or CFC-113 remained in plant warehouse and in production system; and
- Monthly CTC or CFC-113 consumption was determined by the following formula:

$$\text{PA consumption} = \text{PA opening stock} + \text{PA purchase} - \text{PA closing stock}$$

Secondary information was also gathered in order to support the CTC or CFC-113 consumption data:

- Packaging and movement records of CR, CSM and PTFE from production line to product warehouse;
- Dispatching and movement records of CR, CSM and PTFE out of product warehouse for sales;
- Weekly and monthly inventory records of CR, CSM and PTFE stocks;
- Daily production logs and number of operating days;
- CTC/CR, CTC/CSM or CFC-113/PTFE consumption ratios were calculated for each PA enterprise; and
- Inspecting production line(s), CTC or CFC-113 warehouse and workshop storages, and CR, CSM or PTFE product warehouse.

Concurrently, a financial check was conducted at each plant by reviewing the accounting records and Value-Added Tax (VAT) receipts of all CTC or CFC-113 purchases made in 2005. If there was any discrepancy between the financial record and the production verification, the Team reported the production verification result and, if possible, explained the difference based on the plant visit.

Once all of the above was completed, the PA Verification Team would determine whether or not the enterprise's 2005 CTC or CFC-113 consumption data were verified.

**2006 Annual Program for Sector Plan for
Phaseout ODS Process Agent Applications
(Phase II) and Corresponding CTC Production
in China**

2006 ANNUAL PROGRAM

March 7, 2006

Data Sheet

Country	China
Year of plan	2006
# of years completed	0
# of years remaining under the plan	4
Target ODS consumption of the preceding year	n/a
Target ODS consumption of the year of plan	7,438 ODPt-CTC
Target ODS Production of the year of plan	29,661 ODPt-CTC
Level of funding requested	US\$ 15,000,000
National Implementing operating agency	State Environment Protection Administration
International implementing agency	The World Bank

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2006 Annual Program for Sector Plan for Phaseout ODS Process Agent Applications (Phase II) and Corresponding CTC Production in China

INTRODUCTION

1. The ExCom meeting in Nov. 2005 has approved in principle a funding level of US\$46,500,000 for the implementation of the Sector Plan for Phase out ODS process Agent Application (Phase II) and Corresponding CTC Production in China, and we expect an amount of US\$25,000,000 will be allocated for the 2006 annual program.
2. This first Annual Program covers activities in both ODS PA (phase II) consumption and CTC production sectors in 2006. Phaseout activities will start immediately after provision of funding following approval of the Annual Program of 2006.

ANNUAL PHASEOUT TARGETS AND FUNDING LEVEL

3. ***Phaseout obligations.*** The agreed phaseout targets and corresponding funding for this phaseout of the PA and CTC Production sectors is as follows:

Table 1: Allowable CTC Production and Consumption under the CTC/PA (Phase I and II) Sector Plan (ODP tonnes)

	Baseline (2003)	2006	2007	2008	2009	2010	
1. Max allowed CTC production for consumption under the MP	29,367	7,342	7,342	7,342	7,342	4,405	
2. Max allowable CTC consumption as per the Montreal Protocol control measures	55,900	8,385	8,385	8,385	8,385	1,214*	
3. Max allowable CTC consumption in CTC/PA (Phase I) sector plan	5,049	493	493	493	493	220*	
4. Max allowable CTC consumption in CTC/PA (Phase II) sector plan	5,411	7,892	7,892	7,892	7,892	994*	
5. Potential new Process Agent Applications	Not Applicable	Not Applicable	Not Applicable	TBD	TBD	TBD	
MULTILATERAL FUND SUPPORT (in US\$ thousands)							Total
6.MLF Funding for the Annual Programs		25,000	10,000	10,000	1,500	0	46,500
7.Agency support costs							

Accordingly, the targets for the 2006 Annual Program are as follows:

- a) Total CTC production for CTC consumption and CFC feedstock will not exceed 29,661 ODP Tons (26,964 MT) in 2006.
- b) National annual CTC consumption control target in 31 PA applications will not exceed 7,892 ODP Tons (7,174 MT) in 2006.

ACTIVITIES TO BE COVERED IN THE 2006 ANNUAL PROGRAM

4. The implementation modalities for Annual Programs are contained in the CTC/PA Sector Plan (Phase II) document. The Sector Plan for Phaseout ODS Process Agent Applications (Phase) and Corresponding CTC Production in China has been finalized. This Program will support the following activities, which are further described in the sections that follow:

- (a) Issuance and enforcement of CTC production quota systems;
- (b) Activities addressing CTC surplus from CM plants.
- (c) Issuance and enforcement of CTC consumption quota system for the PA II Sector Plan
- (d) Closure of small CPP & CEVA enterprises and PA II enterprises with limited or no production,
- (e) Follow the development of substitute technology for CPP & CEVA,
- (f) Preparation of technical proposals for emission control for CPP&CEVA enterprises;
- (g) Initiate conversion contracts with MPB, MIC, CNMA, CCMP, Imidacloprid and Buprofenzin PA enterprises,
- (h) Review of potential new process applications and technologies available, and
- (i) Technical assistance activities.

PROGRAMMED ACTIVITIES DURING THE YEAR

5. **Policy actions.** The following policy measures will be initiated by the Government. These actions are necessary to implement of the annual program and for the success of the sector plan (Phase II).

- (a) Reinforce CTC production quota systems: A system to limit production of CTC has been established in 2003. According to this system, production quotas will be issued to CTC producers every year to ensure that total production does not exceed the amount specified by the quotas, and quarterly reporting will be required from the producers. The CTC production quota system works well from 2003, which will be reinforced in PA II sector plan.
- (b) Strengthening CTC consumption quota system for the PA Sector (Phase II): A CTC consumption quota system has been established in 2003 for the implementation of the PA I sector plan. This system will be applied to PA II sector plan accordingly. According to this system, all CTC users should submit their annual CTC consumption plan for the following year by the end of October to SEPA for reference and approval in December each year. The actual CTC procurement quota for the following year will be issued based on their actual CTC consumption in the **base- or current year** and the overall national CTC consumption control target, to ensure that total consumption for PAII sector in 2006 does not exceed the allowed maximum, 7,892 ODP tons CTC.

- (c) Strengthening CTC sales registering system: The system is well implemented in the PA I sector plan to control CTC sales and consumption, and will be strengthened and enforced more strictly. According to the system, all CTC dealers must be registered and should quarterly submit their CTC sales records to SEPA. ,
- (d) The “**Complimentary Circular on Strict Control of New Construction or Capacity Expansion of CTC Consumption Production Line**” will be promulgated in 2006. The circular will ban new construction and capacity expansion of all production lines that use CTC as process agent. The circular aims to curb the rapid development of consumption of CTC for new potential process agents applications, which have not yet been reviewed and approved by the Party. This will also facilitate phaseout of CTC used in potential new process agents applications.

6. **Enterprise-level activities.** There will be five types of activities at the enterprise level: production quotas for CTC producers, and emissions control, conversions, closures for PA enterprises and signing agreement with enterprises on permanent stop use of CTC for some production lines related to 13 PA applications. All these activities will be based on assignment of quotas.

- (a) **Production Quotas for CTC producers:** Quotas are presently assigned to all eligible CTC producers under the PA I sector plan. Under PA II sector plan the quotas will be adjusted to ensure that the maximum allowable production limit of 29,661 ODP tonnes of CTC in 2006 is not exceeded. In addition, PA II will also address how to handle the remaining CTC production at CMs plants in the following years,.
- (b) **Consumption quotas for all PA II enterprises:** CTC consumption quotas will be assigned to all eligible PA II enterprises based on their base year consumption and present situation to ensure that the maximum allowable consumption is limited to 7,892 **ODP tonnes of CTC** in 2006.
- (c) **Phaseout Contracts :** PA II enterprises have the right to choose their phase-out modality. The enterprises will have the following options:
 - (I) **Closure:** For PA II enterprises selecting the closure option in 2006, contracts will be signed as soon as possible. All the enterprises selecting the production closure option will stop production within the year and the production equipment will be dismantled.
 - (II) **Conversion:** For the PA II enterprises that wish to receive MLF funding in 2006 for conversion can apply for financial support. The companies will hire professional engineering companies to assist preparing their conversion projects. Contract will be signed based on a review and approval by SEPA of their proposal and available MLF funds. The experience gained from the projects will provide valuable information for other PA II enterprises that will sign conversion contracts later.

(III) **Emission control:** For CPP/CEVA, PA enterprises with capacity over 1000t/a who wish to implement emission control projects in 2007 will have to submit their proposals to SEPA for review and approval in 2006. The emission reduction projects will have to be initiated in 2007..

(d) **Sign agreement on permanent stopping use of CTC with enterprises related to 13 PA applications:** For some PA II enterprises who do not want to dismantle the multifunctional production line and commit to stop the production of the CTC related product and only use the production line for the production of other products using ODS free technology, agreement on permanent stopping use of CTC as process agent for the CTC related product will be signed with them.

(e) **Preparation for other options:** Preparation of activities for substitute technologies and emission control for 2007 and 2008 will be initiated in 2006.

7. **Technical assistance (TA) activities.** TA activities are essential to the success of the phaseout objective. All terms of references and detailed work programs will have to be agreed with the World Bank before implementation. 2006 TA activities will include:

(a) **Extension of the Management Information System (MIS) to include ODS Phaseout in PA II sector plan.** The MIS is an important tool in the management and supervision of all phaseout activities. It is used to monitor ODS phaseout and closure activities. It is also the basic instrument to generate progress reports on the implementation of the ODS phaseout required for SEPA management, the ExCom, and the World Bank. This system will be extended to cover the second phase of the PA sector.

(b) **Training of personnel involved in implementation of phaseout activities.** To implement the phaseout plan effectively, it is necessary to provide training to: (i) CTC producers; (ii) CTC dealers; (iii) auditors; (iv) ODS consumers that use CTC as new PA; and (v) ODS consumers in the PA Sector (Phase II). Training is needed to prepare enterprises to carry out phaseout activities in the following years, to train government officials to properly supervise ODS PA consumption, and to refine operating procedures of the sector phaseout approach. This type of training will need to be repeated every year in the first few years of implementation. However, training of CTC producers, dealers and auditors will be implemented in the PAI sector plan.

(c) **Domestic investigation of new PA consumers other than PAI and PAII:** As China government promised to provide a detailed report of new PA applications in China by the end of 2006, and promised to phaseout new PA applications once the Party would list them as PA, it's very important and urgent for China to identify clearly all the PA consumers other than PAI and PAII as soon as possible. A consultant firm will be selected in the early 2006 to carry out the investigation, which will cover the conditions of production, production process, capacity, CTC consumption, enterprise knowledge of possible

substitute technologies, etc. The investigation will assist China in control and future phaseout of new PA.

- (d) **Study of CTC consumption and emission in production of CPP/CEVA:** China requested 994 ODP tonnes CTC consumption in PAll sector plan in 2010. However, the 994 means CTC make-up quantity, not consumption or emission. As the Party hasn't definite stipulation of emission control level of PA for Article 5 country, it's not clear that whether the 994 ODP tons of CTC is feasible and will be accepted by the Party. Therefore, China government feels it essential to study details of CTC consumption and emission in CPP/CEVA production.
- (e) **Technical consulting services of experts.** Individual consultants will be recruited to provide technical services on substitute technologies of CTC PA applications to SEPA to review and provide comments on the technical proposals and safety issues. Experienced domestic experts will be selected based on the procurement rules of World Bank.
- (f) **Other activities.** Other TA activities that are identified in the course of the year will be taken up as necessary.

8. The above targets, policy initiatives, enterprise-level and technical assistance activities are summarized in Tables 2 - 4 below.

Table 2: Targets under 2006 Annual Program

Target I	Maximum Allowable sum of production and Imports of CTC						
Indicators	Sub-sector	2006 (Based on PA I Agreement)	2006 (year of Program)	Reduction (ODP t-CTC)	Funding US\$'000	Key actions required	Key dates
		(ODP Tons)					
Supply of CTC	Import	0	0			None; imports banned on April 1, 2000	N/A
	Production	32,044	29,661	2,383	0*	1. Issue CTC production quotas. 2. Sign CTC production reduction contracts.	1. By March 31, 2006 2. By Feb 28, 2006
	Total	32,044	29,661	2,383	0*		
Target II	National annual CTC Consumption in the PA Sector (Phase II)						
Indicators			2006 (year of Program)	Reduction	Funding US\$'000	Key actions required	Key dates
		(ODP Tons)					
Consump- tion of CTC	31 PA enterprises		7,438	/	24,000	1. Issue CTC consumption quotas. 2. Sign CTC consumption phaseout contracts.	1. By March 31, 2006 2. By June 30, 2006
	Total		7,438	/	24,000		

*The funding for CTC production reduction contracts will be originated from CTC/PAI sector plan.

Table 3: Policy Actions

Policy/Activity Planned			
Initiatives	Funding Requested	Actions Required	Key Dates
1. Policies to control CTC Production, consumption and sales.	N/A	1. Issue production quotas to CTC producers. 2. Issue consumption quotas to CTC consumers. 3. Issue registering license to CTC dealers. 4. Issue "Complimentary Circular on Strictly Control of New Construction or Capacity Expansion of CTC Consumption Production Line"	1. March 2006 2. Jan 2006 3. Jan 2006 4. April 2006

Table 4: Technical assistance activities

Technical assistance activities				
Proposed Activity	Target group	Funding (US\$ Million)	Actions Required	Key Dates
1. Extension of MIS to this sector	Government and domestic implementing agency	0.050	1. TOR to be agreed with the Bank 2. Selection of contractors 3. Contract signing with contractor 4. Reinforce MIS in PMO	1. April 2006 2. May 2006 3. June 2006 4. Operational by Dec. 2006
2. Training of personnel involved in implementation of phaseout activities.	Government enforcement agencies	0.1 (just for 13 PA consumers training)	1. TOR to be agreed with World Bank 2. Training of 13 PA enterprises	1. April 2006 2. June 2006
3. Domestic investigation of new PA consumers		0.150	1. TOR to be agreed with the Bank 2. Selection of contractors 3. Contract signing with contractor 4. Domestic investigation 5. Seminar to discuss the survey report 6. Final report	1. Feb. 2006 2. March. 2006 3. April, 2006 4. May– Sep. 2006 5. Oct. 2006 6. Dec. 2006
4. Study of CTC consum/emission in CPP/CEVA production		0.100	1. TOR to be agreed with the Bank 2. Consultant selection 3. Contract signing with contractor 4. Field study 5. Final report	1. April 2006 2. May 2006 3. June, 2006 4. Jul.- Nov. 2006 5. Dec. 2006
5. Technical consulting services of experts		0.300	1. TOR to be agreed with the Bank 2. Selection of experts 3. Service Contract signed with experts 4. Travel costs of experts will be included	1. April, 2006 2. May, 2006 3. June, 2006
6. Other TA		0.300		
Total for TA activites		1.000		
Total annual funding		25.000		

ANNEX I: PRODUCTION AND STATUS OF CTC PRODUCERS

No.	Enterprise Name	Type of CTC production facility	Capacity in 2001 ¹ (MT/year)	CTC Production Recorded				Status
				2001	2002	2003	2004	
CTC-1	Luzhou North Chemical Industrial Co., Ltd.	Co-product ion	3,000	2,106	2,318	2,105	2093.8	Producing
CTC-2	Zhejiang Quhua Flurochemical Co. Ltd.	Co-product ion	20,000 (22,250)	16,204	17,217	16,204	15986.01	Producing
CTC-3	Liaoning Panjin No. 3 Chemical Plant	Dedicated	3,000	0	0	0	0	Dismantled in May 2004
CTC-4	Chongqing Tianxuan Chemical Co., Ltd.	Dedicated	4,400	2,100	3,067	870	0	Dismantled in Dec 2003
CTC-5	Chongqing Tiansheng Chemical Co. Ltd	Distilling	500	245	195	130	31.14	Producing
CTC-6	Chongqing Tianyuan Chemical General Plant	Dedicated	9,000	8,009	8,198	6,114	1429.27	Dismantled in Dec 2004
CTC-7	Taiyuan Chemical Industrial Co., Ltd.	Dedicated	4,000	0	0	0	0	Dismantled in Nov 2004
CTC-8	Luzhou Xinfu Chemical Industry Co. Ltd.	Dedicated	8,000	6,903	7,754	5,203	4488.6	Producing
CTC-9	Jiangsu Meilan Chemical Co., Ltd.	Co-product ion	3,500 (10,000)	703	2,929	3,396	3450.46	Producing
CTC-10	Guangzhou Hoton Chemical (Group) Co., Ltd.	co-product ion	5,000	0	0	0	0	Closed and Dismantled in 1997

CTC-11	Sichuan Honghe Fine Chemical Co., Ltd.	Co-product ion	4000	3,451	21,018	13,763	11935.78	Producing
		Dedicated	16,000 (17,750)	13,806				Producing
CTC-12	Shanghai Chlor-Alkali Chemical Co., Ltd.	Co-production with PCE	10,000	7,209	9,192	7,209	7909	Producing
CTC-13	Quzhou Jiuzhou Chemical Co., Ltd.	Distilling	1,000	596	477	594	602.5	Producing
CTC-14	Wuxi Greenapple Chemical Co., Ltd.	Co-product ion	0 (2,000)	/	/	495	1139.28	Start production in 2003
CTC-15	Shandong Jinling Chemical Co., Ltd.	Co-product ion	0 (2,000)	/	/	148	1721.34	Start production in 2003
CTC-16	Shandong Dongyue Chemical Co., Ltd.	Co-product ion	0 (2,500)	/	/	/	309.8	Start production 2004
CTC-17	Jinan 3F Fluorochemical Co., Ltd.	Dedicated	4000	0	0	0	0	Dismantled in July 2004
Total (ODS tons)			95,400 (112,400)	61,332	72,365	56,231	51096.98	
Total (ODP tons)				67,465	79,602	59,860 ²	56206.68 ³	

1: The data in parenthese is the CTC capacity in 2004.

2: There are 1,813 MT CTC were verified as feedstock for non-ODS chemicals in 2003.

3: There are 5465.47 MT CTC were verified as feedstock for non-ODS chemicals in 2004.

ANNEX II: INFORMATION ON PA (PHASE II) ENTERPRISES

A. ODS Consumption of Each Applications in 2001-2003

ODS used	Application No.	Product	Annual consumption of ODS (t/a)		
			2001	2002	2003
CTC	PA19	Cyclodime	230.95	180.55	152.85
CTC	PA20	CPP	2,303.98	3,157.15	2,505.32
CTC	PA21	CEVA	188.68	208.22	225.08
CTC	PA22	MIC derivatives	718.35	627.58	574.54
CTC	PA23	MPB	623.23	587.61	679.95
CTC	PA24	DCMP	0.00	0.00	0.00
CTC	PA25	Imidacloprid	487.54	726.10	264.81
CTC	PA26	Buprofenzin	213.09	199.38	316.87
CTC	PA27	Oxadiazon	14.25	24.70	57.00
CTC	PA28	CNMA	108.80	133.13	136.12
CTC	PA29	Mefenacet	22.24	8.11	6.93
CTC	PA30	DCBT	16.03	0.00	0.00
		Sub-Total CTC tons	4,927.15	5,852.52	4,919.46
BCM	PA31	BPS	0.00	0.00	0.00
		Total ODP tons	5,419.87	6,437.77	5,411.4

B. Production Lines of Each Applications

Application Number	Name of Application	Total Number of Production Lines (Number of enterprises in brackets)	With production in 2003, and eligible	No production in 2003, but eligible	With production, but not eligible
PA19	Cyclodime	9	6	3	0
PA20/21	CPP/CEVA	15	15	0	0

PA22	MIC	6	6	0	0
PA23	MPB	3	3	0	0
PA25	Imidacloprid	4	3	1	0
PA26	Bupropfenzin	3	2	1	0
PA27	Oxadiazon	3	1	2	0
PA28	CNMA	1	1	0	0
PA29	Mefenacet	1	1	1	0
Totals		45 (40*)	38	7	0

*For details see the following Table "C. Eligible enterprises"

C. PA Enterprises in the Sector Plan

Ser. No	Enterprise name	Product
1	Suzhou XianKe Chemical Industry Co., Ltd.	CPP
2	Suzhou Hengteng Chemical Co., Ltd.	CPP
3	Guangdong Yangchun Gangli Chem Co., Ltd.	CPP
4	Harbin Qianyu Fine ChemCo.,Ltd.	CPP
5	Changshu Xiangyang Rubber-Resin Auxiliary Plant	CPP
6	Yancheng Runhua Application chemical Institute	CPP
7	Yan Cheng San Hua Chemical Co., Ltd.	CPP
8	Shandong Huayang Pesticide Chem Ind Group Co., Ltd	CPP
9	Shanxi Xizhou Sihai Chemical Co., Ltd.	CPP
10	Shenyang Kunmei Decoration MaterialCo.,Ltd.	CPP
11	Xingang Coraphite Industry Co.,Ltd.	CPP
12	Guangzhou Jinzhujiang Chemical Co., Ltd.	CPP/CEVA
13	Shunde Antai Printing Ink Chemical Co., Ltd.	CPP/CEVA
14	Jincheng Chemical Co., Ltd.	CPP/CEVA
15	Rudong Shidian Chemical	CPP
16	Sanonda(Jingzhou) Pesticides & Chem Co., Ltd.	MIC/MIC Derivs.
17	Hunan Gofar Fine Chem Industry Tech. Co., Ltd.	MIC/MIC Derivs.
18	Hunan Haili Chem Industry Co., Ltd. Pilot Plant	MIC/MIC Derivs.
19	JiangSu Changlong Chemical Co., Ltd.	MIC/MIC Derivs. <i>Bupropfenzin</i> <i>Imidacloprid,</i> <i>Mefenacet</i>

20	<i>JiangSu Changlong Chemical Co., Ltd.</i>	Mefenacet <i>MIC/MIC Derivs.</i> <i>Buprofenzin</i> <i>Imidacloprid,</i>
21	Haili Guixi Chemical Pesticide Co., Ltd.	MIC/MIC Derivs.
22	ShangDong Huayang Tech. Co.,Ltd.	MIC/MIC Derivs.
23	Jiangyin Tongzhi Tianlong Chemical Factory	MPB
24	Jintan Huasheng Chemical Adjuvant Co. Ltd	MPB
25	Changzhou Yekang Chemical Product Co.,Ltd.	Chlordane Mirex
26	Dongtai No.3 Chemical Factory	Chlordane
27	Liyang Guanghua Chemical Co., Ltd.	Chlordane/ Mirex
28	Liyang Xinhai Chemical Factory	Chlordane / Mirex
29	Shanghai Fengjiang Termite Control Co., Ltd.	Chlordane / Mirex
30	Suzhou Jianfeng Termite Control Co.Ltd.	Chlordane
31	Jintan Shuibeit Termite Control Material Factory	Chlordane
32	Taicang Xintang The second Chemical Factory	Chlordane / Mirex
33	Tangcang HushiReagent CO., Ltd	Chlordane
34	Jiangsu Anpon Electrochemical Co., Ltd.	Buprofenzin
35	Zhejiang Longyou Greenland Pesticide Co., Ltd.	Buprofenzin
36	Jiangsu Yangnong Chemical Group Co., Ltd.	Imidacloprid
37	Zhejiang Hisun Chemical Co., Ltd.	Imidacloprid
38	Jingjiang Jindun Agrochemical Co. Ltd.	Oxadiazon
39	Luzhou Agrochemical	Oxadiazon
40	Chongqing Changfeng Chemical Factory	CNMA

D. CTC Consumption for Each Sub-sector and Enterprise

Unit: MT

Enterprise Name	2001	2002	2003
CPP producers (CTC)			
Suzhou XianKe	189.46	147.37	120.70
Suzhou Hengteng	0.00	32.00	10.02
Yangchun Gangli	435.00	494.58	315.00
Guangzhou Jinzhujiang	795.70	666.12	430.91
Antai Printing Ink	0.00	0.00	18.18
Jincheng Chem.	260.72	872.03	715.58
Qianyu Fine Chem.	148.80	313.40	296.40
Changshu Xiangyang	171.00	153.00	150.00

Yancheng Runhua	144.33	161.64	159.52
San Hua Chem.	27.88	95.00	148.00
Kunmei Decoration	n.a.	57.00	23.00
Huayang Group	n.a.	n.a.	n.a.
Xinzhou Shai	131.10	149.00	50.00
Xingang Coraphite	0.00	0.00	38.00
Shidian Organic Chemicals	0.00	16.00	30.00
Sub-Total	2303.98	3157.15	2505.32
CEVA producers (CTC)			
Guangzhou Jinzhujiang	131.25	110.98	114.38
Antai Printing Ink	0.00	2.00	9.00
Jincheng Chem.	57.43	95.25	101.70
Sub-Total	188.68	208.22	225.08
MIC Series producers(CTC)			
Jingzhou Sanonda	46.65	60.97	29.49
Gofar Fine Chem.	68.23	70.22	88.21
Hunan Haili	58.58	81.26	76.24
Changlong Chem.	105.45	137.37	97.98
Haili Guixi	311.47	195.57	202.6
Huayang Tech.	127.97	82.2	80.03
Sub-Total	718.35	627.58	574.54
MPB producers(CTC)			
Suhua Group	493.20	456.07	501.89
Jintan Huasheng	130.03	131.54	178.06
Jiangyin Tongzh	n.a	n.a	n.a
Sub-Total	623.23	587.61	679.95
Imidacloprid producers(CTC)			
Changlong Chem.	178.99	313.93	81.36
Suhua Group	140.90	1.32	0.00
Yangnong Group	0.00	8.80	160.20
Hisun Chem.	167.65	402.05	23.25
	487.54	726.10	264.81
Buprofenzin producers(CTC)			
Anpon Electrochem	93.99	102.11	189.91
Changlong Chem.	57.70	97.27	126.96
Longyou Greenland	0.00	0.00	0.00
	213.09	199.38	316.87

Oxadiazon producers(CTC)			
Jindun Agrochem.	14.25	24.70	57.00
Suhua Group	/	/	/
Luzhou Agrochemical	0.00	0.00	0.00
	14.25	24.70	57.00
CNMA producer(CTC)			
Changfeng Chem.	108.80	133.13	136.12
	108.80	133.13	136.12
Mefenacet producers(CTC)			
Changlong Chem.	22.24	8.11	6.93
Suhua Group	/	/	/
	22.24	8.11	6.93
DCBT producer(CTC)			
Changfeng Chem.	16.03	0.00	0.00
	16.03	0.00	0.00

DRAFT – February 2006

**DRAFT AGREEMENT BETWEEN CHINA AND
THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND
FOR THE PHASE-OUT OF ODS PROCESS AGENT APPLICATIONS (PHASE II)**

1. This Agreement represents the understanding of China and the Executive Committee with respect to the complete phase-out of **controlled CTC production and consumption** of the ozone depleting substances set out in Appendix 1-A (“The Substance and PA Applications”) prior to Jan. 1 of 2010, compliance with Protocol schedules.

2. The Country agrees to phase out the controlled use of the Substances in accordance with the annual phase-out targets set out in Appendix 2-A (“The Targets, and Funding”) under this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to CTC production and consumption phase-out requirements as defined by the Montreal Protocol as per Decision XVII/6 taken at the 17th meeting of the Parties to Montreal Protocol.

3. Subject to compliance with the following paragraphs 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 6 of Appendix 2-A (“The Targets, and Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (“Funding Approval Schedule”).

4. The Country will meet the overall production and consumption limits of CTC as indicated in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 8 of this Agreement.

5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least **4 weeks** prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:

- (a) That the Country has met the Target for the applicable year;
- (b) That the meeting of the Target set in row 4 in table in Appendix 2-A has been independently verified as described in paragraph 8; and
- (c) That the Country has substantially initiated all actions set out in the last Annual Implementation Programme;
- (d) That the Country has submitted and received endorsement from the Executive Committee for an Annual Implementation Programme in the form of

Appendix 4-A (“Format for Annual Implementation Programmes”) in respect of the year for which funding is being requested.

6. 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 that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 8.

7. While the Funding was determined based on eligible incremental costs and on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country has flexibility to use the Funding for other purposes that can be demonstrated to facilitate the smoothest possible phase-out, consistent with this Agreement, whether or not that use of funds was contemplated in determining the amount of funding under this Agreement. Any changes in the use of the Funding must, however, be documented in advance in the Country’s Annual Program, endorsed by the Executive Committee as described in sub-paragraph 5(d) and be subject to independent verification as described in paragraph 8.

8. 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 (“Lead IA”) in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A including but not limited to independent verification. The country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in rows 7 of Appendix 2-A.

9. Should the Country, for any reason, exceed the CTC production and consumption limits given in Appendix 2-A or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Schedule. In the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next instalment of Funding under the Funding Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of the amount exceeding the Maximum Allowable CTC Production and Consumption limit (Appendix 2-A) in any one year.

10. The funding of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other ODS sector projects or any other related activities in the Country.

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

12. All of the agreements 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 Protocol unless otherwise defined herein.

APPENDIX 1-A THE SUBSTANCES AND PA APPLICATIONS

1. The ozone-depleting substance to be phased out under the Agreement is CTC production (Annex B, Group II) and ODS consumption for the following process agent applications (see Decision XV/6 of ExCom (UNEP/OzL.Pro.15/9)).

No.	Process agent application	Substance
19	Production of Cyclodime	CTC
20	Production of chlorinated polypropene	CTC
21	Production of chlorinated EVA	CTC
22	Production of methyl isocyanate derivatives	CTC
23	Production of 3-phenoxy bezaldehyde	CTC
24	Production of 2-chloro-5-methylpyridine	CTC
25	Production of Imidacloprid	CTC
26	Production of Buprofenzin	CTC
27	Production of Oxadiazon	CTC
28	Production of Chlordized N-methylaniline	CTC
29	Production of Mefenacet	CTC
30	Production of 1,3-dichlorobenzothiazole	CTC
31	Brominated styrenic polymer	BCM (bromochloromethane)

APPENDIX 2-A THE TARGETS, AND FUNDING (ODP tonnes)

	Baseline (2003)	2006	2007	2008	2009	2010	
1. Max allowed CTC production for consumption under the MP	29,367	7,342	7,342	7,342	7,342	4,405	
2. Max allowable CTC consumption as per the Montreal Protocol control measures	55,900	8,385	8,385	8,385	8,385	1,214*	
3. Max allowable CTC consumption in CTC/PA (Phase I) sector plan	5,049	493	493	493	493	220*	
4. Max allowable CTC consumption in CTC/PA (Phase II) sector plan	5,411	7,892	7,892	7,892	7,892	994*	
5. Potential new Process Agent Applications	Not Applicable	Not Applicable	Not Applicable	TBD	TBD	TBD	
MULTILATERAL FUND SUPPORT (in US\$ thousands)						Total	
6. .MLF Funding for the Annual Programs		25.000	10,000	10,000	1,500	46.500	
7. Agency support costs							

- The allowed CTC production for consumption include the additional production of 10% of base level allowed for basic domestic need from 2005 to 2009 and 15% from 2010
- The Bank will verify consumption by companies and applications covered by the PA II Sector Plan (Row 5). The annual verification will cover a random selection of at least [30%] of all enterprises covering at least [30%] of the PA II consumption,
- Consistent with Decision XVII/6 of the Parties to the Montreal Protocol, potential new process agent applications will be considered consumption from 2008 in accordance with decisions to be taken at the 19th meeting of the Parties to the Montreal Protocol in 2007.
- China will collect information on the use of CTC by companies using processes covered by the new process agent applications when the applications have been confirmed by the Parties,
- It is understood that the proposed emission level for CPP and CEVA enterprises using emission control technology should be reviewed and endorsed by the Parties before 2010 to ensure that they represent “reasonable achievable in a cost effective manner without undue abandonment of infrastructure” consistent with Decision X/14.

APPENDIX 3-A FUNDING APPROVAL SCHEDULE(us\$'000)

1. Funding other than the payments in 2006, will be considered for approval at the **second meeting of the year** of the annual implementation plan. The agreed funding level for each year is shown in row 6 in Appendix 2-A.

APPENDIX 4-A- FORMAT FOR ANNUAL IMPLEMENTATION PROGRAMMES

1. The 2006 AP of the CTC/PA sector plan (phase II) submitted with the PA II Sector Plan is consistent with the agreed format for Annual Programs. This format will be used for following years Annual Implementation Programs

APPENDIX 5-A MONITORING INSTITUTIONS AND ROLES

1. PMO is the core organization for monitoring the implementation of PA II Sector Plan with the responsibility for reporting to the World Bank. PMO will be responsible for monitoring implementation of policy measures and technical assistance activities and for submitting quarterly progress reports to the Bank.

2. DIA will assist PMO in managing implementation of PA II Sector Plan and will submit quarterly reports to PMO.

3. The implementation status of the PA II Sector Plan will be reported to ExCom once a year through the Annual Programs.

4. The Bank will supervise the implementation of Annual Programs and will have access to any ongoing and completed activities, including random visits to PA enterprises and CTC producers under the PA II Sector Plan.

APPENDIX 6-A ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range of activities to be specified in the project document along the lines of 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 phase-out plan;
- (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the annual implementation programme;
- (c) Assisting the Country in preparation of the Annual Implementation Programme;
- (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;
- (e) Reporting on the implementation of the Annual Implementation Programme of the preceding year and preparing an Annual Implementation Programme for the year for submission to the Executive Committee;
- (f) Ensuring that technical reviews undertaken by the Lead IA are carried out by appropriate technical experts;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Verification for the Executive Committee that consumption of the Substances has been eliminated in accordance with the Target;
- (j) Ensuring that disbursements are made to the Country in a timely and effective manner; and
- (k) Providing assistance with policy, management and technical support when required.

APPENDIX 7-A REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 9 of the Agreement, the amount of funding provided may be reduced by [US \$ 1,000] per ODP tonne of reductions in production and consumption not achieved in the year.

CHINA CFC PRODUCTION PHASE-OUT PROGRAM
2005 VERIFICATION REPORT
FEBRUARY 21, 2006

Inspection Team

F.A. Vogelsberg: Mission Leader and primary text preparation - Annex I
Hua Zhangxi (HZX): Data Summary - Annex II (Gradual Closure) (available upon request)
Wu Ning: Financial Verification of CFC Production for China in 2005- Annex III

Assisted and Accompanied By

Lin Nanfeng: (SEPA/FECO)

Inspection Mission Time Frame

February 8-22, 2006

Enterprises in Visitation Order

Zhejiang Juhua Fluoro-Chemical Co. Ltd- Zhejiang Province, Quzhou City
Zhejiang Dongyang Chemical Plant - Zhejiang Province, Dongyang City
Zhejiang Linhai Limin Chemical Plant – Zhejiang Province, Linhai City
Zhejiang Chemical Research Institute (ZCRI) - Zhejiang Province, Hangzhou City
Jiangsu Changsu *3F Refrigerant Co. LTD - Jiangsu Province, Changshu City
Jiangsu Meilan Electro-chemical Co. LTD - Jiangsu Province, Taizhou City

*All World Bank documents spell as Changsu: while the true spelling is Changshu

Report Format and Contents

- ◆ Verification conclusions for CFC Production in China for 2005.
- ◆ Annex I - Text covering details of technical effort by Vogelsberg and Hua for the six CFC Enterprises visited and inspected.
- ◆ Annex II - CFC production verification tables for gradual closure for the six Enterprises. (Available upon request)
- ◆ Annex III - Financial verification of CFC Production for China in 2005

Verification Conclusions with respect to China's CFC Production in 2005

There was no complete closure project in China CFC Production Sector 2005, therefore, there were six enterprises producing CFC products in China 2005, the same as in 2004. The verified overall national production of CFCs in 2005 is 18,720.48 tonnes (ODP). The following table is the breakdown in accordance with various product types: The product stock summaries for the six CFC producers in 2005 are shown in this table..

Type of CFC Product	Number of Producers	Total Production		Total Producer's Stock in 2005 (MT)		
		ODS (MT)	ODP(tonnes)	Opening	Closing	Change
CFC-11	3	8,294.383	8,294.383	697.67	1,136.93	+ 439.27
CFC-12	4	9,714.055	9,714.055	2,459.31	2,045.67	- 413.64
CFC-13	1	20.292	20.292	0.315	8.731	+ 8.416
CFC-113	1	686.630	549.304	837.39	589.52	- 247.87
CFC-114	1	10.995	10.995	22.93	8.10	- 14.83
CFC-115	2	219.097	131.458	68.83	63.30	- 5.53
Total National Production			18,720.487			

The targeted limit for total CFC production in 2005 was 18,750 ODP tonnes as specified in the Agreement. Therefore the verified total actual CFC production in 2005 is 29.513 ODP tonnes lower than the targeted limit.

The CTC Consumption for overall national CFC Production in 2003 is summarized in the following table:

CTC used for	Amount CTC (MT)
Direct consumption for CFC-11 production	10,072.89
Direct consumption for CFC-12 production	13,312.23
Direct consumption, subtotal for CFC-11 & 12	23,385.12
Indirect consumption for CFC-13 production	79.7
Overall national CTC consumption for CFC Production in 2005 (including CFC 11,12 & 13)	23,464.82

The total consumption of CTC for the production of 8,294.38 MT of CFC-11 product is 10,072.89 MT; and the overall average CTC/ CFC-11 ratio is 1.214 (theoretical 1.12). Among the three CFC-11 producers, the producer that had the lowest CTC/ CFC-11 ratio (1.194) is Jiangsu Changshu 3F Refrigerant Co. Ltd. (SRI# A 10); and the highest ratio (1.303) is Jiangsu Meilan Chemical Co. Ltd (SRI# A 8).

The total consumption of HF for the production of 8,294.38 MT of CFC-11 product is 1,296.38 MT; and the overall average HF/ CFC-11 ratio is 0.156 (theoretical 0.145). Among the three CFC-11 producers, the producer that had the lowest HF/ CFC-11 ratio (0.150) is Jiangsu Changshu 3F Refrigerant Co. Ltd. (SRI# A 10); and the highest ratio (0.183) is Jiangsu Meilan Chemical Co. Ltd.(SRI# A 8).

The total consumption of CTC for the production of 9,714.05 MT of CFC-12 product is 13,312.23 MT; and the overall average CTC/ CFC-12 ratio is 1.370 (theoretical 1.272). Among the four CFC-12 producers, the producer that had the lowest CTC/ CFC-12 ratio (1.325) is Jiangsu Changshu 3F Refrigerant Co. Ltd. (SRI# A 10); and the highest (1.415) is Jiangsu Meilan Chemical Co. Ltd.(SRI# A 8).

The total consumption of HF for the production of 9,714.05 MT of CFC-12 product is 3,761.31 MT; and the overall average HF/ CFC-12 ratio is 0.387. Among the four CFC-12 producers, the producer that has the lowest HF/ CFC-12 ratio (0.366) is Zhejiang Juhua Fluoro-chemical Co. Ltd. (SRI # B 14) and the highest (0.451) is Zhejiang Dongyang Chemical Plant (SRI# B12).

A detailed summary of China CFC production in 2005 is attached in the next page.

All the verified monthly production data and raw material consumption data are recorded in the Annex II of this Report while the verification process as well as the assessment and findings are described in Annex I of this Report.

SUMMARY OF CHINA CFC PRODUCTION IN 2005

CFC-11

SRI #	Name of Enterprise	Production (ODS)	Production (ODP)	CTC Consumption	HF Cons'ption	Ratio CTC/ CFC-11	Ratio HF/ CFC-11
A 8	Jiangsu Meilan Chemical Co. Ltd.	676.250	676.250	880.84	123.78	1.303	0.183
A 10	Jiangsu Changsu 3F Refrigerant Co. Ltd.	4,950.558	4,950.558	5,912.73	742.65	1.194	0.150
B 14	Zhejiang Juhua Fluoro-chemical Co. Ltd.	2,667.575	2,667.575	3,279.32	429.95	1.229	0.161
	Overall	8,294.383	8,294.383	10,072.89	1,296.38	1.214	0.156

CFC-12

SRI #	Name of Enterprise	Production (ODS)	Production (ODP)	CTC Consumption	HF Cons'ption	Ratio CTC/ CFC-12	Ratio HF/ CFC-12
A 8	Jiangsu Meilan Chemical Co. Ltd.	610.960	610.960	864.59	260.75	1.415	0.427
A 10	Jiangsu Changsu 3F Refrigerant Co. Ltd.	3,822.474	3,822.474	5,063.35	1,489.92	1.325	0.390
B 12	Zhejiang Dongyang Chemical Plant	898.195	898.195	1,267.93	405.29	1.412	0.451
B 14	Zhejiang Juhua Fluoro-chemical Co. Ltd.	4,382.426	4,382.426	6,116.36	1,605.35	1.396	0.366
	Overall	9,714.055	9,714.055	13,312.23	3,761.31	1.370	0.387

CFC-13

SRI #	Name of Enterprise	Production (ODS)	Production (ODP)	CFC-12 Consumption	Ratio CFC-12/CFC-13	Indirect CTC Cons'ption*	Indirect CTC/CFC-13 ratio*
B 8	Zhejiang Linhai Limin Chemical Plant	20.292	20.292	57.00	2.809	79.70	3.928

CFC-113

SRI #	Name of Enterprise	Production (ODS)	Production (ODP)	PCE Consumption	HF Cons'ption	Ratio PCE/ CFC-113	Ratio HF/ CFC-113
A 10	Jiangsu Changsu 3F Refrigerant Co. Ltd.	686.630	549.304	692.00	318.60	1.008	0.464

CFC-114

SRI #	Name of Enterprise	Production (ODS)	Production (ODP)	CFC-113a** Consumption	HF Cons'ption	Ratio CFC-113/ CFC-114	Ratio HF/ CFC-114
B-11	Zhejiang Chemical Research Institute	10.995	10.995	12.92	1.63	1.175	0.148

CFC-115

SRI #	Name of Enterprise	Production (ODS)	Production (ODP)	CFC-113** Consumption	HF Cons'ption	Ratio** CFC-113/ CFC-115	Ratio HF/ CFC-115
A 10	Jiangsu Changsu 3F Refrigerant Co. Ltd.	99.200	59.520	162.00	64.90	1.633	0.654
B-11	Zhejiang Chemical Research Institute	119.897	71.938	155.58	38.34	1.298	0.320
	Overall	219.097	131.458	317.58	103.24	1.450	0.471

* The indirect CTC consumption is the consumption for producing 57 MT CFC-12 in Zhejiang Juhua(B14) that used for Linhai Limin (B 8) to produce CFC-13.

** Since 2004 Zhejiang Chemical Research Institute uses CFC 113a as the raw material instead of CFC 113.

ANNEX I

Tuesday, February 9, 2006 - Zhejiang Juhua Fluoro-chemical Co. LTD

12,000 TPA CFC-11 & CFC-12 – Single Plant
15,000 TPA AHF
115,000 TPA Chloromethanes – nominal 20,000 TPA CTC
(Expanded from 70,000 TPA by 45,000 TPA in 2004)

General

The team last visited Juhua January 25, 2005. There have not been any significant changes in the CFC, AHF or Chloromethanes plants during 2005.

Verification of Year 2005 CFC-11/12 Data

Juhua have contained to improve their records to facilitate easy verification of all raw material and CFC production/sales/inventory data. The key to the basic data records are the transfer slips that are generated for each movement of CTC, AHF and CFCs between raw material supply tanks and the CFC production unit as well as daily records for packaging of drums, DACs, cylinders or bulk shipping containers. A daily record is kept that shows three sets of key data on a single sheet; a) amount of CFCs packaged by package size, b) number of packaged containers transferred to sales warehouse and c) the remaining packages in the production warehouse.

They have set up Excel spreadsheets to tabulate every daily transaction with monthly totals for each month. The individual transfer slips are verified against these spreadsheets. We proved 100% agreement on all data records for CFC11/12 production in 2005.

We checked the finished CFC product receiver levels for the start and beginning of 2005 to ensure all new production was accounted for with year-end figures slightly lower than year beginning values, hence no problem.

Juhua is the sole supplier of CFC-12 feed stock to Linhai Limin for their conversion to CFC-13; again these records were in order.

Daily packaging records are not a viable check on daily CFC production since they package to meet inventory and sales requirements. Their bulk tanks are capable of inventorying 240 M³ of CFC-11 and 700³ of CFC-12, well in excess of a month's production while their shift receivers can accommodate four days production. However, we were able to do a full year's balance of a) Yr. 2005 CFC-12 packaged production, b) CFC-12 yr. beginning packaged inventory in the production unit, c) yr. ending packaged inventory for CFC-12 and d) yearly transfers (by adding all monthly data) of packaged goods from the production to the sales warehouse. Considering that these are tens of thousands of packages involved we were pleasantly surprised to find a perfect balance for these data.

Juhua now generates a single page document showing each plant outage and cause of outage; using this we verified 2005 plant utilization at 320 days. We spot-checked some monthly plant log sheets to verify accuracy of this record; all were in orders.

The Accountant team member verified all AHF purchases to augment total plant requirements as well as CFC-11/12 sales to domestic customers. All CFC exports were verified against customs declassification documents.

All Juhua 2005 CFC production data was found to be accurate as reported to SEPA.

Saturday, February 11 – Zhejiang Dongyang Chemical Plant

5,000 TPA CFC-12
20,000 TPA HCFC-22 (expanded from 8,000)
25,000 TPA AHF (expanded from 20,000)

General

This is the team's seventh visit to Dongyang Chemical. Addition of a 2nd HCFC-22 line and capacity ream out of the AHF plant occurred in 2004. No changes in 2005.

Verification of Year 2005 Data

This continues to be one of the easiest plants for data verification because of the plant's single product line and multiple records that can be cross-checked.

We examined all CFC-12 filling log sheets for filling of DAC's and cylinders for each day and month and all matched reported production.

We then checked CFC-12 production transfer slips against the above log sheets and found 100% accuracy.

They also create a daily total site balance sheet from the above mentioned records showing: starting CFC-12 inventory, production, transfers to warehouse, CFC-12 sales, and end of day inventory. This record is signed by the site supervisor, warehouse foreman and production supervisor. Using these daily balance sheets they also prepare a monthly balance sheet. This reflects monthly total figures but not used by us for verification.

CTC starting inventory, transfers into the CFC-12 plant, daily CTC use and ending CTC inventory for each day are kept in a bound notebook. The daily consumption figures are also kept as a monthly cumulative figure. We examined all entries for each month and found total agreement with the figures reported to SEPA.

The plant log sheets record daily and cumulative AHF feed values and these figures closely match the official inventory adjusted figures. AHF is transferred via an electronic weigh tank from the plant's AHF production unit.

All daily and monthly transfers of AHF were verified correct as reported to SEPA.

Dongyang's operating day figures have always proven to be very accurate as they keep a daily record showing exactly how many hours raw material feeds were going to the two reactors, hence, their monthly operating days will typically show fractional days. As noted in the past Dongyang and the region are faced with an electrical power shortage and the CFC plant's refrigeration is a significant load, hence they prefer to operate at low rates for longer periods as opposed to starting and stopping and setting higher peak power loads. Their operating days in 2005 were 149.5 vs 223 in 2004, 319 in 2003 and 239 in 2002. This 5,000 TPA plant produced 898.2 MT vs their 2005 quota of 900 MT 18% of their capacity.

Dongyang began 2005 CFC-12 plant operating in March and shutdown from early August until late November. They only operated 6 days in their November accounting period and CTC yield, was very poor. As explained to us it was the result of several leaks during startup after the prolonged shutdown. This slightly impacted their yearly CTC ratio and yields vs prior year performance; 90.0% CTC yield in 2005 vs. 90.7% in 2004. Their export sales of 423.4 MT is comparable to recent historical levels of 292.6 MT in 2004, 801 MT in 2003 and 455 MT in 2002. Total 2005 sales of 1,165 MT reduced their inventories by 260 MT to an ending CFC-12 inventory of 380 MT.

The Team is satisfied that Dongyang's 2005 CFC-12 production and CTC plus HF consumption are correct as reported to SEPA.

Sunday, February 12 – Zhejiang Linhai Limin Chemical

100 TPA CFC-13

26,000 TPA HCFC-22 (10,000+ two 8,000 MT Units)

General

Several years ago the city government told Linhai Limin that they must plan on stopping chemical manufacturing at this plant site since it reside in a residential area. In 2004 they built a 10,000 MT HCFC-22 plant at a new site about 25 minutes from this location. Limin was advised that all chemical manufacture must cease by year end 2005 at this old site.

One of the 8,000MT HCFC-22 units was relocated to the new site during 2005 and parts of the 2nd 8,000 MT unit were also relocated and combined with some new equipment to establish the 2nd 8,000 MT unit at the new site. The old HCFC-22 structures are stripped bare of equipment, but tankage still exists on the old site.

The CFC-13 plant was moved to the new site in September of 2005 utilizing the old distillation system combined with a new reactor and piping; which had developed serious leaks causing poor yields in May, July and September of 2005.

The existing site will be kept for prospective non-chemical activity in the future.

Verification of 2005 CFC-13 Data

Limin purchases feedstock CFC-12 from Juhua using a government issued permit restricting 2005 purchases to 57 MT. Four CFC-12 procurements were made from Juhua for feedstock use. Limin continues to purchase CFC-12 on the open market to meet loyal customer's needs. All these CFC-12 purchases were verified by the Team's Accounting member.

CFC-12 feedstock consumption is recorded for each shift on a shift log sheet. The Accounting office copies these shift consumption figures to a daily record showing cumulative CFC-12 feedstock consumption in addition to the total daily use. The daily and monthly totals were checked for all operating months and found to be accurate.

The above mentioned plant log sheets were also used to verify the number of operating days. One day adjustments were made in two months since CFC-12 feed was discontinued for 1-2 shifts in some days. Year 2005 operating days totaled 177.

All CFC-13 product is typically packaged into 8 and 35 kg cylinders. We examined all cylinder filling records and corresponding transfer slips from production to the warehouse and found reported production of 20.29 MT of CFC-13 to be correct and slightly less than there 20.35 MT quota.

We explored the reasons for very poor CFC-12/CFC-13 ratios in May, July and September. In July there were reactor leaks that went undetected for a few days. June was back to normal but in a short run in July they again experienced poor performance that they were unable to pinpoint until they restarted in September. At this time they determined that there were pinhole leaks in some piping that were difficult to detect because of insulation covering the piping (in our opinion the use of a halide leak detector would have found such leaks as this is common practice in refrigeration service). At this point they decided to shutdown the old unit and remove the distillation system to the new plant site and combine it with a new reactor system.

Monday, February 13 – Zhejiang Chemical Industry Research Institute (ZCRI)

150 TPA CFC-114/115

General

ZCRI have switched from CFC-113 to CFC-113a as feedstock, which they produce in part as well as purchase from Changshu 3-F. This satisfies China's solvent sector plan which limits use of purchased CFC-113 as feedstock, as well as provides improved yields to CFC-114 and CFC-115.

While ZCRI did not produce any CFC-114 in 2004 (used their quota to increase CFC-115 production in 2004) they used their entire eleven ODP tonnes CFC-114 quota in 2005 to meet the much higher 2005 sales demand (25.2 MT) and ensure some year end 2005 inventory.

Verification of Year 2005 CFC-114/115 Data

CFC-114

ZCRI produced CFC-114 for two months in 2005 fulfilling their 11 ODP tonnes quota. Verification was done by checking cylinder filling records as well as cylinder transfer slips from production to the warehouse. Cylinder filling records show a) cylinder I.D. number, b) gross wt. c) net wt. d) tare wt. and e) person filling the cylinders. They produced four cylinders in June and five in July. Both sets of records were verified as correct.

CFC-115

ZCRI produced their entire 72 ODP tonnes (120 MT) quota of CFC-115 in seven months; March thru September, a total of 197 operating days (spent eight days in February heating equipment and establishing feeds and inventory levels before actual production occurred in March).

Cylinders filling records and transfer slips are identical to those used for CFC-114, and all seven month's CFC-115 data were checked and found to be correct.

CFC-113a and AHF Feed Stock Consumptions

Raw material consumption for the individual CFC products is allocated by molar ratio since CFC-114 and CFC-115 are co-produced.

CFC-113a receipts from the warehouse document transfers to the CFC production plant. Unused CFC-113A is transferred back to the warehouse by a paper transaction at month end so that monthly consumption is the net transferred. All data was verified as correct.

AHF used by CFC-114 and CFC-115 is separated from other plant uses of AHF. Similar documentation to CFC-113a is used for AHF. All transfers were verified as correct as well as the reported AHF consumption figures.

Our Accountant Team member worked independently of our plant verification effort in ZCRI's Accounting facilities at a different location.

We were satisfied that ZCRI are in full compliance with their 2005 CFC production commitments.

February 14 -16 – Jiangsu Changsu 3F Refrigerant Co. Ltd.

10,000 TPA CFC-11
5,000 TPA CFC-12
4,000 TPA CFC-113
400 TPA CFC-115
15,000 TPA AHF (single line new plant)

General

Changshu 3-F has started up a new single line 15,000 TPA AHF line at their new Fluorocarbon plant site that supports their alternative fluorocarbon facilities. When the remaining CFC facilities are closed in 2007 at the existing refrigerant site, it will become primarily a fine chemical plant.

Verification of Year 2005 CFC Production Data

CFC-11

The CFC-11 plant operated eleven months (285 days) and was down by early December having produced 4950.56 MT vs. their 4951 MT quota in 2005.

Verified monthly and yearly production to be correct as reported to SEPA, by examining all drum filling records and transfer slips documenting movement from production to the warehouse. The transfer slips are in bound pads where the copy and original remain in the pad. In addition they prepare a container filling slip, a slip documenting transfer of filled containers to the warehouse and receipt of these containers by the warehouse. This year we checked the three transfer receipts and found them to be 100% accurate.

CTC for CFC-11 is via pipeline from the warehouse bulk storage into one of two level tanks which in turn feed the four (4) CFC-11 reactor feed tanks. All pipeline transfers are recorded in a bound notebook and transfer slips created for each transfer into the production unit. All CTC transactions were verified to have been accurately reported.

HF for CFC-11 is transferred via pipeline into the weigh tanks where typical transfers are increments of 1 MT. All monthly transfers were checked and found to be accurate. Examined January CFC-11 reactor logs and all were properly filled out and supported reported operating days. (There were only 14 hours all month when both reactors were without feeds for minor problems)

CFC-12

The CFC-12 plant operated 334 days over twelve months, producing 3,822.47 MT vs. their 3,823 MT quota in 2005. The year's campaign was finished by early December.

The CTC, AHF and CFC-12 records and transfer slips are identical to the CFC-11 plant and as with CFC-11 we chose to verify CFC-12 production by checking the set of 3 transfer slips. We note they still have cylinder filling records recorded in a bound note pad. These slips show serial number, tare weight and net weight. There are usually one - two such slips per day depending upon the number of packaged units. When filling DAC's they record weight by lots in increments of 5; i.e. 40, 45, 50 etc. Totals from these filling records are entered into the daily transfer slips.

HF for CFC-12 is via pipeline into two parallel weight tanks and are typically in 1 – 1.1 MT increments. All HF transfer slips were added for each month and agreed with reported totals. At shutdown of the old AHF facilities they discovered 12 MT of excess stock; this was transferred to the CFC-12 plant at no charge and gave them a better than theoretical ratio in June; the month when adjustment was made.

CTC consumed for CFC-12 production was verified by adding all transfer slips for each month. At month end they misread the CTC level figures in February, May and June; under reporting CTC use. The error was discovered late in 2005 and corrected by adding the under reported CTC amount to December. This distorted the respective CTC ratios for these four months, but the annual ratio is correct. Examined December reactor log sheets for CFC-12 and confirmed at least one reactor (out of two) operated each of the 17 days before shutdown.

CFC-113

Since 2005 was last year for CFC-113 production and they only operated two months to produce 686.63 MT against their 687.5 MT (550 ODP tonnes) quota, a total of 51 days. The plant was shutdown February 24, 2005 for its final time.

We examined all plant shift log sheets for the 51 days of operation and found only 9½ hours of time when feeds were not on one of the 2 reactors; hence reported operating days were verified as correct.

Verified CFC-113 drum filling records and transfer slips as accurately reported.

PCE is imported via drums and bulk into bulk storage, then transferred via level tank readings to the CFC-113 plant. Transfers and consumption figures were verified as accurately reported. We found an entry error (440 kg too low) in the bound notebook, but transfer slips and Financial records were correct.

HF transfers are via pipeline from plant bulk storage. Documentation is identical to other CFC operations. All transfer and consumption data were verified as correctly reported.

CFC-113 Plant Closure

Plant Closure Project will be in next year's report, however, the plant has been dismantled and we viewed the plant and reviewed photos provided to SEPA. They are already using the vacated building to expand the adjacent CFC-113a & CTFE facilities.

CFC-115 Verification

CFC-115 cylinders are typically filled to 500kg exact weights making verification easy. They operated only four months or 114 days with shutdown April 21st until year end. They produced 99.2 MT of CFC-115 vs quota 60 ODP tonnes (100 actual MT).

Beginning in 2004 CFC-113 produced from their original CFC-113 unit was for solvent sales and process agent use only. Feed stock for CFC-115 and other site CFC based products was supplied from their new CFC-113/CFC-113a/CTFE unit.

Monthly cylinder filling records for CFC-115 were examined for each month and reported figures were correct as reported.

CFC-113 is transferred from the new CFC-113/CFC-113a unit to CFC-115 plant via a 5 m³ portable tank transported by forklift. Transfer quantities are typically 3.5 MT and all monthly transfer and consumption figures were verified as accurately reported.

AHF is supplied in cylinders, typically exact 400kg quantities. All transfer and consumption figures were verified as accurately reported.

Thursday, February 3 – Jiangsu Meilan Chemical Co. Ltd.

3,000 TPA CFC-11
3,000 TPA CFC-12
40,000 TPA HCFC-22
16,000 TPA AHF
130,000 TPA Chloromethanes (CMs)

General

Last year's report mentioned that Meilan were developing a modest temperature catalytic process to convert future excess CTC in the presence of methanol to form methyl chloride, CO₂ and HCl. They retrofitted their original 30,000 TPA CMs plant to apply this technology. The plant has operated technically successfully over the past six months and the capacity achieved conversion of 8,000 TPA of CTC.

They are constructing a new 100,000 TPA CMs plant along with their existing 50,000 and 80,000 TPA CMs plants.

Verification of 2005 Production Data

CFC-11

They produced CFC-11 four (4) months, March, April, May, and December; operating only 55 days while producing 676.25 MT vs. their 677 MT quota. This year's production was increased from 642.56 MT in 2004 when their quota was 643 MT, as their CFC-12 production was significantly reduced.

Based on prior year's experience we used the CFC-11 plant distillation (shift) log sheets as the primary verification document, adding each shift's production for each month. All log sheet figures were verified to match reported monthly figures. We cross-checked transfer slips from production to the warehouse as well as checked drum filling records, which are recorded in a bound notebook; all checked to be correct. Drums are all 250 kg and there usually are no bulk shipments.

CTC is transferred via pipeline to two day tanks and then to two sets of feed tanks for use in either the CFC-11 or CFC-12 plants. A transfer slip is generated for each transfer and all were verified as accurate. A paper accounting transfer back to the CTC warehouse occurs at month-end and is reversed at the beginning of the next month. Thus the net transfer figure is the CTC consumed in the month. The plant log sheets also show CTC consumption for each shift and we added these figures for each of the four months and found agreement to official figures.

AHF is transferred via pipeline to a weigh tank then to the process. A transfer slip is created for each transfer. We also added shift consumption figures and then cross checked transfer slips. All monthly transfers were correct.

CFC-11 domestic sales in 2005 at 595 MT were down from 952 MT in 2004. No exports in 2005.

CFC-12

Meilan typically package all CFC-12 into returnable cylinders, no DAC's. However, they did fill a couple of tank trucks in 2005. Cylinder sizes in 2004 were 400, 450, 500, 1000, 500 and 1100 kg.

All cylinder fillings are recorded in detailed log sheets, which we added up for each month and adjusted for starting and ending bulk stocks. The net figure matched annual production exactly. They fill cylinders most months but only operated three months; hence, monthly cylinder filling records are not used to determine monthly production. We verified individual monthly production by adding up each shifts' production from the distillation log sheets; all figures were verified as accurately reported.

They operated only 68 days in approximately three to four week campaigns producing 610.96 MT vs. their 612 MT quota; down from their 1240 MT quota in 2004. CFC-12 domestic sales were 732 MT, exceeding production by 121 MT.

As discussed in the CFC-11 section CTC and AHF transfers are handled identically in both plants. All CTC and HF figures were verified as correctly reported.

Meilan continues to be one of the easiest plants to verify, as their records are very complete.

Annex III

Financial Verification of CFC production in China in 2005

1. From February 8th to 22nd, 2006, a mission comprising Messrs. Tony Vogelsberg (team leader/technical expert), Hua Zhangxi (HZX, technical expert), and Wu Ning (financial consultant) to carry out the verification of CFC production in China in 2005 in accordance with the CFC Production Sector 2005 annual programme. The mission was accompanied by the representative from State Environmental Protection Agency (SEPA). The mission visited the following plants/company/institute:

- (i) Zhejiang Juhua Fluoro-Chemical Co. Ltd. (CFC 11, CFC 12),
- (ii) Zhejiang Dongyang Chemical Plant (CFC 12),
- (iii) Zhejiang Linhai Limin Chemical Plant (CFC 13),
- (iv) Zhejiang Chemical Industry Research Institute (CFC 114, CFC 115),
- (v) Jiangsu Changshu Ref. Plant-Changshu 3F (CFC11, CFC12, CFC113 & CFC115), and
- (vi) Jiangsu Meilan Electro-Chemical Plant. (CFC 11, CFC 12).

2. Based on the experience gained from previous verifications, the mission split into a technical group and a financial group and held separate discussions with each CFC production plant/company/institute concurrently during the verification. This report only covers the financial verification of each CFC production plant/company/institute, which follows the Guidelines and Standard Format for Verification of ODS Production Phase-out¹ (Guidelines).

3. In addition to the Guidelines, the financial verification was done under the following assumptions due to the tight schedule of the mission agreed by Ms. Helen Chan, Task Team Leader, EASEN, the World Bank:

- (i) The plants/company/institute understood the importance of this verification, and
- (ii) The plants/company/institute provided completed documents and information needed for this verification.

4. Like the verification in 2005, this verification exercise was conducted ahead of the annual national audit of the CFC production sector by China National Audit Office (CNAO). The mission had no CNAO's documentation and reporting as reference to follow. Therefore, necessary financial records and original documents covering the following aspects were checked:

- (i) Production of each CFC,
- (ii) Procurement and production of raw materials for CFC production (including CTC, AHF, CFC12, CFC 113a, and PCE), and
- (iii) Consumption of raw materials (including CTC, AHF, CFC 113a, CFC 12, and PCE).

5. Before the verification, each plant/company/institute filled in questionnaires and submitted them to HZX through SEPA. Necessary clarifications were requested by HZX and feedbacks were given by relevant plants/company/institute.

6. The findings of financial verification are summarized as follows:

- **Zhejiang Juhua Fluoro-Chemical Co. Ltd. (CFC 11, CFC 12)**

7. Zhejiang Juhua Fluoro-Chemical Co. Ltd. (Juhua) was verified on February 9, 2006.

8. Juhua produced CFC 11 and CFC 12 in 2005. CFC 11 and CFC 12 are produced by the No. 3 workshop of Juhua. The production of CFC 11 and CFC 12 was entered into the ERP system and automatically transferred to accounting system. By the end of each month, No. 3 workshop prepared and submitted its monthly *Raw Material*

¹ UNDP/OzL.Pro/Excom/32/33 of October 24, 2000, adopted as Decision 32/70 at the 32nd Excom Meeting.

Consumption Calculation Report to the accounting office of Juhua based on its daily records. This report provided the information for CFC 11 and CFC 12 production, beginning stocks of AHF and CTC, consumption of AHF and CCL₄, and closing stocks of AHF and CTC. This report was used to check the accuracy of the ERP system. During the verification, the data in the report were reconciled with Juhua's accounting records and the data reported to SEPA by Juhua before the verification. It is concluded that the accounting records reflect the production of CFC 11 and CFC 12 in Juhua. The following table shows the production of CFC 11 and CFC 12 produced by Juhua from 2000 to 2005:

CFC 11 and CFC 12 Productions by Juhua from 2000 to 2005 (MT)

	2000	2001	2002	2003	2004	2005
CFC 11	4,338.8	4,826.3	4,489.0	3,947.5	3,325.1	2,667.6
CFC 12	7,758.7	7,706.3	7,157.0	7,406.0	6,232.8	4,382.4

9. In addition to producing CFC 12 as commodity, Juhua also produced CFC 12 for Zhejiang Linhai Limin Chemical Plant (Linhai) as feedstock for CFC 13 production. The following table presents the CFC 12 production for Linhai.

CFC 12 Production for Linhai as Feedstock of CFC 13 (MT)

	2003	2004	2005
CFC 12 as Feedstock of CFC 13 for Linhai	58.0	56.6	57.0

10. In 2005, CFC 11 and CFC 12 produced by Juhua were sold not only in domestic market, but also in overseas markets. CFC 11 was exported to Russia, Indonesia, and United Arab Emirates while CFC 12 was exported to Indonesia, Vietnam, Malaysia, Russia, Bengal, Iran, Philippines, and Egypt. All exports were licensed by the SEPA Import/Export Office.

11. Juhua produced their required CTC for its CFC production in 2005 and produced and purchased their AHF. In 2005, Juhua added 9,482.14 MT of CTC and 2,053.88 MT of AHF for CFC 11 and CFC 12 production. The addition of CTC and AHF for CFC 11 and CFC 12 production was entered into the ERP system and automatically transferred to accounting system. The consumption of CTC and AHF for CFC 11 and CFC 12 production was manually calculated and then entered into the ERP system by No. 3 workshop. The consumption data was transferred to accounting system. The following table shows CTC and AHF consumed by CFC 11 and CFC 12 production in 2005:

CTC and AHF Consumed by CFC 11 and CFC 12 Productions in Juhua in 2005

Consumed by	CTC	AHF
CFC 11	3,279.32 MT	429.95 MT
CFC 12	6,116.36 MT	1,605.35 MT
Total	9,395.68 MT	2,035.30 MT

- **Zhejiang Dongyang Chemical Plant (CFC 12)**

12. Zhejiang Dongyang Chemical Plant (Dongyang) was verified on February 11, 2006.

13. Dongyang produced CFC 12 in 2005. By the end of each month, the CFC 12 production unit in Dongyang submitted its Production Transfer Slips to the accounting office. These slips were signed by the CFC 12 production unit. These slips indicated the production of CFC 12 every day and became the supporting documents for accounting records. All of these Production Acceptance Slips were verified and it is concluded that the accounting records are consistent with the data reported to SEPA by Dongyang before the verification. The following table shows the production of CFC 12 by Dongyang since 2000.

CFC 12 Productions by Dongyang from 2002 to 2005 (MT)

	2000	2001	2002	2003	2004	2005
CFC 12	2,218.3	2,218.8	1,740.7	1,442.2	1,213.1	898.2

14. The overseas markets of CFC 12 produced by Dongyang in 2005 included Bengal, Indonesia, Nigeria,

Saudi Arabia, Thailand, and Vietnam. The exports of CFC 12 were made by Dongyang itself. All exports were licensed by the SEPA Import/Export Office. Each shipment had its separate license.

15. During the verification, the purchased and consumption of CTC was verified. The accounting records were supported by the Raw Material Transfer Slips for CTC purchase and by the Raw Material Delivery Slips for CTC consumption. All these slips were reconciled with the data reported to SEPA by Dongyang before the verification and the results are satisfactory. However, the quantity of CTC purchase did not include the compensation to the transportation losses given by one of its CTC suppliers². In 2005, Dongyang produced all AHF for its CFC 12 production. The consumption of AHF for CFC 12 production in 2005 was documented on HF Allocation Slips and the slips were verified. From the point of view of accounting, the quantity of AHF consumption was the quantity of AHF added to CFC 12 production. The following table gives consumption of CTC and AHF for production of CFC 12 by Dongyang.

CTC and AHF Consumed by CFC 12 Production in Dongyang in 2005

Consumed by	CTC	AHF
CFC 12	1,267.93 MT	405.29 MT

16. In 2005, Dongyang sold 0.7 MT of CTC to one company as a cleaning agent. This is not legal and they realized after the fact that this is the case; and will no longer do it.

• **Zhejiang Linhai Limin Chemical Plant (CFC 13)**

17. Zhejiang Linhai Limin Chemical Plant (Linhai) was verified on February 12, 2006.

18. Linhai produced CFC 13 in 2005. CFC 12 production facilities were dismantled in 2002. Therefore, Linhai purchased CFC 12 as feedstock for CFC 13 from Juhua. The accounting records of CFC 13 production in 2005 were supported by the Warehouse Acceptance Slips. The figures on these slips were consistent with the data reported to SEPA by Linhai before the verification. The following table shows the production of CFC 12 and CFC13 by Linhai since 2000.

CFC 12 and CFC 13 Productions by Linhai from 2000 to 2005 (MT)

	2000	2001	2002	2003	2004	2005
CFC 12	1,364.8	1,364.9	961.6	0	0	0
CFC 13	27.0	27.0	27.0	21.3	20.8	20.3

19. In 2005, Limin exported 350 kg of CFC 13 to Israel, together with export of CFC 23.

20. Since the production facilities of CFC 12 were dismantled in 2002, the production quota of CFC 12 by Linhai was reallocated to Juhua by Chinese Government. Therefore, the production of CFC 12 for Linhai by Juhua is treated as feedstock of Linhai. Linhai in 2005 purchased 57 MT of CFC 12 as feedstock for CFC 13, which were supported by the Material Acceptance Slips. However, only 54 MT of CFC 12 was delivered to Linhai since the last 3 MT of CFC 12 was purchased on the last date of 2005, which was included in the purchase of CFC 12 in 2006.

21. In addition to the feedstock of CFC 12, Linhai also purchase 147.22 MT of CFC 12 as commodity. 3 MT of CFC12 was used as feedstock to produce CFC 13 instead of one from Juhua. The consumption of CFC 12 for CFC 13 production was verified and the result is satisfactory.

22. Linhai also exported 81.2384 MT of CFC 12 in 2005, including 49.9584 MT to Israel and 31.28 MT to Egypt (recovered or recycled from returned cylinders).

• **Zhejiang Chemical Industry Research Institute (CFC 114, CFC 115)**

23. Zhejiang Chemical Industry Research Institute (Zhejiang Chemical) was verified on February 13, 2006.

² This compensation to transportation losses (6.73 MT) was verified by CTC Verification Team in January 2006.

24. Zhejiang Chemical produced CFC 114 and CFC 115 in 2005. The production of CFC 114 was reflected in the Product transfer Slips, and the production of CFC 115 was reflected in the Semi-product transfer Slips, both were delivered to the accounting office in Zhejiang Chemical by the end of each month. The following table shows CFC 114 and CFC 115 production by Zhejiang Chemical from 2000 to 2005.

CFC 114 and CFC 115 Productions by Zhejiang Chemical from 2000 to 2005 (MT)

	2000	2001	2002	2003	2004	2005
CFC 114	7.3	6.8	29.0	0	0	11.0
CFC 115	119.6	127.0	90.0	131.8	138.3	120.0

25. About half of the sales of CFC 114 produced by Zhejiang Chemical were sold in domestic market in 2005 and another half of sales were to Egypt, Argentina, and Kuwait. In 2005 most of CFC115 produced by Zhejiang Chemical was blended to R502 in 2005 and only 5.7536 MT of CFC 115 were sold, including 3.84 MT to Egypt.

26. Zhejiang Chemical in 2005 produced 1,157.763 MT of CFC 113a and purchased 168.5 MT from Changshu 3F. It also purchased AHF in 2005. The portion of CFC 113a and AHF transferred to produce CFC 114 and CFC 115 were documented on Material Delivery Slips. These Slips were delivered to the accounting office in Zhejiang Chemical by the end of each month for financial records. The verified consumptions of CFC 113a and AHF were shown in the following table.

CFC 113a and AHF Consumption by CFC 114 and CFC 115 in Zhejiang Chemical in 2005

Consumed by	CFC 113a	AHF
CFC 115	168.5 MT	40.0 MT

• **Jiangsu Changshu Ref. Plant-Changshu 3F (CFC11, CFC12, CFC113 & CFC115)**

27. Jiangsu Changshu Ref. Plant-Changshu 3F was verified from February 14 to 16, 2006.

28. Changshu 3F produced CFC 11, CFC 12, CFC 113, and CFC 115 in 2005. The productions workshops for CFC 11, CFC12, CFC113, and CFC 115 prepared the Monthly Production Reports based on daily records by the end of each month. These reports summarized the production of CFC 11, CFC 12, CFC 113, and CFC 115, and the consumption of CTC, AHF, CFC 113 and PCE. These reports were submitted to accounting office of Changshu 3F for financial records. The following table shows the production of CFC 11, CFC 12, CFC 113, and CFC 115 from 2000 to 2005.

CFC 11, CFC 12, CFC 113, and CFC 115 Productions by Changshu 3F from 2000 to 2005 (MT)

	2000	2001	2002	2003	2004	2005
CFC 11	8,192.0	8,221.9	10,231.9	8,883.7	6,682.3	4,950.6
CFC 12	5,019.0	5,075.0	3,034.7	4,334.8	4,639.4	3,822.5
CFC 113	3,445.0	3,375.0	2,750.0	2,124.9	1,374.2	686.6
CFC 115	100.0	50.0	100.0	179.9	179.7	99.2

29. The production of CFC 113 only refers to the commodity.

30. In 2005, 101.9 MT of CFC 115 was blended to R502.

31. The overseas customers bought CFC 11, CFC 12, CFC 113, and CFC 115 from Changshu 3F in 2005 included Chile, Indonesia, United Arab Emirates, Korea, Philippines, Nigeria, Pakistan, Vietnam, Singapore, Bangladesh, USA (Du Pont), Malaysia, and the Netherlands (resold to Africa), etc.

32. Changshu 3F purchased CTC, AHF and PCE and also produced AHF in 2005. These purchases were supported by the Material transfer Slips issued by the warehouse. The production of AHF was documented by the Monthly Production Reports. The consumptions of CTC, AHF, CFC 113, and PCE were reflected in the Monthly Production Reports prepared by CFC production workshops. The verified consumption of CTC, AHF, CFC 113, and PCE are shown in the following table:

CTC, AHF, CFC 113 and PCE Consumed by Changshu 3F in 2005 for ODS Production

Consumed by	CTC	AHF	PCE	CFC113
CFC 11	5,912.7 MT	742.9 MT		
CFC 12	5,063.4 MT	1,489.9 MT		
CFC 113		318.6 MT	692.0 MT	
CFC 115		64.9 MT		162.0 MT
Total	10,976.1 MT	2,616.3 MT	692.0 MT	162.0 MT

• **Jiangsu Meilan Electro-Chemical Plant. (CFC 11, CFC 12)**

33. Jiangsu Meilan Electro-Chemical Plant (Meilan) was verified on February 17, 2006.

34. Meilan produced CFC 11 and CFC 12 in 2005. The Production Transfer Slips were prepared by CFC production unit at the end of each month before April 2005. From May 2005, the ERP system was launched in Meilan and all production data was entered into the ERP system by CFC production unit and then transferred to accounting system for financial records. The following table shows the verified production of CFC 11 and CFC 12 since 2000.

CFC 11 and CFC 12 Productions by Meilan from 2000 to 2005 (MT)

	2000	2001	2002	2003	2004	2005
CFC 11	1,049.8	1,049.7	1,049.7	997.1	642.6	676.3
CFC 12	1,793.0	1,792.9	1,314.7	1,066.0	1,238.7	611.0

35. In 2005 Meilan did not export any CFC 11 and CFC 12.

36. In 2005, Meilan produced all CTC for its CFC production. The total production of CTC by Meilan in 2005 was 4,320 MT and only transferred 766.6152 MT to produce CFC. Meilan also produced 8,095.2 MT of AHF and purchased 6,061.6 MT of AHF in 2005. The Material Transfer Slips issued by CFC production unit before April 2005 and the Material Consumption Records produced by ERP system after May 2005 reflected the consumption of CTC and AHF. The following table gives the consumption of CTC and AHF in 2005.

CTC and AHF Consumed by Meilan in 2005

Consumed by	CTC	AHF
CFC 11	808.8 MT	123.8 MT
CFC 12	864.6 MT	260.6 MT
Total	1,673.4 MT	384.4 MT

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