

United Nations Environment Programme

Distr. GENERAL

UNEP/OzL.Pro/ExCom/49/Inf.2 13 June 2006

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL Forty-ninth Meeting Montreal, 10-14 July 2006

EXPORTS OF CFCS TO NON-ARTICLE 5 COUNTRIES FOR ESSENTIAL USE FOR METERED DOSE INHALERS (MDI) AND PROCESS AGENT APPLICATIONS APPROVED BY THE MEETING OF THE PARTIES

(A request from the World Bank on behalf of the Government of China)

Note from the Secretariat

1. At the 44th Meeting, the Executive Committee approved the Agreement for the accelerated phase-out plan for CFCs, halons and CTC in China (APP) under bilateral cooperation project with the Government of the United States of America. Under the Agreement, China committed to a number of reduction targets on the consumption and production of the controlled substances covered by the Agreement, including limits on exports. The CFC section of Table 1: ODS phase-out targets from the Agreement is reproduced below:

Table 1

ODS Phase-out Targets

(ODP tonnes)	Baseline	2004	2005	2006	2007	2008	2009	2010
CFCs ¹								
Montreal Protocol Reduction Schedule (Production)	47,004	47,004	23,502	23,502	7,050.6	7,050.6	7,050.6	0^2
Montreal Protocol Reduction Schedule (Consumption)	57,819	57,819	28,910	28,910	8,673	8,673	8,673	0^2
1. Max allowable CFCs production		25,300	18,750	13,500	7,400 ³	550	550	0^{2}
2. Max allowable CFCs total consumption		25,300	18,750	13,500	7,400	550	550	0 2
3. Max allowable CFC-11 consumption limit in PU Foam Sector		10,500	9,000	7,000	400	0		
4. Max. allowable net CFC exports ⁴		NL^5	NL^5	400	200	100	50	0

Note:

1. CFCs include Annex A Group I and Annex B Group I.

2. Except for essential uses as agreed by the Parties.

3. Production based on the MP plus 10% allowed for basic domestic needs.

4. Net exports defined as exports-imports.

5. Not limited (NL): No limits on export/import of CFCs.

2. With regard to the limit on maximum allowable net CFC exports in row 4 of the Table, the World Bank indicated in its request that these were limits on exports to Article 5 countries that China agreed to abide by and did not intend to include exports to non-Article 5 countries for essential uses for MDIs and process agent applications approved by the Meeting of the Parties to the Montreal Protocol. In 2005, China exported about 500 MT for MDIs and 400 MT for process agents, to those countries. Since there was no limit on CFC exports in 2005, the issue did not arise. However limits on exports are applicable starting in 2006, and judging from the trend in the past 2 years, these limits could affect availability of CFCs either for Article 5 countries for basic domestic needs or essential use exceptions and process agents in non-Article 5 countries.

3. The World Bank is requesting, on behalf of China, that China be allowed to exceed the limits on CFC production and exports set in the APP to enable it to continue supplying to non-Article 5 countries for essential uses for MDIs and process agent applications approved by the Parties, with the proviso that the overall CFC production and consumption should not exceed the allowed level under the Montreal Protocol (request of the World Bank attached).

4. The Executive Committee may wish to note the request of the World Bank and provide guidance on this matter.

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FACSIMILE COVER SHEET AND MESSAGE

DATE:	June 6, 2006	NO. OF PAGES: 1 (including cover sheet)	MESSAGE NO.: Msg. 1
U	Ms. Marie Nolan Chief Officer MLF Secretariat Montreal, Canada		
FROM: Title: Dept/Div:	Steve Gorman GEF Executive Coordinator Environment Division		
SUBJECT:	Agreement for Accelerated	Phaseout Plan for China and Export	to non-Article 5 countries

MESSAGE:

Dear Ms. Nolan

During the 48th ExCom meeting in April 2006, the Chinese delegation had informal discussions with some of the ExCom members and the MLF and Ozone secretariats on how to handle export to non-Article 5 countries of CFC for essential uses and process agent exemptions approved by the Parties given the overall limitation on export of CFCs in the Agreement for the Chinese Accelerated Phaseout Plan for CFCs, halons and CTC, (APP).

While the limitation for export to Article 5 countries were agreed by China, export for MDIs and allowed PA uses in non-Article 5 countries were not taken into account, nor considered. Based on 2004 and 2005 export data, the exports of CFCs for MDIs amount to around 500 tons and for process agent uses to around 400 tons in 2005. If such exports are to be counted within the export limits given for 2006 and forward, it would impact export for basic domestic needs in article 5 countries or prevent export for allowed uses in non-Article 5 countries. It was recommended to bring the issue forward to the 49th ExCom meeting and seek clarification on the matter.

The Agreement for the APP limits export of CFC at a maximum of 400 tonnes of CFC in 2006, 200 tonnes in 2007, 100 tonnes in 2008 and 50 tonnes in 2009. In order to allow export for the Article 5 countries within the agreed limits, China are requesting that **CFC production and export** for essential uses as approved by the Parties and CFC uses allowed for process agent applications in non-Article 5 countries **NOT** be counted within the limits given in the Agreement, but should be allowed over and above the production and export limits. China's overall CFC production will remain within the production limits given for China by the Montreal Protocol.

Due to pending requests from Non-article 5 countries for CFC for essential uses approved by the Parties for 2006, China is requesting the issue to be considered at the 49th meeting.

Steve Gorman GEF Executive Coordinator and POP/MP Team Leader

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