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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty first Meeting
Montreal, 17 -19 December 2003

Report of the Sub-Group on the Production Sector

1. The Sub-Group on the Production Sector met during the 41st meeting of the Executive Committee in December 2003 and was attended by representatives of Canada, El Salvador, France, India, Bolivia and United States of America. Representatives from Japan attended the meeting as observers. In addition, representatives of the World Bank, UNIDO and UNDP also attended as observers. Mr. Philippe Chemouny from Canada facilitated the meeting.
2. The agenda of the Meeting included the report of the techno-economic audit of the carbon tetrachloride and methyl chloroform plants in China; report on the techno-economic audit of the CFC production in Venezuela, and the Indian CTC sector phase out plan. The last item was transferred from the agenda of the Project Review Sub-Committee by decision of the Executive Committee.
3. The Sub-group first heard a briefing from the Officer-in-Charge of the Secretariat on the development in the phase-out activities in ODS production sector, which included the completion of the technical audits of the CTC and TCA production sector in China, and of the CTC production in Venezuela and the possible request from China to phase-out its methyl bromide production.
4. The Sub-group first considered the China CTC/TCA audit report and learned from the World Bank that it was working with China towards developing a sector plan for phasing out the production of TCA in China for submission to the Executive Committee in July 2004.

5. The Sub-group pointed out that the verification of the CTC production in 2003 in China should be corroborated by the verification of CTC consumption in the country. The Sub-group was informed by the World Bank that a full verification of both the CTC production and consumption in 2003 would not be ready for submission until July 2004, however, the World Bank would submit a preliminary verification report to the 42nd meeting in March 2004.

6. The Sub-group then considered the audit report of the CFC production in Venezuela and noted the change of ownership of the CFC production plant Produven in 2002 from a joint ownership with a foreign partner to full national ownership. The Sub-group also learnt about the historical development of the ownership of the plant.

7. Finally, the Sub-group considered the issues related to CTC sector phase-out plan in India, including the applicability of the exception clause in paragraph 2 of the draft agreement, the need to have an adequate monitoring system to verify the production and consumption for feed stock and controlled uses of CTC in the draft agreement and a way to deal with the data discrepancy with regard to the 2001 CTC imports of India.

8. The Sub-group decided to remove the exception clause in paragraph 2 of the draft agreement and amend the paragraph accordingly, and to include the need for adequate verification in the decision of the Executive Committee. The Sub-group could not complete its consideration of the discrepancy of the 2001 CTC import data.

9. The Sub-group recommended to:

- (a) Request the World Bank to take into full account the findings of the CTC/TCA audit report in developing the sector phase-out plan for phasing out the TCA production in China;
- (b) Request the World Bank and the Government of China to use the findings of the China CTC/TCA audit report in the implementation of the CTC sector plan, and submit a complete verification report of both the CTC production and consumption in 2003 to the 43rd meeting of the Executive Committee in 2004, with a preliminary report submitted to the 42nd meeting;
- (c) Request the World Bank to take into full account the findings of the audit report and provide information on the historical development in the ownership of Produven in the project proposal for the CFC production phase-out project in Venezuela;
- (d) Approve the attached CTC Sector Agreement in India, with the amendment in paragraph 2 of the agreement;

- (e) To request the World Bank and the Government of India to submit a draft verification framework along with milestones for completion of the verification system for this Agreement at the 42nd meeting of the Executive Committee. The verification system should include methodology and indicators for monitoring of the following elements: the total annual CTC production and imports, exports, a breakdown of CTC production for feedstock and non-feedstock applications as well as a breakdown of CTC consumption in feedstock and non-feedstock applications, and, possibly, a breakdown of CTC consumption for solvents and process agents.
- (f) Approve the project preparation funding for the World Bank for the Venezuela CFC production phase-out project;
- (g) Continue the discussion on the discrepancy regarding India's 2001 CTC import data at the next meeting of the Sub-Group.

41st Meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol

**AGREEMENT BETWEEN INDIA AND THE EXECUTIVE COMMITTEE OF THE
MULTILATERAL FUND FOR THE PHASEOUT OF CONSUMPTION AND
PRODUCTION OF CARBON TETRACHLORIDE**

1. This Agreement represents the understanding of India (the “Country”) and the Executive Committee with respect to the complete phase-out of consumption and production of the Montreal Protocol controlled substance set out in Appendix 1-A (the “Substance”) prior to 1 January 2010, in compliance with Protocol schedules.

2. The Country agrees to phase out consumption and production of the Substance, as defined by the Montreal Protocol¹, in accordance with the annual phase-out targets set out in row 1 of Appendix 2-A (the “Targets”) for this Agreement, which at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 4, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substance.

3. The Country considers that the use of the Substance in the production of DV acid chloride (DVAC) to be a feedstock use. If either the Country or the Parties ever reclassify that use or any other feedstock use to a controlled status, the Country agrees that it would phase out that use with no compensation from the Multilateral Fund.

4. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the fundings set out in row 11 of Appendix 2-A (the “Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the “Funding Approval Schedule”).

5. The Country will meet the consumption and production limits for the Substance as indicated in rows 1 and 2 in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption and production limits as described in paragraph 9 of this Agreement.

6. The Executive Committee will not provide the Funding in accordance with the Funding Disbursement Schedule unless the Country satisfies the following conditions at least 30 days prior to the applicable Executive Committee meeting set out in the Funding Disbursement Schedule:

- (a) That the Country has met the Targets for the applicable year;
- (b) That the meeting of these Targets has been independently verified as described in paragraph 9; and
- (c) That the Country has submitted and received endorsement from the Executive Committee for an annual implementation program in the form of Appendix 4 –

¹ Consumption and production as per the Montreal Protocol definitions do not include the consumption and production of the Substance for feedstock applications.

A (the “Annual Implementation Programs”) in respect of the year for which funding is being requested.

7. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 9.

8. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country will have full flexibility in the use of Multilateral Fund assistance to achieve the overall objectives of this Agreement and to meet its obligations to the Montreal Protocol. Therefore, specific funds that were thought to be needed for specific items originally proposed in the Plan for the Phaseout of Consumption and Production of Carbon Tetrachloride, except the US\$ 2 million which must be used by the Country solely to implement, monitor and effectuate full compliance with this Agreement, can be reallocated to other activities as long as expenditures are consistent with this Agreement and eligible within the context of the Montreal Protocol. Any remaining funds provided to the Country pursuant to this Agreement may be used in any manner that the Country believes will achieve the smoothest and most efficient CTC phaseout.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. The World Bank (the “Lead IA”) has agreed to be the lead implementing agency and France, Germany and Japan (the “Cooperating IAs”) have agreed to be cooperating implementing agencies under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A, including performance and financial verification in relation to all activities, within the purview of the World Bank, in accordance with this Agreement and with specific World Bank procedures and requirements. The Country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programs of the Multilateral Fund. The Cooperating IAs will be responsible for carrying out activities listed in Appendix 6-B, including performance and financial verification in relation to activities implemented under their supervision.

10. The Lead IA will assist the Country to implement activities required for achieving the Targets specified in this Agreement and also to assist the Country to carry out activities related to policy and regulatory development to support sustainable phase-out of the Substance in both the consumption and production sectors. The Cooperating IAs will, in collaboration with the Lead IA, provide support for activities related to investment activities to support the phase-out of the Substance in the metal cleaning applications and in the textile industry as described in the sector plan (IND/PHA/40/INV/363). In addition, France will also provide technical assistance to the producers of the Substance to explore technically and economically viable options to reduce/eliminate production of the Substance. The funding for activities implemented by the Cooperating IAs will be counted against their bilateral

contributions to the Multilateral Fund in annually specified tranches. In case the Lead IA or any of the Cooperating IAs would like to sub-contract part of their activities to other implementing agencies, concurrence of the Country must be sought and the description of such an arrangement should be reported in the annual implementation programs.

11. The Executive Committee agrees, in principle, to provide the Lead IA and the Cooperating IAs with the respective fees set out in rows 4, 6, 8 and 10 of Appendix 2-A.

12. Should the Country, for any reason, not meet the Targets for the elimination of the Substance or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Disbursement Schedule. At the discretion of the Executive Committee, Funding will be reinstated according to a revised Funding Disbursement Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next installment of Funding under the Funding Disbursement Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amount set out in Appendix 7-A in respect of each ODP ton of reductions in consumption and production not achieved in any one year.

13. The Funding components of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the Funding of any other consumption/production sector projects or any other related activities in the Country.

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

15. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol or as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

Appendix 1-A
THE SUBSTANCE

Annex B:	Group II	CTC
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Appendix 2-A
THE TARGETS, AND FUNDING

	Baseline ¹	2003	2004	2005	2006	2007	2008	2009	2010
Montreal Protocol Consumption Reduction Schedules (ODP tons) ²	11,505	N/A	N/A	1,726	1,726	1,726	1,726	1,726	0
1. Max allowable total consumption (ODP tons)	11,505	N/A	N/A	1,726	1,147	708	268	48	0
Montreal Protocol Production Reduction Schedules (ODP tons) ³	11,553	N/A	N/A	1,733	1,733	1,733	1,733	1,733	-
Production Allowance for basic domestic needs of A5 countries (ODP tons) ⁴		-	-	1,155	1,155	1,155	1,155	1,155	1,733
Total production allowed by the Montreal Protocol (ODP tons)		N/A	N/A	2,888	2,888	2,888	2,888	2,888	1,733
2. Max allowable total production (ODP tons) for this Agreement	11,553	N/A	N/A	1,726	1,147	708	268	48	-
3. WB agreed funding		8,520,843	9,180,112	3,899,046	9,955,313	4,020,938	3,211,875	3,211,874	-
4. WB support costs		639,063	688,508	292,428	746,648	301,570	240,891	240,891	-
5. France agreed funding		-	1,000,000	1,000,000	500,000	500,000	-	-	
6. France support costs		-	85,000	85,000	85,000	85,000	-	-	
7. Germany agreed funding		-	700,000	700,000	300,000	300,000	-	-	
8. Germany support costs		-	57,500	57,500	57,500	57,500	-	-	
9. Japan agreed funding		-	2,500,000	2,500,000	-	-	-	-	
10. Japan support costs		-	280,000	280,000	-	-	-	-	
11. Total agreed funding (US\$ million)		8,520,843	13,380,112	8,099,045	10,755,313	4,820,938	3,211,875	3,211,874	
12. Total agency support costs (US \$ million)		639,063	1,111,008	714,928	889,148	444,070	240,891	240,891	

- 1/ Baseline consumption and production levels are defined as the average levels of consumption and production during the period from 1998 – 2000.
- 2/ Maximum allowable consumption levels stipulated in the Montreal Protocol (85% reduction in 2005 and 100% reduction by 2010).
- 3/ Maximum allowable production levels stipulated in the Montreal Protocol (85% reduction in 2005 and 100% reduction by 2010).
- 4/ Allowable production levels for meeting basic domestic needs of Article 5 countries as per the Beijing Amendment (10% of base level from 2005 and 15% of base level from 2010).

Appendix 3-A
FUNDING APPROVAL SCHEDULE

The annual funding allocations, except those for 2004 and 2005, as shown in Appendix 2-A will be considered for approval at the second meeting of the year of the annual plans. The funding allocations for 2004 and 2005 will be submitted for approval at the first meeting of the respective annual plans.

Appendix 4-A
FORM OF ANNUAL IMPLEMENTATION PROGRAM

1. Data

Country _____
 Year of Plan _____
 # of years completed _____
 # of years remaining under the plan _____
 Target ODS consumption of the preceding year _____
 Target ODS consumption of the year of plan _____
 Level of funding requested _____
 Lead implementing agency _____
 Co-operating agency(ies) _____

2. Targets

Targets:				
Indicators		Preceding Year	Year of Plan	Reduction
Supply of CTC	Import			
	Production*			
	Total (1)			
Demand of CTC	Process Agents			
	Solvent			
	Total (2)			

*For ODS-producing countries

3. Industry Action

Sector	Actual Consumption Preceding Year (1)	Consumption Year of Plan (2)	Reduction Within Year of Plan (1)-(2)	Number of Projects Completed	Number of Servicing Related Activities	ODS Phase-out (in ODP tonnes)
Manufacturing						
Process Agents						
Solvents						
Other	-	-				
Total						
Servicing						

Total						
GRAND TOTAL						

4. Technical Assistance

Proposed Activity: _____

Objective: _____

Target Group: _____

Impact: _____

5. Government Action

Policy/activity planned	Schedule of implementation
Type of Policy Control on ODS Import: servicing, etc.	
Public Awareness	
Others	

6. Annual Budget

Activity	Planned expenditures (US \$)
Total	

Appendix 5-A

MONITORING INSTITUTIONS AND ROLES

The Country will be responsible for implementing the CTC phase-out plan. To strengthen capacity of the Country to undertake a series of activities required to achieve permanent phase-out of CTC in accordance with the agreed Targets, a small management unit with a high degree of decentralization to ensure maximum coverage of all residual CTC users, will be established.

The management unit will be established within the Ministry of Environment and Forests. The role of the management unit entails development of detailed implementation plan and overall monitoring and supervision of the CTC phase-out plan. The responsibility of the management unit includes:

- Preparation and implementation of the annual implementation program with assistance from the Lead IA and Cooperating IAs;
- Identification and assistance in the design of sub-projects under the plan;
- Monitoring and supervision of project implementation at the national level including coordination of independent verification of the ODS phase-out by the beneficiary enterprises;
- Information exchange support to the Ozone Cell, regional centers and beneficiary enterprises;
- Reporting to the Director of the Ozone Cell on CTC phase-out related activities and providing recommendations on Government's interventions to be undertaken by the Ozone Cell, if required;
- Periodic assessment of the alternatives supply situation;
- Support implementation of information exchange and training activities; and
- Maintenance of database and relevant records related to the CTC phase-out plan.

Appendix 6-A
ROLE OF THE LEAD IMPLEMENTING AGENCY

The Lead IA will be responsible for a range of activities specified in the project document and in this Agreement along the lines of the following:

- (a) Ensuring performance and financial verification in relation to all activities in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's CTC Phase-out Plan;
- (b) Providing verification to the Executive Committee that the Targets have been met, and the achievement/progress of associated annual activities as indicated in the annual implementation program;
- (c) Assisting the Country in preparation of the annual implementation programs;
- (d) Ensuring that achievements in previous annual programs are reflected in future annual implementation programs;
- (e) Carrying out required supervision missions;
- (f) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the program, and accurate data reporting;
- (g) Ensuring that disbursements to activities undertaken under Bank supervision are made to the Country based on the Targets in the annual programs and provisions in this Agreement;
- (h) Providing assistance with policy, management and technical support when required;
- (i) Developing, in consultation with the Country and the Cooperating IAs, the annual phase-out targets for each IA; and
- (j) Developing a standard for verifying performance in achieving the Targets.

Appendix 6-B
ROLE OF COOPERATING IMPLEMENTING AGENCIES

The Cooperating IAs will be responsible for a range of activities specified in the project document and in this Agreement along the lines of the following:

- (a) Conducting performance and financial verification in relation to activities implemented under their supervision;
- (b) Providing reports to the Executive Committee, through the Lead IA, on these activities and their impact in terms of ODP phase-out, for inclusion in the consolidated reports and annual programs to be prepared by the Country with the assistance of the Lead IA;
- (c) Assisting the Country in preparation of annual implementation programs for relevant activities under their supervision;
- (d) Ensuring that achievements of their activities are reflected in future annual implementation programs;
- (e) Carrying out required supervision missions;
- (f) Providing the presence of an operating mechanism to allow effective, transparent implementation of their activities, and accurate data reporting pertaining to ODP impact of their corresponding activities;
- (g) Provide, in collaboration with the Lead IA, policy development assistance, management and technical support when required; and
- (h) Coordinating its activities with the Lead IA and among all Cooperating IAs.

Appendix 7-A
REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

In accordance with paragraph 12 of the Agreement, the amount of funding provided may be reduced by US\$ 4,510 per ODP ton of reductions in consumption and production not achieved in the year.