

## **II. Contact group on destruction and banks**

### **Introduction**

1. There is general consensus that all Parties believe that the issue of destruction and ozone-depleting substance banks is an important one and requires immediate attention and action. A contact group was formed at the twenty-eighth meeting of the Open-ended Working Group of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer to discuss the issue further and to make progress thereon.
2. Parties are invited to submit their comments on this summary report and, in particular, on the co-chairs' proposals contained therein to the Ozone Secretariat by 15 September 2008 at the latest.

### **A. Opening and organization of meeting of the contact group**

3. The contact group was opened by the co-chairs, Mr. Agustín Sánchez (Mexico) and Mr. Martin Sirois (Canada), who welcomed the participants. After agreeing to leave the meeting open to observers, the contact group heard an initial presentation from the European Community on its new proposal on the management of banks distributed as a conference-room paper at the twenty-eighth meeting of the Open-ended Working Group. The group also had for its consideration a joint proposal from the Federated States of Micronesia and Mauritius, contained in pre-session document UNEP/OzL.Pro.WG.1/28/3/Add.1, and one from Argentina, circulated at the meeting as a conference-room paper, that had been introduced in plenary.
4. The group agreed that the discussions would be organized on the key issues that seemed to underlie all of the proposals and that had emerged from statements delivered in the plenary on the matter. The group deliberated for over six hours on those key issues that it believed would contribute to a thoughtful decision on the issue.

### **B. Discussion of key issues**

5. Specifically, the group considered five key issues: the scope of action (e.g., the substances that should be addressed, the sectors to be covered, and the definitions of unwanted material and banks); the options for financing action; the linkages that the issue of destruction might have with other international legal agreements such as the Framework Convention on Climate Change and the Basel Convention; the environmental benefits that it was hoped to achieve; and the short and long-term policy options that were needed to deal with the issue.

### **C. Scope of action**

6. Where scope was concerned, various views were expressed, which included:
  - (a) Substances to be addressed: Some members felt that only ozone-depleting substances that were no longer produced should be included. Most members of the group supported focusing on CFCs and halons which would be phased out shortly. It was thought that that approach would have the virtue of ensuring that there was no perverse incentive created to produce more of an existing substance in the hope of securing funding for its destruction. That said, some delegations thought that any programme should be aimed at helping dispose of any ozone-depleting substance that was unwanted (although that term should be more precisely defined), including HCFCs, especially since the facilities to destroy all ozone-depleting substances would be the same, and HCFC-foamed refrigerators would soon be reaching the end of their useful lives;
  - (b) Sectors or sources to be addressed: Most members of the group supported addressing the easiest sources first. In that context, stocks of contaminated ozone-

depleting substances which had already been assembled were noted as being readily available and at risk of venting in some countries. It was also noted that refrigerants and halons were likely to be more accessible in old use systems and would therefore be more cost-effective to deal with than foams. Stocks that had resulted from confiscations were also mentioned as being readily available. The suggestion was made that reuse of such stocks should be considered before destruction if that would obviate the need for new production to meet essential or critical uses. It was suggested that consideration could be given to selling such confiscated material to another country in order to fund more compliance and confiscation efforts. Concerning banked ozone-depleting substances in used equipment, it was noted that it might be harder to gain access to those substances and that locating such banks and equipment could require surveys, support and capacity-building;

(c) In relation to scope and the environmental benefits to be achieved: It was noted that a decision on the benefits to be achieved would affect the scope of the actions contemplated. In that context, it was suggested that, if the Parties wished also to include climate benefits, they might not need to consider destroying halons as the destruction of halons was thought to yield limited or no climate benefits;

(d) The concept of unwanted ozone-depleting substances: This concept was explored and had different meanings for different delegations. Some suggested focusing on contaminated ozone-depleting substances, others thought that the term should include ozone-depleting substances in obsolete use systems. The notion that some ozone-depleting substances might be unwanted in one country but not in another was also expressed. It was noted that the scope of action would be affected by a decision by the group on the definition of the term.

7. The overall concept of the scope of action that would be necessary to address the issue was discussed, and there seemed to be general agreement that the issue needed to be dealt with in a holistic manner that included policies, regulations and incentives and that it covered recovery, collection, storage and transport.

8. Most members of the group, noting the success, efficiency and experience of the Multilateral Fund and its direct nexus to the Montreal Protocol, expressed the view that the Fund should be the primary mechanism used to provide technical and policy support to Parties operating under paragraph 1 of Article 5 in their efforts to deal with banks and the destruction of unwanted ozone-depleting substances. Given that many of those banks would need to be dealt with in the near future, those members noted that the funding currently provided for under the replenishment task force report might not be sufficient for the issues to be satisfactorily addressed.

9. Other members of the group, while not discounting the role that the Multilateral Fund might play in addressing ozone-depleting substance banks, suggested that there were a variety of other institutions that could possibly contribute to that effort, especially as destruction would likely involve climate co-benefits. Those members felt that, at the current point in the discussions, all those options should be kept at least for consideration. Some suggested that, if any other sources of funding were considered, it should be up to the donor countries to find such complementary funding and to funnel it through the Multilateral Fund.

10. Others suggested that initial efforts should be launched by using the Multilateral Fund and, in parallel, that other modalities should be studied, including those that might be developed in the post-2012 era, to see whether they could contribute to further steps that might be taken. The need to ensure additionality of the funding as it related to activities that would not otherwise be undertaken was also noted.

11. In terms of environmental benefits, most members of the group acknowledged that the primary benefits that should be considered were ozone and climate benefits. It was noted that the Parties could benefit greatly from a cost-benefit analysis of undertaking different collection and destruction activities. Such an analysis could help to attract other

sources of financing, as well as helping to determine the appropriate level at which to set any incentives for collection and destruction. In that context, some members wished to consider whether it would be positive or negative to provide an incentive for collection and destruction at a level that could discourage redeployment for servicing purposes.

12. Regarding policy options to deal with the issue of destruction and banks, one member of the group proposed that the Protocol should be amended to make destruction mandatory and that the indicative list of incremental cost should be amended to include the destruction of ozone-depleting substances. Several other members, however, suggested there was insufficient information at the current stage to consider an amendment or mandatory approach. Many of those Parties suggested a step-by-step approach which could start with pilot projects in a geographically diverse set of countries representing both small and large consumers. While some were interested in pursuing the notion contained in the proposals by the Federated State of Micronesia and Mauritius and by Argentina regarding the creation of destruction credits that could be marketed to enable new production, others suggested that that idea, while interesting and worth exploring, should not be considered as a substitute for the current essential-use process. It would have to be explored in much greater detail before it could be agreed to. In that context, there seemed to be agreement around the desirability of taking immediate action on certain easier activities that could be undertaken at the current stage and on establishing a framework to enable development of further information and policy options which could inform future decisions on the matter.

13. The members of the group acknowledged that the issue of destruction touched on the work of a number of other multilateral environmental agreements and institutions. Those noted in that context included, in particular, the Basel Convention, and also the Stockholm Convention, the Rotterdam Convention, the Framework Convention on Climate Change and the Clean Development Mechanism. Specific issues regarding the ability of certain countries to transport waste consistent with the Basel Convention were noted and it was also noted that past and more recent discussions with the Secretariat of the Basel Convention had demonstrated a willingness on the part of that institution to work with the Parties to the Montreal Protocol on the issue.

## **D. Co-chairs' proposals**

### **1. Proposal on scope**

14. Given the general agreement and sense of urgency to take quick action, and taking into account, first, the understanding that it will be hard to address every facet of the issue immediately; second, the fact that there will be a limited amount of time to address CFCs and halons, and, third, the emphasis placed by Parties on the easiest first concept, it is suggested that the Parties might agree in the short term to focus on already assembled stocks of CFCs and halons that are either contaminated or are the result of confiscations, with the understanding that consideration should be given to the redeployment of confiscated ozone-depleting substances (as opposed to destruction) if they can be redeployed in a manner that would obviate the need for new production mainly for essential or critical uses.

15. A proposed decision should promote steps that should be taken in the areas of policies, regulations and incentives, and embody an understanding that destruction encompasses actions related to recovery, collection, bank management (including storage) and transport.

**2. Proposal on funding modalities, environmental benefits, and policy options**

16. Consideration should be given to requesting the Multilateral Fund, as a first step, to support activities in Parties operating under paragraph 1 of Article 5 related to the collection, containment, bank management, transport and disposal (destruction or redeployment) of already existing stocks of contaminated or confiscated CFCs and halons. To that end, the Technology and Economic Assessment Panel should be requested to include in its supplemental replenishment report an analysis of the costs that might be involved with the collection of such already existing stocks, their transport to destruction facilities or redeployment as the case may be, and their destruction. To support that effort, such Parties are requested to provide the Technology and Economic Assessment Panel with information on the amount of stocks of contaminated or confiscated ozone-depleting substances that they have ready and waiting for destruction.

17. [The Technology and Economic Assessment Panel] [The Ozone Secretariat] [The Fund Secretariat] should initiate investigations of and discussions with other potential sources of funding that might be available to provide complementary funding for climate co-benefits that were expected to accrue from that effort. To facilitate such discussions, [the Technology and Economic Assessment Panel] [the Executive Committee/Fund Secretariat] is asked to initiate a study on the costs and benefits of collection, storage, bank management, transportation and destruction of different categories of unwanted ozone-depleting substances, including ozone-depleting substance refrigerants in obsolete equipment, and ozone-depleting substance banks currently in foams, taking into account, on the benefit side, the climate and ozone benefits to the suppressed release of such ozone-depleting substances to the atmosphere.

18. Such a study should also consider the size of the incentive that may be necessary to encourage the robust recovery and destruction of ozone-depleting substances and, in addition, consider the advantages and disadvantages of having such incentives lead to a discouragement of redeployment of collected ozone-depleting substances for servicing. Given the urgency of the issue, it would be desirable to have that study, if possible, in time for consideration by the Twenty-First Meeting of the Parties.

**4. Proposal on synergies with other conventions**

19. Accordingly, to facilitate a greater understanding of the legal and administrative issues that might be associated with the transport of ozone-depleting substances from the source country to the destroying country, the Ozone Secretariat should be requested to liaise with the Secretariat of the Basel Convention and to prepare a paper for consideration at the twenty-ninth meeting of the Open-ended Working Group of the Parties. In that regard, the Basel Secretariat should be invited to attend the twenty-ninth meeting of the Open-ended Working Group, to respond to queries by the Parties as needed.