

**TEAP Clarification and Revision of the 14 February 2004 TEAP/MBTOC Report
And Minority View of One TEAP Member (attached below)**

This clarification and revision responds to important feedback received from TEAP members after publication of the February TEAP/MBTOC report. TEAP members recommended revision in the text concerning the option to offset methyl bromide critical use exemptions (CUE) with halon destruction. TEAP withdraws the words 'recommends' and 'recommended' from the discussion of emission trading. TEAP emphasises that the elaborated example in the 14 February Report is only an illustration and should not have been considered a recommendation because there are more options that the Parties could consider. TEAP would welcome a request by Parties to rigorously develop proposals involving trading of destruction credits for continuing uses of ODSs that are considered by Parties to be critical or essential.

The Montreal Protocol Article 1, Paragraph 5, read with Article 7, permits Parties to produce an ODP-equivalent quantity of controlled substances to replace substances within the same group that are destroyed in the same year by approved technology. TEAP suggested that the Parties consider the option of additional flexibility to allow production of methyl bromide (which is a group with no other substances) when offset by destruction of other ODSs.

If Parties approve and pursue emissions trading to offset future use of ODSs, they will need to make a variety of policy choices including: which substances to trade, the exchange rates (the quantities of ODSs destroyed to be allowed to use one unit of methyl bromide or another controlled substance), whether to allow 'saving' and 'trading' of credits over time or between Parties, and whether there is a need for a pilot phase for implementation of the emissions trading.

For clarity in its presentation of technical and economic information relevant to policy, TEAP provided a specific illustration of how such trading could further protect the ozone layer and of the costs associated with each tonne of methyl bromide sought for critical use exemptions. TEAP also wishes to withdraw the words 'recommended' and 'recommends', used in this illustration. TEAP emphasises that it is given only as an elaborated example and that there are more options that the Parties could consider.

The example in the February TEAP/MBTOC report described a two year (2005 and 2006) pilot phase for nominated uses not approved for CUE by the MOP to allow each Party to establish the trading system and to begin the collection and destruction of halon 1211. It is, of course, for the Parties to decide on whether a pilot phase is necessary and, if necessary, what form it should take.

The TEAP illustration also assumed that one kilogram of destruction of halon 1211 will give credit for 5 kilograms of methyl bromide CUE. The following table gives, as a further illustration, estimates of the additional cost (due to the trading for destruction) for each kilogram of methyl bromide approved for CUE (the present price of methyl bromide is about US\$10 per kilogram)

as well as the impact on the ozone layer for different exchange rates such 1:1, 2:1 etc for these two substances. It is up to the Parties to choose and adjust, as necessary, the exchange rates and substances eligible for an approved offset scheme, if any.

The table is based on the time dependent ODPs of halon 1211 and methyl bromide prepared in collaboration with science assessment experts. The official ODP values given in the Annexes A and E of the Protocol for halon 1211 and methyl bromide are 3.0 and 0.6, respectively, even though the Science Assessment Panel (SAP) has revised the estimate of the ODP of halon 1211 from 3.0 to 6.0 and methyl bromide from 0.6 to 0.4.

Illustrative Table to show benefits to the ozone layer and the costs of collection and destruction if a trading scheme is adopted.

Exchange Rate (Kg MB per Kg Halon 1211)	After 2-year Transport to Stratosphere		Added Cost per Kg methyl bromide at US\$50.50/kg for halon collection & destruction
	Long term net benefit to ozone	Years until stratosphere benefits	
1:1	15.0 to 1	Benefits each year	50.50
2:1	7.5 to 1	2	25.25
3:1	5.0 to 1	5	16.83
4:1	3.8 to 1	6	12.62
5:1	3.0 to 1	7	10.10
6:1	2.5 to 1	9	08.41
7:1	2.1 to 1	10	7.21
10:1	1.5 to 1	>15	5.05
15:1	No net benefit	>25	3.37

Of course, the price of both methyl bromide and halon 1211 may be higher or lower than the recent North American prices used in the TEAP example.

With no trading scheme at all, there are no benefits at any time since the emissions of the methyl bromide permitted as CUEs, will be an incremental impact on the stratospheric ozone layer. Unless destroyed, the surplus halon will eventually leak and damage the ozone layer.

At the request of Parties, TEAP can further elaborate the environmental and economic tradeoffs of various options, but it is for the Parties to decide on the policy. TEAP offers its complete cooperation in providing information and analysis, as deemed necessary by the Parties.

The TEAP requests the Parties to consider its report in the light of this clarification.

For further information please see:

UNEP, "Critical Use Nominations – 2004 Supplementary Report of the Technology and Economic Assessment Panel (TEAP)," 14 February 2004 (especially pp. 15-22).

UNEP, "Report of the Technology and Economic Assessment Panel (TEAP)," May 2003 (especially pp. 16-18 and 34-70: "Agricultural Economics Task Force Report").

UNEP, "2002 Report of the Methyl Bromide Technical Options Committee (MBTOC)–2002 Assessment," March 2003 (especially pp. 32-40).

UNEP, "2002 Report of the Technology and Economic Assessment Panel (TEAP)," March 2003 (especially p. 7: "The way forward" and pp. 13-15: "Collection, Reclamation and Storage Task Force").

UNEP, "Report of the TEAP Collection, Reclamation and Storage and Destruction Technologies Task Force," March 2003.

UNEP, "2002 Report of the Halons Technical Options Committee (HTOC)," March 2003 (especially p. 6 and pp. 53-61).

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Minority View of TEAP Member

The TEAP regrets to advise Parties that Mr. Gary Taylor (Chair of the Halons Technical Options Committee) is not satisfied with the Clarification and Revision submitted by the majority of TEAP members (above) and he has advised TEAP that he is resigning his position effective 30 June 2004.

Minority View Submitted to the TEAP by Mr. Gary Taylor

"Mr. Taylor disagrees with both the procedures followed in preparation and the content of the destruction credits section of the report. Mr. Taylor agrees with the concept of destruction credits as provided in the 2002 Assessment Report of the Halons Technical Options Committee and the 2002 Assessment Report of the TEAP. He is of the opinion that the destruction credits section of the 14 February TEAP/MBTOC Report is seriously flawed and that TEAP has grossly exceeded its mandate of providing analyses and technical information relevant to policy."

Date: 1 March 2004