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COMITE EXECUTIF  
DU FONDS MULTILATERAL AUX FINS  
D'APPLICATION DU PROTOCOLE DE MONTREAL  
Cinquante-quatrième réunion  
Montréal, 7-11 avril 2008

**GESTION DES CFC ET ELIMINATION ACCELEREE DE LA PRODUCTION DE CFC,  
UNE PROPOSITION DU GOUVERNEMENT DE L'INDE POUR REVENIR À UNE  
SITUATION DE RESPECT DE L'ACCORD SUR LE SECTEUR DE LA  
CONSOMMATION EN 2008-2009**

**EXAMEN PRÉLIMINAIRE DU SECRÉTARIAT**

Les documents de présession du Comité exécutif du Fonds multilatéral aux fins d'application du Protocole de Montréal sont présentés sous réserve des décisions pouvant être prises par le Comité exécutif après leur publication.

Par souci d'économie, le présent document a été imprimé en nombre limité. Aussi les participants sont-ils priés de se munir de leurs propres exemplaires et de s'abstenir de demander des copies supplémentaires.

## Introduction

1. Le 10 mars 2008, le Secrétariat a reçu, par l'intermédiaire de la Banque mondiale, une proposition de Meena Gupta, Secrétaire du ministère indien de l'environnement et des forêts, intitulée, Gestion des CFC et élimination accélérée de la production de CFC. Ce document fait suite à la décision 53/13 par laquelle le Comité exécutif "a décidé de discuter de la question de la consommation de CFC de l'Inde en 2006 et de sa relation avec les accords basés sur la performance à la 54<sup>e</sup> réunion du Comité exécutif". La proposition inclut une lettre du Secrétaire adressée au Chef du Secrétariat et une proposition de projet de la Banque mondiale (ci-jointe).

2. Étant donné que la proposition est parvenue au Secrétariat la veille de l'envoi des documents aux membres du Comité exécutif et qu'elle couvre plusieurs enjeux complexes, le Secrétariat n'a pas eu le temps de procéder à l'examen habituel qui inclut généralement un échange de questions et réponses avec l'agence d'exécution. C'est pourquoi, ce résumé ne peut constituer qu'un examen préliminaire de la proposition par le Secrétariat pour souligner les principaux enjeux afin de faciliter les délibérations du Comité exécutif.

## Description du projet

3. En guise de contexte, la proposition rappelle les engagements de l'Inde d'éliminer la production et la consommation de CFC dans le cadre du Protocole de Montréal et aux termes des accords conclus avec le Comité exécutif.

Tableau 1

Objectifs de production et de consommation pour l'Inde selon le Protocole de Montréal et les phases des accords pluriannuels conclus entre l'Inde et le Comité exécutif

Rang	Année	2004	2005	2006	2007	2008	2009	2010
1	Limite de production (PM)	22 632,4	11 316,2	11 316,2	3 394,9	3 394,9	3 394,9	0
2	Limite de production (CE)	13 176,0	11 294,0	7 342,0	3 389,0	2 259,0	1 130,0	0
3	Limite de consommation (PM)	6 681,0	3 340,5	3 340,5	1 002,2	1 002,2	1 002,2	0
4	Limite de consommation (CE)	3 489,0	2 266,0	1 560,0	964,0	417,0	273,0	0

4. La proposition mentionne aussi l'importance des exportations pour permettre à l'Inde de respecter ces engagements; elles figurent au tableau 2.

Tableau 2

Limite d'exportation en raison de la différence entre les objectifs de production et de consommation

Rang	Année	2004	2005	2006	2007	2008	2009	2010
1	Limite de production (CE)	13 176,0	11 294,0	7 342,0	3 389,0	2 259,0	1 130,0	0
2	Limite de consommation (CE)	3 489,0	2 266,0	1 560,0	964,0	417,0	273,0	0
3	Limite d'exportation (minimum obligatoire)	9 687,0	9 028,0	5 782,0	2 425,0	1 842,0	857,0	0

5. La proposition mentionne également que pour s'assurer que la consommation nationale de CFC ne dépasse l'objectif fixé dans l'accord pour le secteur de la consommation, un arrêté administratif a été émis au début de 2007 pour limiter les ventes nationales des producteurs de CFC à l'objectif de consommation annuelle. Tout montant supérieur à cette limite doit être exporté par les producteurs détenteurs d'un permis.

#### Surconsommation en 2006 et 2007

6. Il est confirmé qu'avec une production de CFC vérifiée de 6 964 tonnes PAO en 2006, l'Inde a respecté l'objectif de l'accord sur le secteur de la production de CFC conclu avec le Comité exécutif. Toutefois, sa consommation de 3 411,8 tonnes PAO en 2006, déclarée aux termes de l'article 7, dépasse à la fois la limite de 3 340,5 tonnes PAO du Protocole de Montréal et l'objectif de 1 560 tonnes PAO établi dans l'accord sur le secteur de la consommation de CFC.

7. La situation en 2007 est décrite comme semblable à celle de 2006 quoique les données utilisées ne soient pas identifiées comme données déclarées aux termes de l'article 7. Tandis que la production de 2 346 tonnes PAO est inférieure à l'objectif de l'accord sur le secteur de la production, la consommation de 1 356,03 tonnes PAO dépasse à la fois la limite de 1 002 tonnes PAO du Protocole de Montréal et l'objectif de 946 tonnes PAO établi dans l'accord sur le secteur de la consommation de CFC.

8. La proposition fournit des données sur la production, la consommation, les exportations et l'inventaire de CFC en 2007 indiquant que sur les exportations totales de 1 310 tonnes PAO, 990,63 tonnes PAO proviennent de la production en 2007 et 319,37 tonnes PAO de l'inventaire de 2006. Si la consommation de 3 411,8 tonnes PAO de CFC dépasse de près de 71 tonnes PAO la limite de 3 340,5 tonnes PAO du Protocole de Montréal en 2006, cette surconsommation alimentait des exportations destinées à répondre aux besoins nationaux de pays visés à l'article 5 dans les années ultérieures et ces exportations ont effectivement eu lieu en 2007.

9. La proposition cite ensuite la décision XVIII/17 de la 18<sup>e</sup> Réunion des Parties au sujet des situations de non-respect en 2006 et 2007, notamment les cas où la quantité de SAO produite dépasse la limite autorisée de production ou de consommation pour une année donnée mais constitue des réserves destinées à l'exportation pour répondre aux besoins intérieurs fondamentaux des pays en développement lors d'une année ultérieure. L'interprétation que la proposition suggère de cette décision consiste à reporter l'examen du non-respect par les Parties mais non à redéfinir le volume de consommation ou de production.

10. La proposition cite également la décision XV/39 de la 15<sup>e</sup> Réunion des Parties au sujet du traitement d'une quantité de CFC faisant l'objet d'un commerce illicite et la décision XVI/27 de la 16<sup>e</sup> Réunion des Parties au sujet de l'année où les réserves de SAO sont traitées comme consommation et qui devrait être l'année durant laquelle on puise dans ces réserves. Dans le cas de l'Inde, le Gouvernement a émis des arrêtés administratifs qui interdisent la circulation de CFC sur le marché sans permis gouvernementaux.

11. L'Inde demande aussi au Comité exécutif de ne pas appliquer la clause de pénalité de l'entente à la surconsommation de CFC en 2006 et 2007 à la lumière de l'intention du

paragraphe 1 de la décision XVIII/16 de la 18<sup>e</sup> Réunion des Parties puisque la surconsommation a été consommée dans le secteur des inhalateurs à doseur.

Plan d'action pour revenir à une situation de respect en 2008 et 2009

12. La proposition sur la gestion des CFC et l'élimination accélérée de la production de CFC se donne les objectifs suivants :

- Aider l'Inde à revenir à une situation de respect de l'accord sur la consommation conclu entre le Comité exécutif et l'Inde, en 2008 et 2009;
- Accélérer l'élimination de la production de CFC en Inde d'ici le 31 juillet 2008; et
- S'assurer que l'élimination accélérée de la production de CFC appuiera l'élimination dans le secteur de la consommation.

13. Le plan d'action inclut un certain nombre de mesures politiques à mettre en œuvre immédiatement, telles que :

- a) Amendement du calendrier de consommation des Règlements sur l'ozone conformément à l'accord conclu avec le Comité exécutif;
- b) Instauration d'un système pour garantir une bonne coordination entre la production et les quotas de consommation intérieure dans les années ultérieures;
- c) Les importations de CFC pour le secteur des inhalateurs à doseur seront traitées de la même manière dans le cadre du système de permis existant pour les CFC; et
- d) Renforcement du système de surveillance des mouvements des réserves de CFC et des importations, le cas échéant.

14. Dans les mesures concernant l'industrie, l'accent est mis sur les liens entre la production et la consommation de CFC. Pour la production, une proposition est mise de l'avant pour produire 690 tonnes métriques additionnelles d'ici le 31 juillet 2008 et éliminer définitivement la production de CFC ensuite à condition de recevoir un financement additionnel. Les producteurs de CFC élimineront toutes les réserves de CFC existantes d'ici la fin de 2009.

15. Pour répondre à la demande de CFC pour les inhalateurs à doseur et l'entretien, les producteurs d'inhalateurs à doseur remettront leurs prévisions de la demande en 2008 et 2009 au Gouvernement d'ici mai 2008. Le Gouvernement émettra des quotas de ventes intérieures pour des CFC produits récemment et pour des réserves afin de répondre à ces demandes et aux besoins d'entretien. La combinaison de ces mesures devrait ramener l'Inde dans les limites du Protocole de Montréal et des ententes conclues avec le Comité exécutif, en 2008 et 2009.

16. Deux options ont été proposées pour l'élimination accélérée de la production de CFC. La première, désignée comme l'élimination accélérée de la production de CFC pour le marché intérieur, maintient la production actuelle de CFC, telle que stipulée dans l'accord sur la production de CFC, en 2008 et 2009 mais limite les ventes intérieures à un total de 690 tonnes métriques et le reste va à l'exportation. Le tableau suivant illustre cette option :

Tableau 3Calendrier de production pour 2008 et 2009

<b>Calendrier de production</b>	<b>2008</b>	<b>2009</b>
Objectifs de production selon le consensus de l'accord	2 259,0	1 130,0
Objectifs de production pour les ventes intérieures	417,0	273,0
Objectifs de production pour le marché d'exportation	1 842,0	857,0
Production pour les réserves	-	-

17. Puisque aucune réduction du volume de production de CFC n'est proposée pour 2008 et 2009, il ne faut s'attendre à aucun financement additionnel par le Fonds multilatéral.

18. La deuxième option consiste à ramener la production de CFC en 2008 et 2009, de 3 389 tonnes métriques à 690 tonnes métriques et à devancer la date d'élimination complète de 2010 au 31 juillet 2008. Une compensation de 20,58 millions \$US est demandée pour éviter la production de 2 699 tonnes métriques de CFC. Ce montant représente l'abandon des profits associés à l'exportation de 2 053 tonnes métriques et à des ventes intérieures de 646 tonnes métriques.

19. Pour les ventes intérieures, le calcul repose sur un prix de 11,18 \$US/kg, ce qui est à vrai dire nettement supérieur aux cours internationaux, et attribue une valeur de zéro à plusieurs éléments des coûts de production. Pour les ventes internationales, le calcul repose sur les prix internationaux du CFC de catégorie pharmaceutique, soit 7,5 \$US/kg, selon l'argument voulant qu'au cours des dernières années le marché de l'exportation a évolué vers de tels produits. Le tableau suivant contient les détails des calculs.

Tableau 4Calcul de la perte de profit pour l'option 2

<b>Calendrier de production</b>	<b>2008</b>	<b>2009</b>	<b>Unité</b>
Objectifs de production selon le consensus de l'accord	2 259	1 130	tonnes métriques
Limite de consommation des Règlements sur l'ozone	668	668	tonnes métriques
Objectifs de production proposés pour le secteur de la consommation	690	0	tonnes métriques
Niveau de production autorisé pour l'exportation	1 591	462	tonnes métriques
Réduction de la production pour le secteur de la consommation	0	646	tonnes métriques
Réduction de la production pour l'exportation	1 591	462	tonnes métriques
Perte de profit sur les ventes intérieures	0	6 706\$	'000 \$US
Perte de profit sur les exportations	10 598\$	3 077,52\$	'000 \$US

**OBSERVATIONS DU SECRÉTARIAT**Différence de données

20. La consommation de 3 411,8 tonnes PAO de CFC en 2006 mentionnée dans la proposition de projet diffère du montant de 3 560,3 tonnes PAO publié par le Secrétariat de l'ozone. Le Secrétariat a comparé les données utilisées dans le tableau 5, production et consommation de CFC et les mouvements des réserves de CFC en 2007, aux données de vérification de la production de CFC en 2007, remises par la Banque mondiale, et constaté les incohérences mentionnées dans le tableau suivant :

Tableau 5Production et consommation de CFC et mouvements des réserves de CFC en 2007

	<b>2007</b>		<b>Données de la vérification</b>	<b>Observations</b>
Réserves d'ouverture	1 682,46			
Production réelle	2 346,68		2 368	Production brute
Ventes réelles + Utilisation captive	2 666,03		2591,6	Ventes
Exportations	1 310,00		1 303	Déclarées dans le plan de travail annuel
Exportations à partir des réserves		319,37		
Exportations à partir de la nouvelle production		990,63		
Consommation réelle (PM)	1 255,68			
Quantité physiquement consommée	1 365,03			
Limite NCCOPP		964,00		
Quota additionnel pour les inhalateurs à doseur		392,03		
Réserves de fermeture	1 363,09			

Interprétation des décisions XVIII/16, XVIII/17, XV/39 et XVI/27 des Réunions des Parties et leur applicabilité au cas de l'Inde

21. La proposition soumet des interprétations des décisions XV/39, XVI/27 et XVIII/17 des Réunions des Parties pour défendre le dépassement de la consommation de CFC en 2006 par rapport à la limite du Protocole de Montréal. Elle mentionne notamment la décision XVIII/17 au sujet du traitement des exportations de SAO lors d'une année ultérieure. Les interprétations des décisions des Réunions des Parties étant la prérogative des Réunions des Parties elles-mêmes, le Secrétariat du Fonds devrait en référer au Secrétariat de l'ozone pour obtenir une opinion sur les interprétations contenues dans la proposition.

22. Il en va de même pour la décision XVIII/16 sur l'importance de l'élimination des CFC dans le secteur des inhalateurs à doseur; il est pertinent de rappeler la discussion du Comité exécutif sur ce sujet lors de sa 53<sup>e</sup> réunion, notamment le paragraphe 80 du rapport sur la 53<sup>e</sup> réunion (UNEP/OzL.Pro/ExCom/53/67) reproduit ci-dessous :

"Un groupe informel composé de représentants du Canada, agissant à titre de facilitateur, de la Chine, de l'Italie, de la Suède, des Etats-Unis d'Amérique et de l'Uruguay, ainsi que de l'Allemagne agissant en tant qu'agence bilatérale, de la Banque mondiale à titre d'agence d'exécution du projet d'élimination de la production des CFC, et des représentants du Secrétariat, s'est réuni à plusieurs occasions pour examiner les solutions possibles. Dans son rapport au Comité exécutif, le facilitateur a souligné que la plupart des membres du groupe souhaitaient attirer l'attention sur la gravité de la situation en ce qui a trait à la conformité à l'accord entre l'Inde et le Comité exécutif, en vertu duquel l'Inde a largement dépassé son objectif de consommation de CFC pour 2006. Il conviendrait d'informer le gouvernement de l'Inde que, selon les termes de l'accord, la pénalité associée au dépassement de son objectif de consommation de CFC en 2006 était évaluée à plus de 27 millions \$US, somme qui devrait être récupérée par le Fonds multilatéral. Ces membres ont par ailleurs voulu confirmer que la consommation de CFC pour les inhalateurs à doseur était incluse dans la consommation de CFC stipulée dans l'accord, et que les réserves de CFC constituées en 2006 pour les inhalateurs à doseur, et au cours des années suivantes pour l'entretien et les exportations, étaient également considérées comme faisant partie de la consommation de CFC visée dans l'accord. Il faudrait demander au gouvernement de l'Inde de prendre toutes les mesures nécessaires pour assurer sa conformité future aux dispositions de l'accord et de présenter les parties non déposées de son rapport de vérification afférente à l'accord, huit semaines avant la 54<sup>e</sup> réunion du Comité exécutif. Par ailleurs, un membre du groupe informel pense que, conformément à la décision XVIII/17 de la 18<sup>e</sup> Réunion des Parties, on devrait donner à l'Inde la chance de se conformer à l'accord. Après la présentation du rapport, un autre membre s'est dit d'avis que le Comité exécutif devrait chercher les moyens non pas de pénaliser, mais plutôt d'aider l'Inde, peut-être en élaborant un plan pour détruire ses réserves et ainsi faciliter un retour à la conformité".

Montant probable de la pénalité pour dépassement des objectifs de l'accord en 2006 et 2007

23. Selon les données de la proposition, le montant probable de la pénalité pour le non-respect des objectifs de consommation des CFC en 2006 et 2007 pourrait atteindre environ 34 millions \$US. Ce montant est calculé ainsi :

Tableau 6

	<b>2006</b>	<b>2007</b>
Consommation réelle de CFC	3 411,78 tonnes PAO	1 356,03 tonnes PAO
Objectif contenu dans l'accord	1 560,00 tonnes PAO	964,00 tonnes PAO
Dépassement de l'objectif	1 851,78 tonnes PAO	392,03 tonnes PAO
Pénalité par tonne PAO	14 960 \$US	14 960 \$US
Pénalité probable	27,7 millions \$US	5,86 millions \$US

24. Des deux options d'élimination accélérée de la production de CFC, la première n'entraîne aucune accélération ou réduction supplémentaire de la production. La seule différence par rapport au statu quo consiste à limiter les ventes intérieures et mettre le solde de production sur le marché de l'exportation.

25. Le calcul de la compensation additionnelle pour une élimination accélérée de la production contenu dans l'option 2, utilise des paramètres inhabituels. Premièrement, il présume que plusieurs éléments des coûts de production sont nuls en arguant du faible niveau de production et par conséquent les coûts de main d'œuvre, d'entretien et d'autres aspects ne sont pas pris en compte. Il s'agit d'une hypothèse plutôt généreuse puisque le volume de la production de CFC en question est d'environ 2 700 tonnes métriques. D'autre part, les prix indiqués pour les CFC sont plutôt élevés. D'une part, un prix intérieur protégé supérieur, de 11,18 \$US/kg, est appliqué aux ventes intérieures présumées et on utilise ensuite un prix de 7,5 \$US/kg pour les CFC de catégorie pharmaceutique haut de gamme. Cependant, le Fonds multilatéral n'a pas coutume d'utiliser des prix différents pour l'exportation et le marché intérieur lors du calcul de compensation pour l'élimination de la production de SAO mais utilise les prix internationaux dans l'hypothèse d'une économie ouverte.

26. Parce qu'il s'appuie sur des prix plus élevés et des coûts de production plus faibles, le financement additionnel demandé de 20,58 millions \$US est exceptionnellement élevé. Pour remettre la demande en perspective, le tableau suivant présente une comparaison des coûts pour tous les projets d'élimination de la production de CFC financés par le Fonds multilatéral en utilisant la production de référence de CFC comme dénominateur commun.

Tableau 7

Comparaison des coûts des projets d'élimination de la production de CFC financés

<b>Pays</b>	<b>Référence en tonnes PAO</b>	<b>Financement approuvé en \$ US</b>	<b>\$US/tonnes PAO</b>
Chine	47 004,0	150 millions	3 191
Chine APP	12 000,0	10 millions	833
Chine + APP	47 004,0	160 millions	3 404
Argentine	2 745,0	8,3 millions	3 024
Argentine APP	1 372,0	2,3 millions	1 676
Argentine + APP	2 745,0	10,6 millions	3 862
Mexique	11 042,0	31,85 millions	2 884
Venezuela	4 789,0	16,5 millions	3 445
Inde	22 362,0	82 millions	3 623
Inde APP	2 699,0	20,58 millions*	7 625
Inde + APP	22 362,0	102,58 millions	4 587

\* financement demandé



## **RECOMMANDATION**

27. Le Comité exécutif pourrait examiner cette proposition avec la demande de la Banque mondiale pour la tranche annuelle de 2008 du plan pour le secteur de la production de CFC et la demande de l'Allemagne pour le programme de travail annuel de 2008 du plan d'élimination de la consommation de CFC qui sont toutes deux soumises à cette réunion.



मीना गुप्ता  
Meena Gupta

सचिव  
भारत सरकार  
पर्यावरण एवं वन मंत्रालय  
Secretary  
Government of India  
Ministry of Environment and Forests

D.O. No. 7/1/2008-OC

Dated : 10<sup>th</sup> March, 2008

Dear Ms. Nolan,

The Government of India would like to request the Multilateral Fund Secretariat to inform the Executive Committee at its 54<sup>th</sup> Meeting, of the Government of India's actions in response of Decision 53/13 to ensure future compliance with the provisions of the consumption sector agreement.

First of all, the Government of India would like to express its continued commitment to the objectives and obligations of the Montreal Protocol as well as all the terms and conditions under the consumption sector agreement and others that the Government of India has entered into with the Executive Committee of the Multilateral Fund. Recognizing the seriousness of the situations experienced in 2006 and 2007 in the consumption sector and the advice provided in Decision 53/13, the Government of India, as part of its plan to return to full compliance, has not issued any CFC production quotas for the CY 2008. In the meantime, the Government of India has entered into a series of dialogues with the key stakeholders including CFC producers.

To ensure full compliance with all terms and conditions of all agreements between India and the Executive Committee and Montreal Protocol obligations pertaining to CFCs production and consumption, an integrated action plan that includes "CFC Management and Accelerated Production Closure", addressing the need of the consumption and production sectors has been formulated and is being submitted along with this letter for the consideration of the ExCom at its 54<sup>th</sup> Meeting in April 2008.

From 1 August 2008, CFC production will be prohibited. This represents the closure of the last CFC production facilities in Article 5 country Parties to the Montreal Protocol. Therefore, total CFC production amounting to 2,699 MT will be avoided. Moreover, the plan of action as submitted by India will ensure that the total aggregated CFC consumption in India from the period 2004 – 2009 will not exceed 6,150 MT, which is 2,820 MT lower than the aggregated consumption level as per the consumption agreement, and about 7,400 MT less than the Montreal Protocol target.



जहाँ है हरियाली।  
वहाँ है खुशहाली।।

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According to this proposed plan, additional production of virgin CFCs, of not more than 690 MT will be produced prior to 31 July 2008. By May 2008, MDI manufacturers must confirm with the Government of India on the exact quantity of CFCs that will be required for 2008, 2009 and beyond. This would give predictability to the Government of India on the production level of CFCs and the level of CFCs in the stockpile that has to be exported. The Government of India will submit separately an integrated CFC phase-out plan for the MDI sector for the ExCom's consideration at the 55<sup>th</sup> Meeting.

Residual demand of CFCs, if any, will be met from the existing stock. Taking into account CFC demand in critical consumption sectors in other Article 5 countries prior to complete phase-out, the existing stock of CFCs will also be utilized to meet this critical demand.

The detailed action plan to return to compliance with the consumption sector agreement in 2008 and 2009 comprising of a series of policy measures and industry actions to address the production and consumption sectors, along with a proposal "CFC Management and Accelerated CFC Production Closure" are included as attachments to this letter.

To assist India to undertake these challenging tasks, India would request the ExCom to continue to provide the needed financial support to all phase-out programs and activities in India. India would request the ExCom to consider that while India's consumption in 2006 is mathematically higher than the agreed target, about 90% of the quantity representing excess consumption in 2006 was not physically consumed or released in 2006.

It is also important to point out that part of the causes contributing to the difficult situations experienced by the consumption sector in India in 2006 is the increasing demand of CFC MDI products. While CFC consumption in the MDI sector is critical to India and other developing countries, India as a committed Party to the Protocol is doing its utmost to manage the phase-out of its CFC dependence in an expeditious manner. As mentioned previously, a sector plan for phasing out CFCs in the MDI sector will be submitted for the consideration of the ExCom at its 55<sup>th</sup> Meeting. As recognized by the Parties of the Montreal Protocol, CFC MDI products are essential and critical to health conditions of a large population particularly those in Article 5 countries. Decision XVIII/16 requests the ExCom to consider as a matter of urgency to provide financial support to countries experiencing difficulties due to high consumption of CFCs for manufacturing MDIs.

The Government of India would like to assure the ExCom that India is doing its utmost to return to compliance with all obligations under the Montreal Protocol and ExCom's agreements. This is demonstrated by India's commitment and determination to carry out all activities described in the action plan and the proposed accelerated production closure.

The Government of India would also like to take this opportunity to thank the Multilateral Fund Secretariat for facilitating the submission of the action plan and accelerated production closure project for the consideration of the 54<sup>th</sup> Meeting of the ExCom.

With regards,

Yours sincerely,



(Meena Gupta)

Ms. Maria Nolan,  
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Attachments :1. *Action Plan for CFC Management*  
2. *Project Document on CFC management and Accelerated CFC  
Production Closure*



## ATTACHMENT I

### **Action Plan to Return to Compliance with the Consumption Sector Agreement in 2008 – 2009**

1. Action Plan – To ensure compliance with the consumption sector agreement in the future years, India agrees to take a holistic approach to manage CFCs in both the production and consumption sectors by focusing on these two areas:

- a) Inter-linkage between production and consumption; and
- b) CFC management plan to support CFC phase-out in the servicing sector and the MDI sector.

2. Policy Measures – To address those issues listed in para 1 effectively, the following policy measures will be put in place in an expeditious manner:

- a) Amendment of the consumption schedule of the Ozone Rules in line with the ExCom agreement;
- b) Establishment of a system to ensure future years production and domestic consumption quotas are well coordinated;
- c) Imports of CFCs for the MDI sector will be treated consistently under the existing CFC licensing system; and
- d) Strengthening of the system for monitoring movement of CFC stocks and imports, if any.

3. As part of the effort to amend the Ozone Rules as described above, the Government of India will take this opportunity to explore possibility of incorporating the recent adjustments of the Montreal Protocol pertaining to control measures on HCFCs to the Ozone Rules.

4. Industry Action – CFC producers are expected that they will properly manage or dispose of any CFC stockpile remaining at the end of 2009. Producers of CFC also agree to undertake an accelerated CFC production phase-out by limiting their CFC production from 1 January – 31 July 2008 to 690 MT, which is the combined consumption limits of 2008 and 2009 stipulated in the consumption agreement of the Excom, provided that additional funding, above and beyond the funding level of the consensus agreement for the CFC production sector, is provided by the MLF.

5. Inter-linkage Between the Production and Consumption Sectors – Recognizing the consumption limits as per the consumption agreement, India will ensure that:

- a) Total consumption of CFCs in 2008 and 2009 will be within the limits of the consumption sector agreement;

- b) Any new production of CFCs as mentioned in the above paragraph will be used to meet residual demand;
- c) In case CFC demand for the MDI sector is less than the 690 MT level, the balance from the 2008 – 2009 consumption limits could be used for meeting the demand in the servicing sector. .

6. In addition, the Government of India will step up the implementation recovery and recycling activities under the consumption sector project. India will also step up its effort to promote adoption of the good practices in the refrigeration and air-conditioning servicing sectors to reduce refrigerant leakage.

7. CFC Management – As previously mentioned, any CFC stockpile remaining at the end of 2009 will be properly managed or disposed of by CFC producers. To allow CFC producers to implement a proper CFC management plan in a cost-effective manner, predictability of the CFC demand in the MDI sector is very critical. The quantity required by the MDI sector in 2008 and 2009 will determine the level of CFCs for the servicing sector that could be drawn from the existing stock. It will also determine the levels of CFC exports for 2008 and 2009 to minimize the costs of managing unwanted CFCs at the end of 2009. In this regard, it is agreed that:

- a) MDI producers will confirm their CFC demand for 2008 and 2009 as soon as possible;
- b) MDI producers will provide the Government of India with requirement of CFC to be purchased ;
- c) Production and domestic sale quotas of newly produced CFCs and stockpiled CFCs would be issued accordingly.

## PROJECT COVER SHEET

<b>COUNTRY:</b>	India	<b>IMPLEMENTING AGENCY:</b>	The World Bank
<b>PROJECT TITLE:</b>	CFC Management and Accelerated CFC Production Closure		
<b>PROJECT IN CURRENT BUSINESS PLAN:</b>	No		
<b>SECTOR/SUB-SECTOR</b>	No		
<b>TOTAL ODS PRODUCTION:</b>	2008: 2,259 ODP tons (Annex A, Group I)		
	2009: 1,130 ODP tons (Annex A, Group I)		
<b>PROJECT IMPACT:</b>	Annex A, Group I: 2,699 ODP tons		
<b>PROJECT DURATION:</b>	6 Months		
<b>PROJECT COSTS:</b>			
Investment Activities:			
Incremental Capital Cost:	US\$ 20.38 million		
Contingency (10%):	Included above		
Incremental Operating Cost:	Not included		
Technical Assistance Component	US\$ 0.20 million		
Sub-total:	US\$ 20.58 million		
<b>Total Project Cost</b>	<b>US 20.58 million</b>		
<b>LOCAL OWNERSHIP:</b>	100%		
<b>EXPORT COMPONENT:</b>	N/A		
<b>TOTAL REQUESTED MLF GRANT:</b>	US 20.38 million		
Investment:	US\$ 20.38 million		
<b>IMPLEMENTING AGENCY SUPPORT COST:</b>	US\$ 1,528,500		
<b>TOTAL COST OF PROJECT TO MLF:</b>	US\$ 21.91 million		
<b>OVERALL COST-EFFECTIVENESS:</b>	US\$ 7.55 /kg ODP		
<b>STATUS OF COUNTERPART FUNDING:</b>	Submission requested by the Government of India		
<b>PROJECT MONITORING/MILESTONES:</b>	Included		
<b>NATIONAL COORDINATING AGENCY:</b>	Ministry of Environment and Forests		

### PROJECT SUMMARY

The CFC Management and Accelerated CFC Production Closure Project will result in early closure of all CFC producers in India by 31 July 2008. The Government of India and its producers agreed that with the additional funding provided by this project, in addition to the funding level that had already been agreed to in the consensus agreement, the maximum level of production from 1 January – 31 July 2008 will not exceed 690 MT. It is also agreed that the CFC producers will be responsible to ensure that the stockpile at the end of 2007 will be reduced to zero by 31 December 2009.

Recognizing the importance of CFCs to the MDI sector and the public health sector of India, the MDI sector will have priority for the supply of CFCs to be produced in 2008. India would like to use the existing stock to supply domestic residual demand. In addition, imports of CFCs for the MDI sector will be treated consistently under the existing CFC licensing system.

Total CFC production amounting to 2,699 MT will be avoided. This proposed plan will ensure that the total aggregated CFC consumption in India from 2004 – 2009 will not exceed 6,150 MT, which is 2,820 MT lower than the aggregated consumption level as per the consumption sector agreement, and about 7,400 MT less than the Montreal Protocol target.

### IMPACT OF PROJECT ON COUNTRY'S MONTREAL PROTOCOL OBLIGATIONS

The project will enable the Government of India to meet all its Montreal Protocol obligations pertaining to Annex A Group I chemicals and all other multiyear agreements between the ExCom and India.

Prepared by: The Government of India and the World Bank

Date: 3.7.2008



## Project Objectives

1. The objectives of the proposed project include:
  1. To assist India to return to compliance with the consumption agreement between the ExCom and India, in 2008 and 2009;
  2. To accelerate the CFC production phase-out in India to no later than 31 July 2008; and
  3. To ensure that the accelerated CFC production phase-out will support the phase-out in the consumption sector.

## Country Background

2. India, as a Party operating under paragraph 1 of Article 5, is obliged to reduce its production and consumption levels to the respective baseline levels (average of 1995 – 1997) by 1999, and to reduce its production and consumption levels to 50% and 85% of its baseline levels by 2005 and 2007, respectively. India is required to completely phase out its production and consumption of CFCs by 1 January 2010.
3. The production and consumption levels as per the Montreal Protocol requirement are shown in rows 1 and 3 in Table 1.

Row	Year	2004	2005	2006	2007	2008	2009	2010
1	Production Limit (MP)	22,632.4	11,316.2	11,316.2	3,394.9	3,394.9	3,394.9	0
2	Production Limit (EC)	13,176.0	11,294.0	7,342.0	3,389.0	2,259.0	1,130.0	0
3	Consumption Limit (MP)	6,681.0	3,340.5	3,340.5	1,002.2	1,002.2	1,002.2	0
4	Consumption Limit (EC)	3,489.0	2,266.0	1,560.0	964.0	417.0	273.0	0

**Table 1. Production and Consumption Targets for India as per the Montreal Protocol and the Agreements of the Multiyear Agreements between India and the ExCom.**

4. At the 29<sup>th</sup> Meeting of the ExCom, a consensus agreement for the Indian production sector was approved. Under this consensus agreement, India agrees to reduce its production level of Annex A Group I chemicals (CFCs) in accordance with the targets shown in row 2 of Table 1. For the purpose of this proposal, the production targets as per the consensus agreement from 1999 – 2003 were not included.
5. At the 42<sup>nd</sup> Meeting of the ExCom, more than four years after the approval of the consensus agreement for the Indian production sector was approved, the ExCom approved an agreement between India and the ExCom for the national phase-out of CFC consumption in India focusing on the refrigeration service sector. As part of this agreement, India has agreed to phase out its consumption of CFCs in accordance with the schedule shown in row 4 of Table 1. These consumption targets represent the total CFC consumption in all sectors in India including the foam, refrigeration manufacturing and servicing sectors. (The MDI sector was excluded from this agreement as the eligible CFC consumption for the MDI sector had been transferred to the consumption sector project, and India had agreed not to submit any MDI investment projects in the future – Dec. 41/31.) Further, the Executive Committee at its 52<sup>nd</sup> meeting considered the

information provided by the Government of India in response to the decision 51/34 and the request for project preparation funding for phase-out of CFC in MDI sector and approved US\$100,000.

6. It should be noted that the targets for both production and consumption under the multiyear agreements are lower than the applicable targets under the Montreal Protocol. This presents a scenario for India to be in compliance with the Montreal Protocol obligations but not with the agreements between India and the ExCom.

7. It is also important to point out that as India is one of the major exporters of CFCs to other Article 5 countries, the levels of production and consumption are therefore not necessarily the same. The difference between the production and consumption represents in most cases the exported quantity of CFCs. If the production targets as per the consensus agreement and the consumption targets as per the national CFC consumption phase-out agreement are fully utilized, the difference between the two corresponding targets must be exported within the year for which the targets relate. The same applies to the production and consumption targets as per the Montreal Protocol requirements.

Row	Year	2004	2005	2006	2007	2008	2009	2010
1	Production Limit (EC)	13,176.0	11,294.0	7,342.0	3,389.0	2,259.0	1,130.0	-
2	Consumption Limit (EC)	3,489.0	2,266.0	1,560.0	964.0	417.0	273.0	-
3	Export Limit (Mandatory Min.)	9,687.0	9,028.0	5,782.0	2,425.0	1,842.0	857.0	-

Table 2. Export Limit as a result of the difference between the production and consumption targets

### **Government's System for Controlling the Movement of CFCs**

8. To ensure that the total quantity of CFCs to be placed in the domestic market would not exceed the levels allowed by the consumption sector agreement, the Government of India has, since the beginning of 2007, issued an administrative order indicating the quantity up to the annual limit of the consumption sector agreement that could be placed in the domestic market to all CFC producers.

9. In case any part of the production beyond the domestic demand but within the production limit is intended for the export market, the producers would have to obtain export permits from the Ozone Cell.

### **2006 and 2007 CFC Consumption and Production Situations of India**

10. The actual CFC production level as verified by the World Bank is 6,964 MT against the 2006 production target of the consensus agreement of 7,342 MT. Upon an approval of the ExCom of the 2006 CFC production verification report and the 2007 Annual Work Program, which are the two conditions for disbursement under the consensus agreement, the funding tranche for 2007 was approved and released by the ExCom. Subsequently, the Government of India submitted its 2006 Article 7 data report to the Ozone Secretariat indicating that its consumption level of 2006 is 3,411.8 ODP tons.

11. While India is in compliance with the production target of the consensus agreement for the CFC production sector, the consumption level (3,411.8 ODP tons) exceeds the limit stipulated by the National CFC Consumption Phase-out Agreement (1,560 ODP tons) as well as the Montreal Protocol limit (3,340.5 ODP tons).

12. It is important to note that the 2006 CFC production verification confirmed a stockpile of 1,682.459 ODP tons remaining at the end of 2006 of which, 219 MT was declared by the Government of India in accordance with Decision XVIII/17 that this quantity is intended for export in a future year. The 2006 consumption minus the 219 MT intended for export in a future year is 3,192.8 MT. Aside from this stockpile, which was not made available to the market, the actual excess consumption in 2006 is 169.34 MT dedicated for the MDI sector<sup>1</sup>. Therefore, the total quantity of CFCs that were physically consumed in 2006 is 1,729.34 MT. The breakdown of CFC consumption and production in 2006 is shown in Table 3.

	2006	
Physical Production	6,963.36	
Feedstock Use	54.98	
Actual Production (MP)	6,908.38	
Import	111.00	
Export	3,607.58	
Actual Consumption (MP)	3,411.80	
Quantity physically consumed	1,729.34	
NCCOPP Limit		1,560.00
Additional from local production for MDI		58.34
Additional from Import for MDI		111.00
Closing Stock	1,682.46	
Future Year Consumption		1,463.46
Future Year Export		219.00

Table 3 Summary of CFC Production and Consumption in 2006

13. The 2007 CFC production verification confirmed that the total quantity sold by the producers plus captive use was 2,666 MT. It was also reported separately that 1,310 MT was exported. Out of this total export quantity of 1,310 MT, 319.37 MT was drawn from the 2006 stock. The 319.37 MT quantity is about 100 MT higher than the 219 MT quantity reported in 2006 as a stock for export in a future year. The total domestic sales in 2007 after excluding the export quantity were 1,356.03 MT. This volume is in excess of the consumption target by 392.03 MT. The breakdown of domestic sales in 2006 and 2007 is summarized in Table 4. The stock at the end of 2007 as confirmed by the 2007 CFC production verification is 1,363.09 MT, which is 319.35 MT lower from the 2006 stock. Table 5 provides a brief summary of 2007 production and consumption as well as movement of CFC stockpile.

<sup>1</sup> It is important to note that part of the NCCOPP limit of 1,560 MT was also consumed by the MDI sector.

	Sales from Initial Domestic Sale Quotas (MT)	Sales from Additional MDI Quotas (MT)	Total Domestic Sales (MT)
2006 Domestic Sales	1,560.00	169.34	1,729.34
2007 Domestic Sales	964.00	392.03	1,356.03

Table 4 Domestic Sales of CFCs in 2006 and 2007

	2007	
Opening Stock	1,682.46	
Actual Production	2,346.68	
Actual Sales + Captive Use	2,666.03	
Export	1,310.00	
Export from Stock		319.37
Export from New Production		990.63
Actual Consumption (MP)	1,255.68	
Quantity physically consumed	1,356.03	
NCCOPP Limit		964.00
Additional MDI Quota		392.03
Closing Stock	1,363.09	

Table 5 CFC Production and Consumption and Movement of CFC Stockpile in 2007<sup>2</sup>

14. At the beginning of the year, the Ozone Cell only issued an administrative order to all CFC producers indicating that the limit of the domestic sale quantity is 964 MT<sup>2</sup> for 2007. During the course of the year, requests were made by the MDI industry that an additional quantity of 500 MT was required to meet the demand of CFC MDI products. Because of the potentially significant adverse health impact that could be caused by insufficient supply of CFC MDI products and the fact that the consumption agreement did not address any consumption in the MDI sector, the Ozone Cell was compelled to issue another administrative order in September 2007 to allow CFC producers to supply an additional quantity of up to 500 MT to the MDI producers for which 392.03 MT was actually supplied.

15. On the issue of stockpiles, it was mentioned above that the stock is depleting. Moreover, the remaining stock is still being kept out of the market as movement of this material is prohibited unless proper sale or export permits or administrative orders are issued by the Ozone Cell.

<sup>2</sup> This quantity was consumed by both the servicing sector and MDI sector.

#### **Implications of the Existing Decisions of the Meeting of the Parties and the Executive Committee to the 2006 and 2007 CFC Consumption Situations**

16. As it has been experienced by some producing countries, both Article 5 and non-Article 5 Parties, that certain quantities of controlled substances produced in one calendar year may not be fully exported within the year the substances were produced. However, these stockpiles are intended for export in future years. This case and other similar practical difficulties regarding treatment of stockpiled ODS relative to compliance were considered by the 18<sup>th</sup> Meeting of the Parties in 2006 in India. Having reviewed these cases, the Parties decided (Dec. XVIII/17):

- to request the Secretariat to maintain a consolidated record of the cases in which the Parties have explained that their situations are the consequence of ODS production in that year which has been stockpiled for export to meet basic domestic needs of developing countries in a future year, or any other similar cases (refer to Dec. XVIII/17), and incorporate that record in the documentation of the Implementation Committee, for information purposes only, as well as the Secretariat's report on data submitted by the Parties in accordance with Article 7 of the Protocol.

17. While interpretation of Parties' decisions including Dec. XVIII/17 is within the sovereign right of the Parties concerned, it is important, however, to point out that Dec. XVIII/17 does not include any specific language or provision for Parties to redefine the definition of consumption or production. According to the agreed text of Dec. XVIII/17, it could therefore be interpreted that the decision is triggered when the excess quantity of CFC produced in one year but destined for export in a future year, may lead to non-compliance of any particular Parties. The effect of Dec. XVIII/17, as per the agreed text, could mean to defer consideration of Parties' non-compliance status but not to redefine the level of consumption or production.

18. Regarding the excess quantity of CFCs in 2006, it was pointed out above that the current system of administrative orders for controlling the movement of CFCs in India is legally prohibiting movement of any CFCs to the market unless proper domestic sale quotas or export licenses are issued by the Ozone Cell. In light of this fact, India would like to refer to Dec. XV/39.

19. According to Dec. XV/39 which is related to the illegally traded quantity of CFCs, the Parties decided that such a quantity should not be counted against a Party's consumption provided that the Party does not place it on its own market. Paras. 4 and 6 of Dec. XVI/27 seem to suggest that such a quantity or part of it would be considered as consumption when it is withdrawn from the stock and made available to its own market.

20. India places serious concern on the issue of CFC stockpile and attempts to preempt recurrence of this issue in the future.

21. Regarding the excess of the quantities actually consumed in 2006 and 2007, India would like to request the ExCom to consider, in light of the intent of para.1 of Dec. XVIII/16, not to invoke the penalty clause on these quantities which represent the excess consumption in the MDI sector.

**Action Plan to Return to Compliance with the Consumption Sector Agreement in 2008 – 2009**

22. Action Plan – To ensure compliance with the consumption sector agreement in the future years, India agrees to take a holistic approach to manage CFCs in both the production and consumption sectors by focusing on these two areas:

- a) Inter-linkage between production and consumption; and
- b) CFC management plan to support CFC phase-out in the servicing sector and the MDI sector.

23. Policy Measures – To address those issues effectively, the following policy measures will be put in place in an expeditious manner:

- a) Amendment of the consumption schedule of the Ozone Rules in line with the ExCom agreement;
- b) Establishment of a system to ensure future years production and domestic consumption quotas are well coordinated;
- c) Imports of CFCs for the MDI sector will be treated consistently under the existing CFC licensing system; and
- d) Strengthening of the system for monitoring movement of CFC stocks and imports, if any.

24. As part of the effort to amend the Ozone Rules as described above, the Government of India will take this opportunity to explore possibility of incorporating the recent adjustments of the Montreal Protocol pertaining to control measures on HCFCs to the Ozone Rules.

25. Industry Action – CFC producers are expected that they will properly manage or dispose of any CFC stockpile remaining at the end of 2009. CFC producers also agree to undertake an accelerated CFC production phase-out by limiting their CFC production from 1 January – 31 July 2008 to 690 MT, which is the combined consumption limits of 2008 and 2009 stipulated in the consumption agreement of the Excom, provided that additional funding, above and beyond the funding level of the consensus agreement for the CFC production sector, is provided by the MLF. The proposed funding level is discussed in the subsequent sections of this report.

26. Inter-linkage Between the Production and Consumption Sectors – Recognizing the consumption limits as per the consumption agreement, India will ensure that:

- a) Total consumption of CFCs in 2008 and 2009 will be within the limits of the consumption sector agreement;
- b) Any new production of CFCs as mentioned in the above paragraph will only be used to meet residual demand;
- c) In case CFC demand for the MDI sector is less than the 690 MT level, the balance from the 2008 – 2009 consumption limits could be used for meeting the demand in the servicing sector.

27. In addition, the Government of India will step up the implementation recovery and recycling activities under the consumption sector project. India will also step up its effort to promote adoption of the good practices in the refrigeration and air-conditioning servicing sectors to reduce refrigerant leakage.

28. CFC Management – As previously mentioned, any CFC stockpile remaining at the end of 2009 will be properly managed or disposed of by CFC producers. To allow CFC producers to implement a proper CFC management plan in a cost-effective manner, predictability of the CFC demand in the MDI sector is very critical. The quantity required by the MDI sector in 2008 and 2009 will determine the level of CFCs for the servicing sector that could be drawn from the existing stock. It will also determine the levels of CFC exports for 2008 and 2009 to minimize the costs of managing unwanted CFCs at the end of 2009. In this regard, it is agreed that:

- a) As CFC production will cease in July 2008, MDI producers would provide their CFC demand for 2008 and 2009 to the Government of India by May 2008;
- b) Production and domestic sale quotas of newly produced CFCs and stockpiled CFCs would be issued accordingly; and

### **Accelerated CFC Production Phase-out**

29. In supporting India to return to compliance with the consumption sector agreement, the Indian CFC producers confirm their continued commitments to the production limits as stipulated in the consensus agreement for the CFC production sector and agree to adopt an accelerated production phase-out schedule provided that additional funding, in addition to the amounts already agreed to under the consensus agreement, is provided by the MLF.

30. The following options are being proposed for the consideration of the ExCom:

1. Accelerated phase-out CFC production for the domestic market only;
2. Accelerated production phase-out with additional production of up to 690 MT for the MDI sector, by 31 July 2008;
  - a. Compensation based on ExCom's established practice for the production sector project; and
  - b. Compensation based on the option immediately above and a revised loss profit calculation methodology.

Option 1: Accelerated Phase-out of CFC Production for the Domestic Market

31. The objective of this option is to ensure that the quantities of CFC to be placed in the domestic market in 2008 and 2009 would be equal to the levels of consumption as per the consumption agreement. Under this option, the maximum levels of CFC production in 2008 and 2009 as agreed to by the consensus agreement remain unchanged. The production schedule for 2008 and 2009 is shown in Table 6.

<b>Production Schedule</b>	<b>2008</b>	<b>2009</b>
Production Targets as per the Consensus Agreement	2,259.0	1,130.0
Production Targets for the Domestic Sales	417.0	273.0
Production Targets for the Export Market	1,842.0	857.0
Production for Stocks	-	-

Table 6 Production Schedule for 2008 and 2009

32. Under this option, the targets as per the consensus agreement could be utilized in full. Therefore, no additional funding requirements are being proposed to support CFC production phase-out. To ensure full compliance with the above production schedule, the Government of India will pursue rigorously its existing monitoring and control system to ensure that the quantity produced within the calendar year is fully mobilized for the domestic and export markets within the same calendar year.

33. The strengthened control system would require increasing man-power from the Government of India. However, additional costs to be incurred from this increasing administrative burden will be borne by the funding already made available to the institutional strengthening project and through the funding provided for the technical assistance component of the CFC production closure project.

Option 2: Accelerated CFC Production Phase-out – Loss Profit

34. Given that the current commercial environment of the CFC market in 2008 is significantly different than the conditions prevailing in 1999, the Indian CFC producers believe that to reflect this difference the ExCom may wish to accommodate some key adjustments to certain basic parameters in order to accurately capture the true incremental costs incurred by this proposed accelerated production closure.

35. Since the total quantity of CFCs to be produced is very limited in comparison to the overall operations of the facilities, production of CFCs could be considered as marginal utility of the existing facilities whereby no additional maintenance and overheads are incurred. Based on this circumstance, costs of labor, maintenance, and SARE, should be excluded from the production costs. Therefore, the production cost is US \$0.84 per kg.



36. Under the current conditions in India, the domestic prices of CFC-11 and CFC-12 are substantially higher than the international prices. Therefore, to accurately capture incremental costs of early closure loss profit should be determined on the basis of projected contributions from both domestic and export markets. The current weighted domestic price, based on sell contribution of 90% CFC-12 and 10% CFC-11, is US \$11.18 per kg (excluding taxes). With the proposed cap of 690 MT for the domestic market in 2008 and 2009, the reduction in the domestic sale volume is determined by the difference between the proposed cap and the consumption level stipulated in the Ozone Rules.

37. With regard to the international prices, CFC producers in India reported that during the past few years their export market has shifted to pharmaceutical-grade CFCs. Moreover, it is anticipated that international prices of CFCs for other applications would also continue to rise due to limited supply of CFCs in the global market. Therefore, it is proposed that an international price of pharmaceutical-grade CFCs be used for evaluating the loss profit from international sale contributions. The current international price of pharmaceutical-grade CFCs is US \$7.50 per kg.

38. Based on these revised parameters, the total loss profit is equal to US \$20.38 million. CFC producers are proposing this option as the one to be considered and approved by the MLF.

<b>Production Schedule</b>	<b>2008</b>	<b>2009</b>	<b>Unit</b>
Production Targets as per the Consensus Agreement	2259	1130	MT
Ozone Rules Consumption Limit	668	668	MT
Proposed Production Targets for Consumption Sector	690	0	MT
Allowable Production Level for Export	1591	462	MT
Reduction of Production for the Consumption Sector	0	646	MT
Reduction of Production for Export	1591	462	MT
Loss of Profit from Domestic Sales	0	\$ 6,706	000's US\$
Loss of Profit from Export	\$10,598	\$3,077.52	000's US\$

Table 8 Loss of Profit Calculation for Option 2

### **Cost Effectiveness of the Accelerated CFC Production Closure**

39. The proposed accelerated CFC production closure would reduce production levels of the consensus agreement by 2,699 MT or ODP ton during the last 18 months before the complete phase-out obligation of enters into force. Table 11 summarizes the loss profit and cost-effectiveness of all the options considered above.

Option	Compensation (US \$ million)	Cost-effectiveness (US \$/ODP kg)
1	0	N/A
2	20.38	7.55

Table 9 Summary of Loss Profits and Cost-effectiveness of all Options

### Project Monitoring and Milestones

Milestones	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ExCom Approval of the APP			X									
CFC Production Closure			X									
Strengthened Administrative Control			X	X	X	X	X	X	X	X	X	X
Commercial Commitments from MDI producers			X									
Verification of 2008 Production					X							
Verification of Production Closure					X				X			

Table 10 Project Monitoring Milestones

### Conclusion

40. From 1 August 2008, CFC production will be prohibited. This represents the closure of the last CFC production facilities in Article 5 country Parties to the Montreal Protocol. Therefore, total CFC production amounting to 2,699 MT will be avoided. Moreover, the plan of action as submitted by India will ensure that the total aggregated CFC consumption in India from the period 2004 – 2009 will not exceed 6,150 MT, which is 2,820 MT lower than the aggregated consumption level as per the consumption agreement, and about 7,400 MT less than the Montreal Protocol target.

Consumption Targets	ODP Tons			
	MP	Ozone Rules	NCCOPP (GTZ)	Actual/Planned
2004	6,681	3,875	3,489	2,242
2005	3,341	3,341	2,266	1,958
2006	3,341	2,205	1,560	3,411
2007	1,002	1,002	964	1,256
2008	1,002	668	417	417
2009	1,002	668	273	273
2010	-	-	-	
Aggregated Consumption	16,368	11,759	8,969	6,147

Table 11 Summary of Impact of the Proposed Plan of Action and Accelerated Production Closure

## **ANNEX**

### **DECISIONS OF THE PARTIES TO THE MONTREAL PROTOCOL**

#### **Decision XV/39**

The Fifteenth Meeting of the Parties decided:

1. To recall that in its decision XIV/23 the Fourteenth Meeting of the Parties noted that Nepal's baseline for Annex A, group I substances is 27 ODP-tonnes. Nepal reported consumption of 94 ODP-tonnes of Annex A, group I substances in 2000 and consumption of 94 ODP-tonnes of Annex A, group I substances for the consumption freeze control period of 1 July 2000 to 30 June 2001. As a consequence, for the July 2000 – June 2001 control period Nepal was in non-compliance with its obligations under Article 2A of the Montreal Protocol;
2. To note that Nepal has subsequently reported that 74 ODP-tonnes of imports of CFCs have been detained by its customs authorities as the shipment lacked an import license, and that Nepal therefore wished to report the quantity as illegal trade under the terms of decision XIV/7;
3. To congratulate Nepal on its actions in seizing the shipment and in reporting the fact to the Secretariat;
4. To note also, however, that paragraph 7 of decision XIV/7 provides that “the illegally traded quantities should not be counted against a Party's consumption provided the Party does not place the said quantities on its own market”;
5. To conclude, therefore, that if Nepal decides to release any of the seized quantity of CFCs into its domestic market, it would be considered to be in non-compliance with its obligations under Article 2A of the Montreal Protocol and would therefore be required to fulfill the terms of decision XIV/23, including submitting to the Implementing Committee a plan of action with time-specific benchmarks to ensure a prompt return to compliance;
6. To request the Implementation Committee to review the situation of Nepal at its next meeting.

#### **Decision XVI/27**

The Sixteenth Meeting of the Parties decided:

1. To note that Nepal ratified the Montreal Protocol and the London Amendment on 6 July 1994. Nepal is classified as a Party operating under paragraph 1 of Article 5 of the Protocol and had its country programme approved by the Executive Committee in 1998. The Executive Committee has approved US\$ 53,636 from the Multilateral Fund to enable compliance in accordance with Article 10 of the Protocol;

2. To recall that in its decision XV/39, the Fifteenth Meeting of the Parties had congratulated Nepal on seizing 74 ODP tonnes of imports of CFCs that had been imported in 2000 without an import license, and on reporting the quantity as illegal trade under the terms of decision XIV/7;
3. To recall that, in paragraph 5 of decision XV/39, the Parties had stated that, if Nepal decided to release any of the seized quantity of CFCs on to its domestic market, it would be considered to be in non-compliance with its obligations under Article 2A of the Montreal Protocol and would therefore be required to fulfill the terms of decision XIV/23, including submitting to the Implementation Committee a plan of action with time-specific benchmarks to ensure a prompt return to compliance;
4. To clarify the meaning of paragraph 5 of decision XV/39 to mean that Nepal would only be considered to be in non-compliance if the amount of CFCs released on to the market in any one year exceeded its permitted consumption level under the Protocol for the year;
5. To note further that Nepal's baseline for CFCs is 27 ODP tonnes;
6. To note with appreciation Nepal's submission of its plan of action to manage the release of the seized CFCs, and to note further that, under the plan, Nepal specifically commits itself:
  - a. To release no more than the following amount of CFCs in each year as follows:
    - i. 27.0 ODP tonnes in 2004;
    - ii. 13.5 ODP tonnes in 2005;
    - iii. 13.5 ODP tonnes in 2006;
    - iv. 4.05 ODP tonnes in 2007;
    - v. 4.05 ODP tonnes in 2008;
    - vi. 4.00 ODP tonnes in 2009;
    - vii. Zero in 2010, save for essential uses that may be authorized by the Parties;
  - b. To monitor its existing system for licensing imports of ozone-depleting substances, including quotas, introduced in 2001, which includes a commitment not to issue import licenses for CFCs, in order to remain in compliance with its plan of action;

- c. To report annually on the quantity of CFCs released pursuant to paragraph 6 (a) above;
  - d. To ensure that any quantities of CFCs remaining after 2010 are not released on to its market except in compliance with Nepal's obligations under the Montreal Protocol;
7. To note that the measures listed in paragraph 6 above will enable Nepal to remain in compliance;
  8. To monitor closely the progress of Nepal with regard to the implementation of its plan of action and the phase-out of CFCs.

### **Decision XVIII/16**

The Eighteenth Meeting of the Parties decided:

1. To request the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol to consider as a matter of urgency the funding of projects in relation to those Parties operating under paragraph 1 of Article 5 that experience difficulties due to high consumption of chlorofluorocarbons for manufacturing metered-dose inhalers, in order to facilitate the transition from chlorofluorocarbon-based metered-dose inhalers;
2. To request the Executive Committee to consider within the context of the existing Multilateral Fund guidelines to review its decision 17/7 with regard to the existing cut-off date for consideration of metered-dose inhaler conversion project consistent with the reality of the pace of technological advances in the metered-dose inhaler sector;
3. To request the Implementation Committee under the Non-compliance Procedure of the Montreal Protocol to consider all possible options on how to address the potential non-compliance difficulties of some Parties operating under paragraph 1 of Article 5 resulting from their high proportion of chlorofluorocarbon consumption in the metered-dose inhaler sector;
4. To further request the Implementation Committee to give special consideration to the situation of such Parties, in particularly in the context of paragraph 4 of the non-compliance procedure of the Protocol, in the light of information received from the Parties concerned and having due regard to health consideration;
5. To consider again the matter referred to in paragraphs 3 and 4 at the Twentieth Meeting of the Parties in 2008;
6. To request the Executive Committee to consider including on the agenda of the United Nations Environment Programme thematic regional workshops, information to clarify the steps required to advance the transition from chlorofluorocarbon metered-dose inhalers;

7. To request each Party not operating under paragraph 1 of Article 5 receiving essential-use exemptions for the production or import of chlorofluorocarbons to manufacture metered-dose inhalers for export to Parties operating under paragraph 1 of Article 5 to submit to each importing Party a detailed export manufacturing transition plan for each manufacturer where the exports of an active ingredient to that Party exceed 10 metric tonnes, specifying the actions that each manufacturer is taking and will take to transition its exports to chlorofluorocarbon-free metered-dose inhalers as expeditiously as possible in a manner that does not patients at risk;
8. That each manufacturer's export manufacturing transition plans should include specific details of each of the manufacturer's export markets and for each metered-dose inhaler by active ingredient concerning:
  - a. Timing of submission to the health authority of marketing applications for chlorofluorocarbon-free alternatives, expected approval and launch of such alternatives and withdrawal of associated chlorofluorocarbon product or products;
  - b. Indicative information on facilitative pricing, licensing and/or technology transfer arrangements under consideration;
  - c. Contribution to, and participation in, programmes for educating health care professionals, government health authorities and patients about the transition to chlorofluorocarbon-free treatments for asthma and chronic obstructive pulmonary disease;
9. Consistent with decision IV/25 and paragraph 4 of decision XII/2, to request each Party referred to in paragraph 7 of the present decision, when deciding whether to nominate essential-use volumes for and/or grant essential-use licenses to a manufacturer, to take into account the manufacturer's efforts to implement its export manufacturing transition plan and its contribution to transition towards chlorofluorocarbon-free metered-dose inhalers;
10. To request each Party referred to in paragraph 7 to submit each year to the Technology and Economic Assessment Panel, as part of the Party's essential-use nomination, a report summarizing the export manufacturing transition plans submitted, taking care to protect any confidential information;
11. To request the Technology and Economic Assessment Panel to consider such reports in its assessment of each Party's essential-use nominations;
12. To request the Technology and Economic Assessment Panel to assess and report on progress at the Twenty-Seventh Meeting of the Open-ended Working Group and to report to the Nineteenth Meeting of the Parties on the need for, feasibility of, optimal timing of, and recommended quantities for a limited campaign production of chlorofluorocarbons exclusively for metered-dose inhalers in both

Parties operating under paragraph 1 of Article 5 and Parties not operating under paragraph 1 of Article 5.

**Decision XVIII/17**

The Eighteenth Meeting of the Parties decided:

1. To note that the Secretariat has reported that Parties which had exceeded the allowed level of production or consumption of a particular ozone-depleting substances in a given year have in some cases explained that their excess production or consumption represented one of the four following scenarios:
  - a. Ozone-depleting substance production in that year which had been stockpiled for domestic destruction or export for destruction in a future year;
  - b. Ozone-depleting substance production in that year which had been stockpiled for feedstock use or export for that use in a future year;
  - c. Ozone-depleting substance production in that year which had been stockpiled for export to meet basic domestic needs of developing countries in a future year;
  - d. Ozone-depleting substances imported in that year which had been stockpiled for domestic feedstock use in a future year;
2. To recall that the Implementation Committee under the Non-compliance Procedure of the Montreal Protocol had concluded that scenario (d) was, in any event, in conformity with the provision of the Montreal Protocol and decisions of the Meeting of the Parties;
3. To request the Secretariat to maintain a consolidated record of the cases in which the Parties have explained that their situations are the consequence of scenarios (a), (b) or (c), and incorporate that record in the documentation of the Implementation Committee, for information purposes only, as well as in the Secretariat's report on data submitted by the Parties in accordance with Article 7 of the Protocol;
4. To recognize that new scenarios not covered by paragraph 1 will be addressed by the Implementation Committee in accordance with the non-compliance procedure of the Protocol and the established practice thereunder;
5. To agree to revisit this issue at the Twenty-first Meeting of the Parties, in the light of the information gathered in accordance with paragraph 3 of the present decision, with a view to considering the need for further action.

## DECISIONS OF THE EXECUTIVE COMMITTEE

### Decision 49/29

The Executive Committee decided:

- a. To note the verification of the 2005 work programme of the India CTC phase-out plan provided by the World Bank;
- b. To approve the 2006 annual work programme at a total cost of US \$10,755,313 plus associated support cost of US \$889,148, and the subsequent distribution between the World Bank and the bilateral and multilateral agencies of US \$9,556,267 plus US \$716,720 as support cost for the World Bank; US \$500,000 plus US \$85,000 as support costs for France; US \$300,000 plus US \$57,500 as support costs for Germany; and US \$399,046 plus US \$29,928 as support cost for UNIDO;
- c. To request the World Bank to ensure that the verification of the 2006 work programme examined the 801 metric tonnes of increased CTC stock in 2005 and to report on its use in 2006;
- d. To note that the approval of the 2006 annual programme and associated funding was without prejudice to any decisions that might be taken by the Meeting of the Parties regarding compliance issues arising from the treatment of ozone-depleting substances produced and stockpiled for use as feedstock in future years;
- e. That, should the Meeting of the Parties take a decision on the issue of the treatment of ozone-depleting substances produced and stockpiled for use as feedstock in future years, the Executive Committee would consider the relevance of that decision with respect to India's CTC phase-out arrangement and take action as appropriate;
- f. To request the Government of India and the World Bank to take into account any future decision by the Meeting of the Parties concerning the treatment of ozone-depleting substances produced and stockpiled for use as feedstock in future years when implementing and reporting on the India CTC phase-out agreement; and
- g. To request that, in future annual programmes of the CTC phase-out plan, the breakdown of CTC consumption would include the quantities used for the process agent sector and process agent applications.



## Decision 52/39

The Executive Committee decided:

- a. To request the World Bank to continue monitoring the movement within the carbon tetrachloride (CTC) inventory held by both the producers and feedstock users, as part of the annual verification exercise, in order to account for total CTC production and imports;
- b. To authorize using the flexibility provided for under the agreement between India and the Executive Committee of the Multilateral Fund for the phase-out of ozone-depleting substances, approved by decision 41/95, to allow funds to be used to cover all relevant sectoral consumption, on the understanding that that would not change existing Executive Committee guidelines for determining eligible incremental costs for consumption and production;
- c. To request the World Bank to provide an impact assessment of the annual work programmes by agency and by sector; and
- d. To approve the 2007 annual work programme at a total funding level of US \$4,820,938 with US \$444,070 as support costs. The distribution by agency would be: US \$4,020,938 plus US \$301,570 as support costs for the World Bank; US \$500,000 plus US \$85,000 as support costs for France; and US \$300,000 plus US \$57,500 as support costs for Germany.