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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fiftieth Meeting
New Delhi, India, 6-10 November 2006

**PREPARATION OF A DISCUSSION PAPER ON THE ISSUES RAISED AT THE 26TH
MEETING OF THE OPEN-ENDED WORKING GROUP WITH REGARD TO THE
FUTURE OF THE MONTREAL PROTOCOL, AS THEY RELATED TO THE
MULTILATERAL FUND, TAKING INTO ACCOUNT THE COMMENTS MADE ON
THE ISSUE AT THE EIGHTEENTH MEETING OF THE PARTIES (FOLLOW-UP TO
DECISION 49/38)**

BACKGROUND MATERIAL

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issue of the document.

For reasons of economy, this document is printed in a limited number. Delegates are kindly requested to bring their copies to the meeting and not to request additional copies.

1. At the 26th Meeting of the Open-Ended Working Group, held in Montreal on 3-6 July 2006, a non-paper was introduced by Canada on the future of the Montreal Protocol, outlining a series of questions designed to help open a broad discussion about the long-term evolution and adaptation of the ozone regime to reflect the new challenges and circumstances the Protocol could expect to face. The Executive Committee at its 49th Meeting agreed to discuss the above-mentioned non-paper, with respect to issues of relevance to the Executive Committee.

2. Following an exchange of views on the matter, the Executive Committee decided “to include in the agenda of its 50th Meeting an item dealing with the preparation of a discussion paper on the issues raised at the 26th Meeting of the Open-Ended Working Group with regard to the future of the Montreal Protocol, as they related to the Multilateral Fund, taking into account the comments made on the issue at the Eighteenth Meeting of the Parties” (decision 49/38).

3. This document contains the following background information, intended to facilitate discussion of this agenda item by the Executive Committee:

- The full text of decision 49/38, including the introductory paragraph, extracted from the report of the 49th Meeting (document UNEP/OzL.Pro/ExCom/49/43), reproduced as Annex I;
- The text of the proposal by Canada as presented at the 26th Meeting of the Open-Ended Working Group, included in document UNEP/OzL.Pro.18/3 of the Eighteenth Meeting of the Parties and reproduced as Annex II; and
- An extract of the report of the 26th Meeting of the Open-ended Working Group (document UNEP/OzL.Pro.WG.1/26/7), concerning the proposal by Canada to identify and discuss key issues that would be faced by Parties in the next few decades, reproduced as Annex III.

AGENDA ITEM 14: OTHER MATTERS

Request for intersessional approval of the project to phase out CFC-11 and CFC-12 production in Argentina

154. At the 48th Meeting of the Executive Committee, the World Bank had submitted the 2006 annual work programme for the Strategy for gradual phase-out of CFC-11 and CFC-12 production, on behalf of the Government of Argentina (UNEP/OzL.Pro/ExCom/48/26). The project had subsequently been withdrawn, to be resubmitted at the 49th Meeting pursuant to further verification, including a financial audit. As the financial audit had been submitted to the Fund Secretariat over four weeks after the required deadline for project submission for Executive Committee Meetings, the review of the revised financial audit report and the request for releasing the 2006 tranche of funding for the project could not be considered at the 49th Meeting. Timely approval of the funding tranche was, however, crucial to enable Argentina to comply with its commitments under the Montreal Protocol. As resubmission of the funding request to the 50th Meeting would potentially compromise Argentina's ability to meet its compliance requirements, the Executive Committee was being asked to consider approving the funding tranche intersessionally.

155. Following a discussion, the Executive Committee decided exceptionally to proceed with intersessional review and approval of the 2006 annual funding tranche for the Strategy for gradual phase-out of CFC-11 and CFC-12 production in Argentina.

(Decision 49/37)

The non-paper from Canada on future work in relation to the issues raised at the 26th Meeting of the Open-Ended Working Group of relevance to the Executive Committee

156. At the 26th Meeting of the Open-Ended Working Group, a paper had been introduced on the future of the Montreal Protocol, outlining a series of questions designed to help open a broad discussion about the long-term evolution and adaptation of the ozone regime to reflect the new challenges and circumstances the Protocol could expect to face. Given the importance of the issues raised, some members of the Executive Committee expressed the view that it might be useful to begin considering the Multilateral Fund's strategy in that regard. It was also pointed out that a discussion on the issues, which were highly political, would take place at the Eighteenth Meeting of the Parties. It was then clarified that what was sought was a discussion paper to stimulate the Executive Committee's deliberations, and that any comments made at the Meeting of the Parties could be used as input for such a paper.

157. Following the exchange of views, the Executive Committee decided to include in the agenda of its 50th Meeting an item dealing with the preparation of a discussion paper on the issues raised at the 26th Meeting of the Open-Ended Working Group with regard to the future of the Montreal Protocol, as they related to the Multilateral Fund, taking into account the comments made on the issue at the Eighteenth Meeting of the Parties.

(Decision 49/38)

G. Draft decision XVIII/G: Multi-year exemptions for methyl bromide

[*Recalling* that, in decision Ex.I/3, the Parties agreed to consider the elaboration of criteria and a methodology for authorizing multi-year exemptions,

1. That a Party nominating a multi-year critical-use exemption should submit such a nomination consistent with the deadline applicable to single-year nominations for critical-use exemption;
2. That a Party nominating multi-year exemptions should strive to ensure that the amount of methyl bromide requested in the nomination for critical-use exemption generally demonstrates a downward trend over the duration of the exemption request;
3. That the Methyl Bromide Technical Options Committee will evaluate all years of the request in any multi-year nomination for critical-use nomination in accordance with its normal review process and schedule of meetings, and provide recommendations for all years requested with respect to those Parties that have made such a nomination; such reviews will occur simultaneously with reviews by the Methyl Bromide Technical Options Committee of single-year nominations for critical-use exemptions;
4. That, in performing an evaluation on a multi-year nomination for critical-use exemption, the Methyl Bromide Technical Options Committee will apply the relevant criteria agreed upon by the Parties in decision IX/6 and Ex.I/4, paragraph 9 (c), to multi-year nominations for critical-use exemption in the normal course of its meeting schedule, and using the same standards and presumptions that it applies to single-year critical-use exemptions nominations;
5. That the first Meeting of the Parties following the evaluation by the Methyl Bromide Technical Options Committee will consider both single and multi-year nominations for critical-use exemptions made by applicants, and the related recommendations of Methyl Bromide Technical Options Committee, over the full period of time requested by the critical-use exemption applicant, taking into account the criteria set out in decisions IX/6 and Ex.I/4, paragraph 9 (c);
6. That a Party receiving a multi-year critical-use exemption should apply the criteria of decisions IX/6 and Ex.I/4 paragraph 9 (c), where relevant, when licensing, permitting, or authorizing the use of methyl bromide pursuant to a multi-year critical-use exemption that has been approved by the Parties;
7. That each Party receiving a multi-year critical-use exemption approved by the Meeting of the Parties may request reconsideration of its approved critical-use exemption on the basis of changed circumstances; such requests should be submitted by the agreed deadline for annual nominations for critical-use exemption and will be evaluated by the Methyl Bromide Technical Options Committee in accordance with the provisions of paragraph 4 above;
8. That the first Meeting of the Parties following the evaluation by the Methyl Bromide Technical Options Committee will consider any request for reconsideration of an approved nomination for critical-use exemption described in paragraph 7, and the related recommendations from the Methyl Bromide Technical Options Committee.]

H. Future challenges to be faced by the Montreal Protocol

Submission by Canada

Key challenges to be faced by the Parties in protecting the ozone layer over the next decade

The 19th Meeting of the Parties in 2007 will mark the twentieth anniversary of the Montreal Protocol. The protocol is widely recognized as the most successful multilateral environmental agreement and continues to be a worthy example of nations of the world coming together to address a major global environmental threat. The last two decades have seen the negotiation and implementation of a wide range of measures to phase-out the production and consumption of Ozone-Depleting Substances (ODS) and the creation of a broad array of institutional mechanisms to make this phase-out a global reality.

Momentous progress has been accomplished, thanks to the efforts of Article 5 and non-Article 5 countries, and the invaluable support of the many institutions guiding the work of the Montreal Protocol. In terms of ozone-depleting potential (ODP) tonnes, non-Article 5 countries have reduced over 95 per cent of their consumption of all ODS. Meanwhile, Article 5 countries have globally reduced their consumption of CFCs, halons, carbon tetrachloride and methyl chloroform by 50 to 75 per cent from their baselines, depending on the substance concerned. Furthermore, the Multilateral Fund has approved projects, including long-term multi-year phase-out plans, for the phase-out of almost all remaining ODS consumption and production in Article 5 countries, except for HCFCs.

The success of the Montreal Protocol has been observed in the upper atmosphere as the peak concentrations of ozone depleting substances was reached in the late 1990s and has been decreasing by about 1% per year since then. If all Parties to the Montreal Protocol follow the controls as contained in the Protocol, the ozone layer over most or the entire globe should be re-established in the second half of this century.

Since the signing of the Montreal Protocol, the international environmental agenda has changed dramatically. Several major new multilateral environmental agreements (MEAs) have entered into force and new international initiatives and financial institutions have emerged. As a result, the international community is increasingly focussing on ways to increase the effectiveness of multilateral environmental regimes, setting the stage for institutional reform. The success of the Montreal Protocol offers unique insight into multilateral effectiveness, which can inform broader policy discussions in these issues.

At the same time, while progress has been remarkable, it is often said that the Montreal Protocol should not rest on its laurels. Indeed, if we are to ensure that the phase-out achieved is sustained over time, and the Ozone regime is adjusted to ensure that remaining challenges are effectively addressed, we need to persist in our efforts while ensuring that supporting institutions are well adapted to face the future. In other words, as the Protocol progresses towards achieving its ultimate goals, so must the institutions evolve to address changing needs. The timing is ripe, therefore, for Montreal Protocol Parties to begin reflecting on the long-term needs of the Protocol and its institutions.

The following questions are among those that we believe Parties will need to address without delay in order to ensure that a forward-looking institutional change within the ozone regime takes place smoothly and efficiently. These could provide the basis for discussions beginning at OEWG 26, to prepare a forward-looking policy agenda for MOP 19, on the occasion of the Montreal Protocol's 20th anniversary.

Overarching questions:

- What are the key challenges Montreal Protocol Parties will face in protecting the ozone layer over the next decade? Two decades?
- Are the institutions of the Montreal Protocol optimized to meet these challenges and if not, what key institutional changes will be needed?
- What continuing services will the Parties require from their institutions and which activities and tasks need to be emphasized and which can be de-emphasised?
- How can compliance, effectiveness, coordination and synergy be maintained or enhanced over the next decades?

Specific questions include:

The following more specific questions are illustrative and not exclusive and are put forward only to stimulate broad discussion.

The Advisory Bodies:

- What do the Parties need or want the TEAP, Environmental Effects and Science Assessment Panels to do in the future? Might the Terms of Reference of the TEAP, EEP and SAP be adjusted to focus on new and remaining tasks?
- Do the Parties need the current set of annual reports annuals or would quadrennial progress reports suffice?
- What should be in the SAP, EEP's and TEAP's Terms of Reference for the 2010 Report?
- What do Parties need/want the Ozone Research Managers to do in the future?
- What is the long-term need for research, monitoring and modelling of the Ozone Layer?

- The Multilateral Fund and Secretariat
- What do Parties foresee as the future workload for the Multilateral Fund, its Secretariat and the Executive Committee?
- Is the scope of UNEP's Compliance Assistance Programme appropriate for the future and what role should or could it continue to play in the future?

Monitoring Compliance, data reporting, MOPs and COPs

- What will be the likely need for Meetings of the Parties in the future: frequency and duration? Conference of the Parties?
- What should be the future role and function of the Ozone Secretariat?
- What will be the future of the Implementation Committee as ODS production and consumption are phased-out?
- How can the Protocol system work effectively to ensure compliance in the long term?
- What assistance do the parties see as necessary for enabling Article 5 parties to meet their ongoing obligations for example with HCFCs phase-out, data reporting, compliance promotion etc. and are the existing institutions adequate.

Suggested Path Forward:

Circulate the non-paper at OEWG-26 and suggest that Parties meet in an open-ended contact group;

Create an intercessional balanced smaller working group, whose output will be a more specific set of key issues and questions and areas of investigation to be tabled at MOP 18;

MOP 18 to endorse a path forward to MOP 19;

Working through 2007 to prepare specific decisions and strategy elements or a strategy document that could be considered for formal adoption at MOP 19.

II. Proposed adjustment to the Montreal Protocol

Draft decision XVIII/___: Adjustment of the Montreal Protocol to advance the phase-out of the production of chlorofluorocarbons by Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol to meet the basic domestic needs of Parties operating under paragraph 1 of Article 5: adjustments relating to controlled substances in Annex A

Recalling decision XVII/12 of the Parties to address the continuing production of chlorofluorocarbon production by Parties not operating under paragraph 1 of Article 5 of the Montreal Protocol to meet the basic domestic needs of Parties operating under paragraph 1 of Article 5 of the Protocol,

Noting that decision XVII/12 called for Parties to consider at their Eighteenth Meeting an adjustment to accelerate the phase-out schedules set out in Article 2A of the Protocol for chlorofluorocarbon production to meet the basic domestic needs of Parties operating under paragraph 1 of Article 5,

Recognizing the current phase-out schedule for production of chlorofluorocarbons to meet the basic domestic needs of Parties operating under paragraph 1 of Article 5 of the Protocol by 2010 as set out in Article 2A,

Further noting that sufficient supplies of chlorofluorocarbons are available from production facilities in Parties operating under paragraph 1 of Article 5 of the Protocol and from recycled and reclaimed stocks to serve the basic domestic needs of Parties operating under paragraph 1 of Article 5 of the Protocol,

To adjust the Montreal Protocol as follows, in the light of the considerations set out in the background paper prepared by Canada, annexed to the present decision:

X. Other matters

A. Presentation by the Co-Chair of the Scientific Assessment Panel

158. Mr. Ayité-Lô Ajavon, Co-Chair of the Scientific Assessment Panel, gave a presentation on the status of the Panel's 2006 report, which would review the sixth scientific assessment of the physical and chemical processes that affected the ozone layer. He noted that the report, which would contain input from over 200 scientists from around the world, would comprise three sections: the first on ozone-depleting gases, the second on ozone layer changes and the third – which would cover the interaction between climate and ozone – on future expectations for ozone, ozone-depleting substances and ultra-violet radiation. The report would also include an updated series of questions and answers about the ozone layer written for the general public. The executive summary, which was expected to be ready for release in July 2006, would include sections on recent major findings and current scientific understanding; additional scientific evidence and related information; and implications for policy formulation. In conclusion, he noted that the major findings of the report would be described by the Panel at the Eighteenth Meeting of the Parties and that the final report was expected to be printed and ready for circulation in March 2007.

B. Presentation by the representative of India on arrangements for the Eighteenth Meeting of the Parties

159. The representative of India gave a short presentation on the progress made in preparations for the Eighteenth Meeting of the Parties, the thirty-seventh meeting of the Implementation Committee and the fiftieth meeting of the Executive Committee of the Multilateral Fund to be hosted by the Party in New Delhi from 25 October to 10 November 2006. He outlined the logistical arrangements for the meeting and showed a short film highlighting the history, geography and culture of India. In closing, he expressed his Government's eagerness to welcome representatives of the Parties to his country.

C. Presentation by the Secretariat on the new data access feature on its website

160. The representative of the Secretariat made a presentation on use of the new data access feature on the Secretariat's website. The new system, which allowed electronic consultation of data reported under Article 7 of the Protocol, eliminated the time lag that had occurred in the past between receipt of data and its publication in paper form. Furthermore, the service enabled various permutations of data to be retrieved. Searches could be made and data could be filtered using different parameters.

161. The representative of the Secretariat stated that the data currently available had been chosen because it did not raise issues of confidentiality and that further data could be made available on the site if the Parties so decided.

162. The Working Group expressed its appreciation for the work of the Secretariat in developing its website, noting that the new data access feature would greatly facilitate its work.

D. Proposal by Canada to identify and discuss key issues that would be faced by Parties in the next few decades

163. The representative of Canada introduced a proposal on the future of the Montreal Protocol, observing that by the time of the Nineteenth Meeting of the Parties, in 2007, the Parties to the Protocol would have had twenty years of experience behind them, and they therefore needed to look forward to the next twenty years. He explained that the proposal outlined a series of questions designed to open a broad discussion about the long-term development of the regime which would be necessary to protect the ozone layer in the future.

164. All representatives who took the floor thanked Canada for initiating an important and timely debate. It was noted that, although the existing structure and institutions of the Protocol should serve the Parties well until total phase-out of CFCs in 2010, there might well be a need for further evolution and adaptation in the longer term to reflect the new challenges and circumstances the Protocol could expect to face. Lessons needed to be learned both from the successes of the Protocol to date and the difficulties it had experienced. Several representatives indicated that the discussion would be of value also to other

multilateral environmental agreements, by which the Montreal Protocol was often seen as a positive model.

165. Representatives pointed to some of the reasons behind the success of the Protocol, including its clear phase-out schedules for controlled substances; its effective financial mechanism in the shape of the Multilateral Fund; the sectoral phase-out strategies which the Fund had supported; the role of TEAP and its technical options committees in encouraging the development of alternatives to ozone-depleting substances; the non-compliance procedure overseen by the Implementation Committee; and the effective cooperation between non-Article 5 and Article 5 Parties which had taken place. Representatives expressed the belief that it would be important to maintain the role of the Protocol's institutions in the future.

166. Several representatives, recognizing the very broad nature of the questions raised in the proposal, indicated that they needed more time to consider them before proceeding further. They said in particular that the proposal to establish an intersessional working group was premature. One representative suggested that a special conference might be held to consider the issue, another suggested that a seminar could be held before the Eighteenth Meeting of the Parties and a third suggested that all Parties should be asked to provide input.

167. After further discussing a number of options for moving forward on the issue, the Working Group agreed not to organize a seminar immediately before the Eighteenth Meeting of the Parties, but to hold open the possibility of organizing such an event during 2007. It agreed further to invite Parties to submit to the Secretariat by 12 October 2006 any issues or questions on the Canadian proposal, which the Secretariat would compile for consideration by the Eighteenth Meeting of the Parties.

E. Issues raised by China on table A bis of decision XVII/8

168. The representative of China raised the issue of the interim list of process agent uses contained in decision XVII/8. With the support of the Multilateral Fund, China had developed a detailed phase-out plan for process agent uses. Nevertheless, after study, experts in her country had concluded that at least seven of the uses of carbon tetrachloride listed in decision XVII/8 should be more properly considered as feedstock uses rather than process agent uses. She further mentioned that the results of the TEAP review that should be carried out as early as possible under decision XVII/6 and the subsequent decision of the Meeting of the Parties would help Article 5 Parties formulate their domestic policies. If those applications were considered as feedstock uses, they would not be banned, because more carbon tetrachloride would be consumed and emissions into the atmosphere would be minimized; if they were considered as process agent applications, however, they should be banned. She said that China would like to conduct discussions with other Parties on the matter after the current meeting so that a comprehensive solution could be reached as soon as possible.

169. Another representative of an Article 5 Party said that he strongly supported China's request for a review of the list by TEAP, recalling that he had raised the same concerns with regard to the adoption of the interim list when it had originally been discussed in 2005. Wrongly classifying feedstock uses as process agent uses, he said, created problems for domestic policy and hampered industrial development.

170. The Working Group agreed that the issue should be taken up by the Eighteenth Meeting of the Parties.

F. Dates of upcoming meetings

171. The Executive Secretary of the Ozone Secretariat recalled that he had sent a letter to Parties seeking their views on proposed dates for the Nineteenth Meeting of the Parties, the twenty-seventh meeting of the Open-ended Working Group and related activities, taking into account that in 2007 the Parties would celebrate the twentieth anniversary of the Montreal Protocol. In their replies, most Parties had indicated their support for holding the Meeting of the Parties in September so that they would coincide with the anniversary of the Protocol. Several others, however, had requested the Secretariat to do its utmost not to disrupt the deadlines already agreed by the Parties for submission of requests for exemptions. On the basis of that feedback, the Secretariat had prepared a scenario which it believed would cause minimum disruption for Parties and bodies, on which it sought feedback from the Working Group. The scenario took into account the current deadlines for the submission of data and critical-use nominations and the time required by TEAP to review exemption requests. It contemplated holding the Nineteenth Meeting of the Parties from 17 to 21 September 2007 and the twenty-seventh meeting of the Open-ended Working Group from 4 to 8 June 2007. Documents, consistent with the usual practice,