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OPEN-ENDED WORKING GROUP OF THE PARTIES TO
THE MONTREAL PROTOCOL ON SUBSTANCES THAT
DEplete THE OZONE LAYER

Twenty-first meeting
Montreal, 24-26 July 2001

REPORT OF THE TWENTY-FIRST MEETING OF THE
OPEN-ENDED WORKING GROUP OF THE PARTIES
TO THE MONTREAL PROTOCOL

I. OPENING OF THE MEETING

1. The twenty-first meeting of the Open-ended Working Group of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer was held at the headquarters of the International Civil Aviation Organization in Montreal from 24 to 26 July 2001.
2. The meeting was opened at 10 a.m. on Tuesday, 24 July 2001, by Mr. Milton Catelin, co-Chair of the Open-ended Working Group, who welcomed participants.
3. Mr. Michael Graber, Deputy Executive Secretary of the Ozone secretariat, speaking on behalf of Mr. Klaus Töpfer, Executive Director of the United Nations Environment Programme (UNEP), welcomed the participants to the meeting. Noting that item 3 of the agenda of the meeting related to the replenishment of the Multilateral Fund for the Implementation of the Montreal Protocol for the triennium 2003-2005, he recalled that previous decisions on replenishments had been preceded by studies initiated by the Parties, providing information for negotiations and facilitating the decisions on the appropriate level of replenishment of the Fund. The studies for the last two replenishments had been carried out by the Technology and Economic Assessment Panel, according to specific terms of reference on the projected needs of the Article 5 Parties for the triennium in question. He invited Parties to review decision X/13 of the Tenth Meeting of the Parties regarding the terms of reference for the Panel for preparing the study for the next replenishment at the current meeting. The secretariat sought guidance that might be given to the Parties regarding the appropriate decision to be taken at their Thirteenth Meeting, scheduled for October 2001 in Colombo.
4. Closely related to the issue of replenishment of the Multilateral Fund was item 10 of the agenda, on the review of the fixed-exchange-rate mechanism. In accordance with decision XI/6, some Parties that contributed to the Multilateral Fund and that met certain fiscal conditions were allowed to pay their contribution to the Fund in their national currencies, rather than in United States dollars. When taking that decision, the Parties had been concerned that it might result in a net financial loss to the Fund and adversely

affect the phase-out process of ozone-depleting substances (ODS) in Article 5 Parties. Therefore, the same decision requested that the Parties review the fixed-exchange-rate mechanism at the end of 2001 at the technical segment of the Thirteenth Meeting of the Parties, to determine the impact of the mechanism on the operations of the Multilateral Fund and on the funding of the phase-out of ODS in Article 5 countries during the current triennium.

5. At the Twelfth Meeting, the Parties had requested the Ozone secretariat to examine the options available for a study of the threat from illegal trade in ODS and associated products (such as mixtures of ODS and products containing ODS), on the issue of controlling international ODS trade, including various related subjects such as universal labelling of ODS and associated products, national legislation and handling of illegal ODS seized at national borders. Following those consultations, the secretariat had identified three options: a study by the Ozone Secretariat, in consultation with other bodies; a study by the Technology and Economic Assessment Panel; or a study by a special Task Force. More details were available in the working document before the meeting (UNEP/OzL.Pro/WG.1/21/2, paras. 44-47) and Parties might wish to discuss the three options and make recommendations on how to proceed.

6. The discussion of the need for a further adjustment to the Montreal Protocol regarding the phase-out schedule of HCFCs in Article 5 Parties would be continued at the current meeting. A revised proposal on HCFCs had been prepared by the European Commission, requesting the Technology and Economic Assessment Panel to assess the quantitative patterns of the overall and sector-specific consumption of Article 5 Parties in the past, and estimate future trends. The paper also proposed to request the Panel to assess future availability of non-HCFC alternatives and, using the information, evaluate the ability of Article 5 Parties to comply with several HCFC control scenarios, as well as the impact of the HCFC control scenarios on their phase-out of CFCs.

7. Items 4 to 8 on the agenda related to issues for which the Technology and Economic Assessment Panel and the Scientific Assessment Panel had been requested to report to the Parties. The Technology and Economic Assessment Panel had prepared its annual report in April 2001, which had been placed on the Internet and dispatched to all Parties.

8. On the issue of new substances with ozone-depleting potentials that were not yet controlled by the Montreal Protocol (mentioned in items 4 and 5 of the agenda), he said that, in addition to chloro-bromomethane (also known as CBM or halon-1011), which the Beijing Amendment had added to the list of substances in the Montreal Protocol, another five such new substances had been reported to the Secretariat (n-propyl bromide (nPB) also known as 1-bromo-propane, halon-1202, hexa-chloro-butadiene (HCBd), 1-bromo-3-chloro-propane, bromo-methoxy-naphthalene (BMN)). The Scientific Assessment Panel and the Technology and Economic Assessment Panel would report on this issue and suggest ways to move forward.

9. Concerning developments in the secretariat, he informed the participants that the Ozone Secretariat's home page on the internet was also available in French and Spanish.

10. Regarding the project initiated jointly by the UNEP OzonAction Programme and the Ozone Secretariat to have all members countries of the United Nations also become Parties to the Vienna Convention on the Protection of the Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer, he reported that, as a direct result of that effort, two countries had recently acceded to the Convention and the Protocol, namely Cambodia and Palau. Palau was to be particularly commended for also acceding to all the amendments to the Protocol, including the Beijing Amendment. Some more non-Parties to the ozone agreements were at an advanced stage of ratification and the secretariat would maintain the momentum to have every country become a Party.

11. He reported that the secretariat had received information from the Russian Federation that it had ceased all production of Annex A and B substances as of 20 December 2000, a fact which had been confirmed by the implementing agency. The credit for that outstanding international success should go first to the Russian Federation, the Parties that contributed funds towards closure of production facilities in the country, the Implementation Committee that had considered the matter from 1995 to date, the

implementing agencies, particularly the World Bank, and all the Parties to the Montreal Protocol for remaining focused on this problem.

12. He informed the Working Group that the Implementation Committee, at its meeting on 23 July, had reviewed the data reported by Parties for 1999. As of 1999, non-Article 5 Parties were obliged to reduce both production and consumption of methyl bromide by 25 per cent while Article 5 Parties had to implement ODS control measures for the first time, namely, the freeze in consumption and production of CFCs for the period 1 July 1999 to 30 June 2000.

13. In conclusion, he expressed gratitude to the secretariat of the Multilateral Fund for the assistance extended in preparing for the current meeting and during the meeting itself.

II. ORGANIZATIONAL MATTERS

A. Attendance

14. The following Parties to the Montreal Protocol were present: Albania, Algeria, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Bahamas, Bangladesh, Belgium, Belize, Benin, Bolivia, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Canada, Chile, China, Colombia, Congo, Costa Rica, Croatia, Cuba, the Czech Republic, Denmark, Djibouti, the Dominican Republic, Egypt, El Salvador, Estonia, European Community, Finland, France, Gabon, Germany, Guinea, Guyana, Honduras, India, Indonesia, Iran (Islamic Republic of), Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Lao People's Democratic Republic, Latvia, Lebanon, Lithuania, Macedonia (the Former Yugoslav Republic of), Malaysia, Maldives, Marshall Islands, Mauritius, Mexico, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Palau, Peru, Philippines, Poland, Portugal, Qatar, Republic of Korea, Russian Federation, Samoa, Saudi Arabia, Senegal, Seychelles, Slovak Republic, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Syrian Arab Republic, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Uruguay, Uzbekistan, Venezuela, Viet Nam, Yugoslavia and Zambia.

15. Observers from the following United Nations Secretariat units, bodies and specialized agencies were also present: Secretariat of the Multilateral Fund for the Implementation of the Montreal Protocol, United Nations Development Programme (UNDP), United Nations Office for Project Services (UNOPS), United Nations Environment Programme (UNEP), World Bank, United Nations Industrial Development Organization (UNIDO), Secretariat of the Vienna Convention for the Protection of the Ozone Layer.

16. The following intergovernmental and non-governmental bodies and agencies were also represented: Alliance for Responsible Atmospheric Policy, Association of Home Appliances Manufacturers, Atofina Chemicals, Crop Protection Coalition, Dupont, Dupont Fluoro Products, Environmental Investigation Agency, Federation of Pharmaceutical Manufacturers' Associations of Japan, Glaxo Wellcome, Greenpeace International, Honeywell International, Indian Chemical Manufacturers' Association, Industrial Technology Research Institute, Japan Association of Methyl Bromide Industry, Japan Fluorocarbon Manufacturers' Association, Japan Industrial Conference for Ozone Layer Protection, Japan International Pharmaceutical Aerosol Consortium, Lennox Industries, Manitoba Ozone Protection Industry Association (MOPIA), Methyl Bromide Working Group, Nippon Chemicals Ltd., Prec Institute Inc., R&M Consultancy, Refrigerant Gas Manufacturers' Association, Sanko Chemical Ind. Co. Ltd., Stop Inc., Teijin Chemicals Ltd., South Pacific Regional Environment Programme, Trane Company, Vulcan Materials Company.

B. Officers

17. Mr. Milton Catelin (Australia), co-Chair of the Working Group in accordance with decision XII/5 of the Twelfth Meeting of the Parties, chaired the meeting and conveyed the apologies of the co-Chair, Mr. P.V. Jayakrishnan (India), who was unable to attend.

C. Adoption of the agenda

18. The following agenda was adopted on the basis of the provisional agenda contained in document UNEP/OzL.Pro/WG.1/21/1, as amended:

1. Opening of the meeting.
2. Organizational matters:
 - (a) Adoption of the agenda;
 - (b) Organization of work.
3. Terms of reference for the study on the 2003-2005 replenishment of the Multilateral Fund for the Implementation of the Montreal Protocol.
4. Report of the Technology and Economic Assessment Panel on any new ozone-depleting substances of which it may be aware (decision IX/24, para. 2).
5. Report of the Scientific Assessment Panel and the Technology and Economic Assessment Panel on the criteria to assess the potential ozone-depletion potential (ODP) of new chemicals; and a guidance paper on mechanisms to facilitate public-private sector cooperation in the evaluation of the ODP of new chemicals in a manner that satisfies the criteria to be set by the Panels (decision XI/19, para. 3).
6. Committee of the Multilateral Fund on the progress made in reducing emissions of controlled substances from process-agent uses and on the implementation and development of emissions-reduction techniques and alternative processes not using ozone-depleting substances (decision X/14, para. 8).
7. Report of the Technology and Economic Assessment Panel on assessment of the future need for halon for essential uses in light of national or regional strategies for the management of halons, including emissions reduction and ultimate elimination of their use (decision X/7).
8. Other issues arising out of the report of the Technology and Economic Assessment Panel.
9. Options for studying issues relating to monitoring of international trade and prevention of illegal trade in ozone-depleting substances, mixtures and products containing ozone-depleting substances (decision XII/10, para. 1).
10. Review of the implementation of the fixed-exchange-rate mechanism, its impact on the operations of the Multilateral Fund including on the funding of the phase-out of ozone-depleting substances in Article 5 countries during the triennium 2000-2002 (decision XI/6, para. 6).
11. Issues arising out of the twenty-sixth meeting of the Implementation Committee.

12. The need for further adjustments to the phase-out schedule for hydrochlorofluorocarbons (HCFCs) for Parties operating under paragraph 1 of Article 5 (paras. 24-27 of the report of the Twelfth Meeting of the Parties, UNEP/OzL.Pro.12/9).
13. Other matters:
 - (a) Proposal for an evaluation study on the financial mechanism of the Montreal Protocol;
 - (b) Industrial rationalization;
 - (c) CFC production of MDIs;
 - (d) Continued use of ODS for analysis of oil in water.
14. Adoption of the report.
15. Closure of the meeting.

D. Organization of work

19. The Working Group decided to follow its customary procedure.

III. TERMS OF REFERENCE FOR THE STUDY ON THE 2003-2005 REPLENISHMENT OF THE MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL

20. The representative of the Islamic Republic of Iran, speaking on behalf of the Group of 77 and China, stressed the importance which members of his group attached to the issue of replenishment, since financial issues and resources were crucial for the implementation of the Protocol and its amendments. The next replenishment should address the concerns of the developing countries and help them to meet their obligations. It was difficult for the developing countries to adapt their infrastructures to use new alternatives, especially the small and medium-sized sector, without financial and technical assistance. The next replenishment was a basis for viewing compliance with the Protocol by 2010, and should be based on the needs of developing countries' needs in that respect. More information was required on the needs and views of those countries, together with an analysis of their financial requirements, based on which the Parties could identify the level of resources required.

21. Among the issues raised by representatives, attention was drawn to the need for resources to strengthen the national ozone units and to fund investment and non-investment projects in the compliance period; the need to maintain momentum in those countries that had elected to strive for an early phase-out and to take into account their particular requirements; the need to base the preparation of the replenishment study on good communication with the Article 5 Parties; and the need for financing by the Fund to be predictable and reliable. One representative considered the next replenishment to be the most important ever. Another considered the Multilateral Fund to be the only mechanism by which Article 5 Parties could meet their obligations under the Protocol.

22. One representative said that, since the Multilateral Fund served as the bulk of the funding available to enable the Article 5 Parties to meet their commitments under the Protocol, it was necessary to have a good replenishment study. A number of representatives pointed out the importance of the terms of reference of the study in that respect and supported the proposal contained in the report by the secretariat to the effect that the terms of reference of the previous replenishment study should be used as a basis for determining those of the next study. There needed to be discussion of how to update decision X/13 to reflect the current situation

and developments, as well as the situation of the Fund, the commitments of the Article 5 Parties and the new principles in effect.

23. One representative supported the preparation of a replenishment report for the Fourteenth Meeting of the Parties, to be presented through the twenty-second meeting of the Open-ended Working Group. He believed that the process and mechanism for the 2003-2005 replenishment should aim not only at determining the size of the replenishment, but also at optimizing the utilization of the limited resources of the Fund and enhancing the efficiency of its operations in assisting Article 5 Parties to meet their obligations. The Panel should bear that in mind in preparing its study and should also take into account the implementation of notable recent policies of the Multilateral Fund to respond better to the needs of developing countries in the compliance period. Those were embodied in the Fund's agreed framework for strategic planning, for example, with respect to transition to the country-driven and sector-specific approach to promote national compliance strategies of the Article 5 Parties, as well as the improvement of the budgetary performance of the implementing agencies and the Fund.

24. One other representative considered that, while the Technology and Economic Assessment Panel could draw upon great technical expertise, it should not be called upon to deal with the policy issues of the Fund. Rather, the replenishment study should focus on the sums necessary to enable the Article 5 Parties to meet their commitments, taking into account the new strategy being implemented by the Fund.

25. One representative believed it was necessary for criteria to be developed to rank Parties according to their compliance with the Protocol, in order to identify best and worst case scenarios on which to base funding decisions. Such a ranking could also serve as an incentive to countries to meet their commitments.

26. The Working Group decided to set up an open-ended contact group, to be coordinated by the representative of Brazil, to consider terms of reference for the study on the 2003-2005 replenishment of the Multilateral Fund, using as a point of departure the terms of reference of the previous replenishment study.

27. The coordinator of the contact group reported to the Working Group on the results of its deliberations, stressing that the contact group had met on 25 July 2001 and had based its discussions on decision X/13 of the Meeting of the Parties. In the contact group, no agreement had been reached on a definitive version of the terms of reference for the replenishment study and it had been agreed that suggestions and proposals made by interested Parties should be collected and submitted to the Secretariat by 1 September 2001. The secretariat was requested to prepare a document, containing the separate individual submissions from interested Parties, as well as a revised version of the decision based on the views expressed during the aforementioned contact group meeting, containing square brackets to show that the elements had not been negotiated, for submission to the Thirteenth Meeting of the Parties.

28. The Working Group noted the request of the contact group and the request that a one-day session of the contact group would be organized, immediately preceding the Thirteenth Meeting of the Parties, to hold further deliberations on the issue.

IV. REPORT OF THE TECHNOLOGY AND ECONOMIC ASSESSMENT PANEL ON ANY NEW OZONE-DEPLETING SUBSTANCES OF WHICH IT MAY BE AWARE (DECISION IX/24, PARA. 2)

29. The co-Chair of the nPB Task Force, Mr. Brian Ellis, presented a progress report on n-propyl bromide (nPB), including "upper bound" and "most likely" estimates of emissions geographically distributed by latitude, a summary of toxicity concerns, and concluding remarks concerning future use.

30. One representative, while welcoming the work of the TEAP on n-propyl bromide, questioned the figure of 35,000 tonnes given for production in Japan. Given its high price relative to alternative solvents, and the low level of production, he expressed the opinion that production would not reach that level in ten years.

31. A number of representatives suggested that the Working Group should recommend to the Meeting of the Parties that it caution against any further use of n-propyl bromide, but another representative said that the United States, like Japan, used a small amount of n-propyl bromide, and since a caution against its further use could be interpreted as a precursor to a ban on its use, he would not be able to support such a recommendation.

32. One representative asked whether there was a strategic vision which directed research into ozone depletion. Mr. Dan Albritton, Co-chair of the Scientific Assessment Panel, replied that there were four components which guided the directions taken by research: the professional associations of the scientific community itself; the meetings of research managers organized by UNEP and WMO; the gaps in knowledge revealed by the Panels' own "state-of-understanding" papers; and the contributions of the members of the Panels from all countries of the world, developing as well as developed.

V. REPORT OF THE SCIENTIFIC ASSESSMENT PANEL AND THE TECHNOLOGY AND ECONOMIC ASSESSMENT PANEL ON THE CRITERIA TO ASSESS THE POTENTIAL OZONE-DEPLETION POTENTIAL (ODP) OF NEW CHEMICALS; AND A GUIDANCE PAPER ON MECHANISMS TO FACILITATE PUBLIC-PRIVATE SECTOR COOPERATION IN THE EVALUATION OF THE ODP OF NEW CHEMICALS IN A MANNER THAT SATISFIES THE CRITERIA TO BE SET BY THE PANELS (DECISION XI/19, PARA. 3)

33. Mr. Albritton, co-Chair of the Scientific Assessment Panel, summarized its work on decision XI/19 on new substances and the Panel reported on the status of the 2002 assessment report. The Panel suggested that the Parties might wish to require the proposer of a new substance to support the research needed to obtain the relevant ozone-depleting information. This process would include data on possible emissions based on industry and/or Technology and Economic Assessment Panel estimates, atmospheric removal mechanisms, ozone chemistry, and calculated ozone-depleting potential and/or total expected future ozone loss. The Panel recommended that the proposer of a new substance support independent research projects that would provide this scientific information and then report the peer-reviewed and published results to the secretariat.

34. The Panel reported that the chapter structure and lead authors had been established for their 2002 assessment report. Input from the Parties and the scientific community had helped to determine contributors, research advances and the structure of the report.

35. The co-Chair of the Technology and Economic Assessment Panel, Mr. Stephen Andersen, presented a new approach to the evaluation of new substances with significant potential to deplete the ozone layer that would shift the burden of scientific and technical proof to companies proposing production of new substances or new use of existing but as yet uncommercialized substances. In the Technology and Economic Assessment Panel's proposal, Parties would control all substances with a chemical structure likely to significantly deplete the ozone layer and could allow use by adjustment of the control schedule or by essential use exemption after review of technical and scientific information, financed and provided by the company proposing production.

36. Several representatives expressed their appreciation for the explanation given on the process for calculating the ozone-depleting potential (ODP). Many Parties welcomed an expedited procedure for adding new substances to the Protocol. Some representatives felt that since there were several different models that could be used, it was unrealistic to expect the proposer of a new substance to disclose its ODP. Consequently, a number of them supported the idea that the proposer should be required to fund the research leading to determination of the ODP.

37. While some representatives supported the proposal relating to thresholds, others, although welcoming in principle any contribution to an acceleration of phase-out, said that they would be unable to support any proposal that was contrary to their established national practice. Such proposals not only raised issues of national sovereignty; they could also represent a significant burden on national scientific establishments.

38. Many representatives expressed doubts about the concept of a blanket ban on all substances that had an ODP higher than a given threshold, expressing the view that substances to be banned had to be specifically identified. Others expressed surprise at those objections, appealing to the clear objective shared by all present, the protection of the ozone layer. They suggested that if there were reservations to the Technology and Economic Assessment Panel's proposals for a threshold approach, then the secretariat should be asked to draw up a list of the substances and their source.

39. After further discussion, it was felt that a substance-by-substance approach would be difficult and time-consuming. It was recommended that a group be established, consisting of the Bahamas, the European Community, Japan, Mexico, Switzerland, and the United States of America, to try to draft an approach based on the interventions at the meeting, including the concept of a chemical profile.

40. The observer for an environmental non-governmental organization urged that the precautionary principle be followed and said that the onus was on the manufacturers of new substances to do so.

41. One representative pointed out that CFC-113a, which had been mentioned as a new substance with ozone-depleting potential, was in fact an isomer of CFC-113, which was a controlled substance listed in Annex A Group I to the Protocol. According to Article 1 of the Protocol, which was clarified by decision II/4 on isomers, the definition of a controlled substance included isomers of those substances, and therefore CFC-113a should already be considered as a controlled substance itself. The representative of the secretariat said that there would be an appropriate amendment to the Handbook for the International Treaties for the Protection of the Ozone Layer to reflect this clarification.

42. One representative introduced an informal document containing a proposal elaborated by the United States after receiving comments from several members of the Working Group. The purpose of the proposal was to request the secretariat to prepare and update a list of new chemicals that might be damaging the ozone layer, to include it on the secretariat's website and distribute it to Parties prior to each meeting. The proposal also called on Parties where there were firms producing listed chemicals to request the firms themselves to analyse the ODP of the chemicals, to submit available toxicological information to the secretariat and to report on the outcome of discussions with the firms concerned to the secretariat. The proposal called for an environmental screening mechanism to be developed by the Technology and Economic Assessment Panel and the Scientific Assessment for use by the Parties and the Panels. Based on the use of those tools, the Technology and Economic Assessment Panel and the Scientific Assessment could recommend more detailed evaluations of listed chemicals when they considered it appropriate.

43. In reply to a query from another representative, he clarified that the word "new chemicals" in the proposal should be understood to mean totally new chemicals and not chemicals whose ODP had only just become apparent. He agreed, however, that it was an important distinction and required further precision in the text.

44. Several representatives considered that the proposal was an interesting one but that it required further reflection. The Working Group agreed that the proposal should serve as a starting point for discussions on the issue in the Technical Segment of the Thirteenth Meeting of the Parties.

VI. REPORT OF THE TECHNOLOGY AND ECONOMIC ASSESSMENT PANEL AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND ON THE PROGRESS MADE IN REDUCING EMISSIONS OF CONTROLLED SUBSTANCES FROM PROCESS-AGENT USES AND ON THE IMPLEMENTATION AND DEVELOPMENT OF EMISSION REDUCTION TECHNIQUES AND ALTERNATIVE PROCESSES NOT USING OZONE-DEPLETING SUBSTANCES
(DECISION X/14, PARA. 8)

45. The co-Chair of the Process Agent Task Force, Mr. Gary Taylor, recommended better reporting of use and emissions, with the option of having the Technology and Economic Assessment Panel consolidate and report the data. The Task Force had also considered options for modifying the list of authorized process-agent uses.

46. In response to a question on why the Task Force had not reported on developments in Article 5 Parties, Mr. Taylor pointed out that decision X/14 requested the Secretariat of the Multilateral Fund, not the Panel, to address questions concerning Article 5 Parties. He emphasized that the data submitted to the Task Force were not sufficient to allow a full report on emission reductions from process-agent uses. In response to a further question, Mr. Taylor stated that the Panel did not expect Parties to have to report on inadvertent production of ODS as a result of process-agent use as the total volumes involved were very small, but the Task Force did want to bring the issue to the attention of Parties.

47. Responding to questions on the qualification of particular applications as process agents, he confirmed that the Task Force's preliminary view of the 11 applications of carbon tetrachloride listed in Table A of decision X/14 was that they did so qualify. However, he stressed that the Task Force had not received enough information, either on the large number of potential new applications that could be added to the list, or even on many of the applications that were already included, for it to reach proper conclusions. On the basis of the definitions of process agents included in the previous Task Force report, he believed that a number of those applications listed in Table A probably did not qualify, which left the Task Force in an uncomfortable position.

48. The representative of India and the representative of the United States of America made separate proposals concerning how to implement decision X/14 in light of the report by the Task Force on Process Agents. Several representatives referred to the issue of insufficient data on actual emissions and to the uses of controlled substances as process agents. Other Parties strongly supported decision X/14. The report of the Task Force was noted with appreciation, and it was considered that the list of controlled substances from process agent uses in Table A of decision X/14 needed to be reviewed, refined and updated by the Task Force before the Thirteenth Meeting of the Parties. That would require all Parties to submit data on the substances in the table, and on any other controlled substances from process agent uses. The Technology and Economic Assessment Panel provided information on additional processes to be added to Table A of decision X/14 and requested further information through case studies, to be submitted by 31 August 2001.

49. On the issue of whether Parties should be required to report on estimated emissions of controlled substances from process-agent uses, one representative stressed the importance of continued reporting to confirm that emissions were in fact comparable in quantity to insignificant emissions from feedstock uses, and to ensure that the quantities would not increase in the future.

50. With regard to the implementation of decision X/14, one representative stated that it was in fact being implemented, since China, for example, had already required industry to stop establishing new facilities using ODS as process agents. The representative expressed the view that the decision should be applied uniformly to all Parties, and clarified for effective implementation, with consideration given to possibly updating the list as required by the decision.

51. The Working Group noted that it was not possible to reach consensus on the proposals referred to in paragraph 48 above on how to implement decision X/14 at the current meeting, and urged Parties to provide the Technology and Economic Assessment Panel and the Task Force on Process Agents with additional data on controlled substances from process-agent uses, to update its report for the Thirteenth Meeting of the Parties.

VII. REPORT OF THE TECHNOLOGY AND ECONOMIC ASSESSMENT PANEL ON
ASSESSMENT OF THE FUTURE NEED FOR HALONS FOR ESSENTIAL
USES IN LIGHT OF NATIONAL OR REGIONAL STRATEGIES FOR
THE MANAGEMENT OF HALONS, INCLUDING EMISSIONS
REDUCTION AND ULTIMATE ELIMINATION
OF THEIR USE (DECISION X/7)

52. The co-Chair of the Halons Technical Options Committee, Mr. Walter Brunner, reported that 36 Parties had submitted halon management strategies and that only three had provided numerical estimates of inventories. National plans had not been elaborated to ensure availability of halons for future essential needs, and Parties were reminded that adequate halon stocks were necessary to avoid future essential-use exemptions.

53. In response to a question by one representative on the legality of importing halon 1211 and halon 1301, he said that as long as these substances had been recycled, there were no legal obstacles to imports.

54. One representative urged all countries that had not yet prepared a halon management strategy to do so as soon as possible because such strategies would become increasingly important as both non-Article 5 and Article 5 Parties became ever more reliant on recycled and banked halon stocks. She drew attention to a problem that had recently arisen in Australia where, despite its high ODS stock management standards, deterioration in stored ODS awaiting destruction had damaged the destruction equipment. Consequently, she encouraged the Parties to take regular sample analysis of stored stocks in the interests of ensuring that the quantity of stored halons was of a quality suitable for essential uses and to avoid equipment damage. She also supported the recommendation of the Halons Technical Options Committee that the Parties review the accuracy of their original estimates of future halon essential use requirements prior to embarking upon a destruction scheme and consider the benefits of timely reclamation of stock to be stored for future essential use requirements or eventual destruction. Finally, she said that Australia looked forward to contributing to the work of the Task Force on Destruction Technologies established by decision XII/8.

55. Several representatives considered that a global review was needed before embarking upon a policy of destruction and one representative pointed out that essential uses would have to be reviewed as new alternatives became available.

56. The representative of the European Community informed the meeting that the European Community regulation on ODS allowed the export of halon products and equipment, and many countries in the European Community were making progress in decommissioning halons.

57. One representative emphasized that it was important for countries to reflect on the destruction of halons in their own context. In the absence of support from the government, the likelihood of deliberate leakage of halons was important. Another representative agreed that the private sector alone could not be responsible for the collection and destruction of halons and government support was needed.

58. One representative pointed out that the annexes to the Basel Convention on the Transboundary Movement of Hazardous Wastes and their Disposal did not contain any guidelines on halons and suggested that the Ozone Secretariat contact the Basel Convention secretariat with a view to their inclusion.

59. The Working Group expressed appreciation of the work of the Technology and Economic Assessment Panel and endorsed its recommendation that a review process be established to determine whether or not changes in the risk situation for essential uses or the availability of fire protection solutions had affected the original estimates for critical uses. It also noted the Panel's recommendation that Parties might wish:

(a) To consider developing measures to collect and store surplus halon-1211 and proceed with the destruction of excess material;

(b) To consider not destroying the stored halon-1301 before all Parties, including Article 5(1) Parties, had confirmed that they had sufficient halon-1301 to meet the future needs of their essential uses; and

(c) To rely upon data provided in the different halon management strategies to predict future supply for critical and essential uses.

VIII. OTHER ISSUES ARISING OUT OF THE REPORT OF THE TECHNOLOGY AND ECONOMIC ASSESSMENT PANEL

60. Several members of the Technology and Economic Assessment Panel mentioned that the phase-out of ODS had been proceeding in both developed and developing countries with many technical challenges and that there was a continuing need for international cooperation. The HCFC phase-out was just beginning and it was not yet clear which options would be selected to satisfy both ozone and climate concerns. The methyl bromide phase-out was reaching a time when Parties might wish to begin work on the procedure for considering critical exemptions.

61. The Technology and Economic Assessment Panel also noted the increasing requests from Parties for unanticipated work and requested \$125,000 as a contingency fund that would be available for operating expenses only on approval of the Technology and Economic Assessment Panel co-Chairs and the Ozone Secretariat.

A. Applications for essential-use exemptions for ozone-depleting substances for the year 2002 and beyond

62. Essential use exemptions were recommended for asthma and chronic obstructive pulmonary disease (COPD) MDIs and for torpedo maintenance. The Technology and Economic Assessment Panel noted that Parties might wish to approve essential-use exemption nominations by Ukraine for asthma and COPD only. The Panel could consider the application for rocket manufacture and maintenance only after more information had been supplied.

63. The Working Group agreed to recommend to the Thirteenth Meeting of the Parties that it approve the Essential-use nominations recommended by the Technology and Economic Assessment Panel. A table showing the full list of exemptions recommended for approval is contained in the annex to the present report

B. Handbook for Essential-Use Nominations

64. In response to a question by one representative regarding the different requirements of Article 5 and non-Article 5 Parties with respect to essential use, Ms. Helen Tope, co-Chair of the Technical Options Committee on aerosol products, replied that the 2001 revision of the Handbook for Essential-use Nominations focused on requirements for non-Article 5 Parties, since they were the only ones that had to make requests for exemption nominations.

65. The secretariat informed the meeting that the Handbook was now available upon request.

C. CFC campaign production for manufacturing CFC-MDIs

66. Mr. Ashley Woodcock, co-Chair of the Technical Options Committee on aerosol products, said that campaign production of ODS for MDIs had been evaluated by the Technology and Economic Assessment Panel and it was concluded that this was not yet appropriate.

67. One representative suggested that the Technology and Economic Assessment Panel continue its work on a limited number of specific points because the Parties had to be prepared for the possible need for CFC campaign production. Another representative expressed concern that CFCs would no longer be available for medical use in MDIs in Article 5 Parties and proposed that a project to transfer the necessary technology to Article 5 Parties to allow them to achieve compliance be put before the Thirteenth Meeting of the Parties.

D. Laboratory and analytical uses of ozone-depleting substances

68. The Working Group noted the request of the Technology and Economic Assessment Panel that Parties provide any new information on alternatives they might have identified and which were now available, or on analytical methods that did not require the use of ODS. The Panel should report any new development to the Parties in the 2002 Assessment.

E. Critical-use exemptions for methyl bromide

69. In response to a question from one representative on the increase in the use of methyl bromide for quarantine and pre-shipment uses, Mr. Jonathan Banks, co-Chair of the Technical Options Committee on methyl bromide, clarified that the figures came from data reported by the countries to the Ozone secretariat and were a good indication of the trend now that the uncertainty over how to determine quarantine and pre-shipment uses had been cleared up.

70. One representative considered that the Panel should undertake further work so as to provide guidance on the continued use of methyl bromide after the phase-out in 2005. The criteria for critical-use exemptions should be applied fairly and effectively and he expressed support for modification of the Handbook for Essential-use Nominations to include methyl bromide.

71. Another representative underlined the need to move forward rapidly and considered that the focus should first be on purely administrative issues while actions such as interpreting terms should await further input by the Parties. The criteria could be discussed by the Panel in the near future.

F. Progress and developments in the control of substances

72. In response to a question from one representative on foam manufacturers that had previously used CFC-11 but had made the shift to methylene chloride, Mr. Paul Ashford, co-Chair of the Technical Options Committee on foams, confirmed that methylene chloride was not listed as an ozone-depleting substance because of its short atmospheric lifetime.

73. In response to a question from the representative of the Islamic Republic of Iran, speaking on behalf of the Group of 77 and China, on the financial implications of decreasing supplies and rising prices of HCFCs for Article 5 Parties and developing countries in general, Mr. Ashford, co-Chair of the Technical Options Committee on foams, explained that, while substantial changes in HCFC supplies were expected in the next five years, it was very difficult to predict the effect of those changes precisely. He pointed out that, whereas price monitoring was the purview of the Executive Committee of the Multilateral Fund due to the nature of the issue, no intervention was contemplated in this area, and the balance of supply and demand would regulate the market.

74. In response to a question from one representative on replacement products for ozone-depleting substances that were considered greenhouse gases, Mr. Andersen, co-Chair of the Technology and Economic Assessment Panel, recalled the decision made by the Parties on the need to coordinate the Montreal Protocol

and the Kyoto Protocol to the United Nations Framework Convention on Climate change to avoid overlap and conflict between the two, stating that joint consultation and examination of the issue so far had indicated that each treaty would be able to achieve its goals without jeopardizing the other.

75. In response to a question from the observer for an environmental non-governmental organization regarding the health hazards of HFC exposure, Mr. Lambert Kuijpers, co-Chair of the Technical Options Committee on refrigeration, said that most toxicity experts believed that exposure to this substance within officially specified limits was not harmful.

G. Background and contact information for Technology and Economic Assessment Panel and Technology and Economic Assessment Panel members

76. The Working Group noted the updated information on the membership and composition of the Technology and Economic Assessment Panel and its Technical Options Committees, which was presented pursuant to decision VII/31, paragraph 5 (e) (iv).

IX. INTERNATIONAL TRADE AND PREVENTION OF ILLEGAL TRADE IN OZONE-DEPLETING SUBSTANCES, MIXTURES AND PRODUCTS CONTAINING OZONE-DEPLETING SUBSTANCES (DECISION XII/10, PARA. 1)

77. Introducing the discussion on monitoring of international trade and prevention of illegal trade in ODS, the representative of the Ozone Secretariat drew the meeting's attention to decision XII/10, agreed at the Twelfth Meeting of the Parties. It had requested the secretariat to consult with various bodies, including the Technology and Economic Assessment Panel, UNEP's Division of Technology, Industry (UNEP/DTIE) and Economics, the discussion group on customs codes, and international trade and customs organizations on the best means for carrying out the proposed study. Having consulted widely, the secretariat was presenting three options, described in UNEP/OzL.Pro/WG.1/21/2, paragraph 45 and UNEP/OzL.Pro/WG.1/21/2/Corr.1. The same paper also included the comments made by experts, groups and organizations on elements of the study itself.

78. All representatives who spoke in the discussion on the item thanked the secretariat for its hard work and highlighted the importance of tackling the problem of illegal trade, which threatened the success of the Protocol, particularly in Article 5 Parties, and jeopardized the recovery of the ozone layer. Many representatives, including the Islamic Republic of Iran, speaking on behalf of the Group of 77 and China, and Zambia, speaking on behalf of the African Group, expressed support for option (a) in the secretariat's paper which requested the secretariat to carry out the proposed study in consultation with various organizations and experts, using consultancy services, where appropriate, and report to the Open-ended Working Group, and then to the Meeting of the Parties, in 2002. That study should involve consultation with organizations and experts based on equitable geographical distribution. Representatives believed that the secretariat already possessed the perspective and contacts suitable for carrying out the study.

79. Several representatives stressed the importance of the secretariat consulting with a balanced group of experts in the study, representing all regions and including experts from the military, and also suggested that National Ozone Units should be consulted, as they should be able to supply useful data. One representative stated that consultation with a wide range of relevant organizations was crucial to the success of the study and had to be robust. The representative of the United States of America and the representative of Canada offered the secretariat the benefit of their own countries' experience in tackling illegal trade, including various training materials that might be consulted in the course of carrying out the study.

80. The representative of Poland, speaking on behalf of Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Poland and Slovakia, stated that those Parties were ready to support any of the three options, provided that as wide a range as possible of relevant experts and organizations was consulted and that the study led to practical suggestions clarifying the issues listed in paragraph 1 of decision XII/10 and providing

recommendations for action by Parties. He stated that it was important that, based on decision XII/10, the precise terms of reference for the study should be agreed, preferably in a decision of the Parties at their Thirteenth Meeting, and he hoped that a draft decision might be developed by the end of the Open-ended Working Group meeting. Another representative, supporting that view, said that he was willing to work with other Parties in drafting the terms of reference.

81. One representative expressed concern over any proposals for measures that might affect international trade and potentially place costly administrative burdens on Parties. Careful study and the involvement of experts on international trade would be needed so that Parties could properly consider what further actions might be necessary, including the establishment of the proposed task force. Another representative believed that the group which carried out the study should stick closely to the issues identified in paragraph 1 of decision XII/10 and not stray into extraneous matters. The representative of the secretariat asked representatives to bear in mind the fact that carrying out the study would require the Parties to approve additional resources as suggested in the presentation by the Technology and Economic Assessment Panel.

82. One representative suggested that the study should include an in-depth analysis of global production of ODS, since he believed that some ODS produced in non-Article 5 Parties for export to Article 5 Parties were subsequently being illegally traded. He also believed that the study should consider the export of new and used equipment containing ODS, which was another source of illegal material. An observer for an environmental non-governmental organization drew Parties' attention to a recent shipment of used refrigerators bound for Lagos from Hamburg, which the authorities had seized and found to contain CFCs, in contravention of the European Community regulation. His organization was currently bringing legal charges against the company concerned. He expressed suspicion that this was simply the tip of the iceberg and that this trade was contributing to increased demand for CFCs for servicing in Article 5 Parties. He was aware that under some circumstances, re-using old refrigerators made sense but suggested that export of such second-hand equipment should only be allowed if the cooling system was converted to hydrocarbons and if proper arrangements existed in the importing country for safe end-of-life disposal.

83. It was agreed that option (a) was the preferred means of carrying out the study. Accordingly, the meeting agreed to request the Ozone Secretariat, in consultation with the Technology and Economic Assessment Panel, the World Customs Organization, UNEP/DTIE and the World Trade Organization, to undertake a study and report to the Open-ended Working Group at its twenty-second meeting in 2002 for consideration by the Parties in 2002. Under this arrangement, legal consultancy services might be needed for about three months by the secretariat to consult widely with selected countries and experts with respect to customs, trade and industrial issues to supplement the information that would be provided through consultations with various bodies.

X. REVIEW OF THE IMPLEMENTATION OF THE FIXED-EXCHANGE-RATE MECHANISM, ITS IMPACT ON THE OPERATIONS OF THE MULTILATERAL FUND INCLUDING ON THE FUNDING OF THE PHASE-OUT OF OZONE-DEPLETING SUBSTANCES IN ARTICLE 5 COUNTRIES DURING THE TRIENNIUM 2000-2002 (DECISION XI/6, PARA. 6)

84. The Treasurer presented the interim review of the implementation of the fixed-exchange-rate mechanism (UNEP/OzL.Pro/WG.1/21/3 and Corr.1) and recalled the background to the introduction of the mechanism pursuant to decision XI/6 of the Parties. At the time the mechanism had been introduced, it had been pointed out that varying fluctuations in national currencies would, in the long term, offset any depreciation against appreciation. Unfortunately, the mechanism's operation had resulted in a loss of \$10.81 million, the details of which were set out in the document before the Working Group. Since the report was prepared, however, the Czech Republic and Denmark had made their payments for 2001 in their national currencies using the fixed-exchange-rate mechanism so the loss had subsequently risen to \$11.06 million.

85. If the current trend in currency fluctuations continued, it was estimated that the loss for the replenishment period as a whole would be \$34.5 million or close to 8 per cent of the triennium's replenishment level.

86. He concluded by expressing the hope that the Open-ended Working Group would provide advice and guidance for preparing the review to be submitted to the Thirteenth Meeting of the Parties.

87. Several representatives pointed out that the mechanism had only been in operation for a short time and it would therefore be premature to draw any definitive conclusions. The loss might have other causes.

88. One representative, suggested that the point of departure for the review of the mechanism should be decision XI/6, paragraph 2 in particular, which outlined the purpose and objective of introducing the mechanism. On that basis, the following issues should be addressed in the review:

- (a) Had the administrative difficulties of contributing Parties been made any easier?
- (b) Had the timely payment of contributions been promoted?
- (c) Had it been ensured that there was no adverse impact on the level of resources available to the Multilateral Fund?

89. She added that, although the calculation of "numerical losses" was important, it did not fully answer the question of whether the mechanism had had, or might have had, an adverse impact on the Fund's operation. Several other aspects had to be examined, for example, the purchasing power of the funds approved, the fluctuation of currencies over a longer period and the accumulation of interest on funds not disbursed. Lastly, the experience of other similar institutions that had adopted a fixed-exchange-rate mechanism should be taken into account.

90. Another representative said that the review should consider the potential for gains and losses over a longer time period and in a global context in which the current strength of the United States dollar was no longer the case. The capacity of the Multilateral Fund to apply practices such as hedging and use of national currency accounts and ways of handling the difficulties experienced in the accounting system should also be addressed.

91. Referring to subparagraph 9 (b) of the document before the meeting, representatives of two non-Article 5 Parties that had implemented bilateral cooperation projects said that they had not experienced any difficulties due to the fixed-exchange-rate mechanism, the only problem had been how to report the accounts.

92. Representatives from some Article 5 Parties said that, in view of the loss suffered by the Fund, the application of the fixed-exchange-rate mechanism would have to be reconsidered in the context of the next replenishment. The loss to the Fund would have a negative impact on projects and on the ability of Article 5 Parties to meet their commitments.

93. Another representative considered that, rather than proposing to abolish the mechanism, efforts should be made to see how the loss or eventual gain could be compensated so that the amount agreed during the replenishment remained constant. Predictability of funds would be an important factor in the next replenishment.

94. One representative suggested that consideration be given to one scenario in which 50 per cent of contributions could be paid in the national currency and 50 per cent in United States dollars.

XI. ISSUES ARISING OUT OF THE TWENTY-SIXTH MEETING OF THE IMPLEMENTATION COMMITTEE

95. The President of the Implementation Committee, Ms. Maria Nolan (United Kingdom of Great Britain and Northern Ireland), reported to the Working Group on the work of the Committee at its twenty-sixth meeting, held in Montreal on Monday, 23 July 2001. The report of the meeting would be circulated to all Parties as document UNEP/OzL.Pro/ImpCom/26/5.

96. In its deliberations, the Implementation Committee had considered, *inter alia*, preliminary report of the secretariat on data reported for 1999 and other years under Article 7 of the Montreal Protocol and the compliance issues arising from that report, including the status of compliance by some countries with economies in transition that had been subject of previous decisions by the Parties. The Committee had also made a preliminary analysis of compliance by Article 5 Parties with the freeze on production and consumption of CFCs from 1 July 1999 and considered the data so far provided by some Parties for the year 2000. Other issues considered by the Committee included the interaction between the Implementation Committee and the Executive Committee of the Multilateral Fund and the review of past recommendations by the Implementation Committee.

97. After reviewing the data report, the Committee had agreed to request the secretariat to send letters to eight non-Article 5 Parties which in the opinion of the Committee revealed potential situations of non-compliance. The letters would seek explanations on their consumption or production figures which did not meet the expected levels in order to achieve or maintain compliance with the controls under the Montreal Protocol. The Committee would review the matter further at its next meeting which would take place prior to the next Meeting of the Parties in October 2001. For two Parties with economies in transition whose non-compliance with the Protocol had previously been determined by the Parties, the Committee requested the secretariat to send strongly-worded letters alerting them to their situation of continuing non-compliance and requesting information which would assist the Implementation Committee to review further their status at its next meeting. The status of two Parties whose compliance bench marks had not yet been agreed by the Committee was also reviewed and the Committee agreed to request the secretariat to write letters to those Parties asking them to confirm their acceptance of the phase-out benchmarks. The Committee also agreed to invite them to its next meeting to present their data to the Committee and clarify any issues that the Committee might wish to raise regarding their benchmarks.

98. It had been noted with appreciation that several Article 5 Parties had already reported data for 2000.

99. In analyzing the data available for 1999 and 2000 for some Article 5 Parties it had been noted that a number of those Parties might potentially be in non-compliance with the CFC freeze. The Committee had noted that in addition to the data report presented by the Ozone secretariat, the reports of the Fund Secretariat and of the Implementing Agencies presented to the Committee had revealed special circumstances applying to many of those Parties, such as their very recent ratification of the Protocol or some of its Amendments or problems related to imports of second-hand equipment. The Committee would need to take those circumstances into account when reaching decisions. The Committee had agreed to request the secretariat to write to those Parties potentially in non-compliance with the CFC freeze, asking for an explanation of their reported excess CFC consumption. The Committee had noted that any specific information about the situation in those Parties would be useful but that it would nevertheless still be the responsibility of the Parties themselves to provide explanations for their apparent non-compliance. The Committee had also decided to request the secretariat so prepare a table of Article 5 Parties with potential non-compliance, giving the following information: their dates of ratification of the Protocol and relevant amendments, when they had requested assistance for preparation of their countries programmes, when the country programmes had been approved; whether there were any approved updates of the country programmes; the total funding received under the Multilateral Fund, and the total of ODP tons phased out to date and any relevant special circumstances. The Committee further agreed to request the secretariat to liaise with the Multilateral Fund Secretariat to ensure that the members of the Committee received, in good time, the update of the report by the Fund Secretariat on the status of compliance which had been considered by the Executive Committee of the Multilateral Fund at its thirty-fourth meeting the previous week. The

Committee would be considering further issues of non-compliance in respect of Article 5 Parties at its next meeting.

100. The issue of interaction between the Implementation Committee and the Executive Committee of the Multilateral Fund had been discussed by the Executive Committee of the Fund at its thirty-third meeting in March 2001 in the context of the "Framework for Strategic Planning of the Multilateral Fund During the Compliance Period". At that meeting, the Executive Committee had recognized the need to facilitate further interaction between the two bodies. The meetings of each Committee should be attended by the Chair and Vice-Chair of the other. The Implementation Committee had agreed that in order for the two bodies to facilitate the exchange of information, the Chair and Vice-Chair of the Executive Committee would be invited to future meetings and expressed the wish that the President and Vice-President of the Implementation Committee would participate in meetings of the Executive Committee on a reciprocal basis.

101. The Implementation Committee also discussed a number of other matters. The desirability of early reporting of data was stressed. The Implementation Committee agreed to recommend a decision by the Meeting of the Parties which should strongly urge Parties to report consumption and production data as soon as the figures were available, rather than waiting until the final deadline of 30 September. This would assist the Committee in its consideration of the status of compliance by Parties and in particular provide the secretariat with sufficient time to clarify any inconsistencies. It would also be helpful if all Article 5 Parties provided data for the freeze period 1 July 1999 to 30 June 2000 in order to assist the Technology and Economic Assessment Panel to provide a well-founded report on the level of replenishment needed for the next triennium period - 2003-2005.

102. The Implementation Committee also discussed the issue of the need to prevent the adjustment of reported baseline figures which might be used as a tactic to change a country's compliance status. The Implementation Committee agreed to recommend that the Meeting of the Parties advise Parties that any requests for changes in reported baseline data for the base years would need to come before the Implementation Committee, which would then work with the Executive Committee and the Ozone Secretariat to confirm the justification for the changes and present them to the Meeting of the Parties for approval.

103. The requirement to report data for the years 1986, 1989 and 1991 base years was also raised. Since some Parties might have limited accessibility to such information, the Committee clarified that if precise figures were not available, Parties should submit estimates in line with the requirement under Article 7 of the Protocol.

104. The Committee addressed the issue of whether the classification of pre-mixed polyols as non-controlled substances under the Montreal Protocol provided a possible loophole for continued CFC consumption and how to prevent that situation. It agreed to recommend that the Meeting of the Parties should decide that countries that use CFCs to blend pre-polymers (pre-mixed polyols) were to count that use as CFC consumption. If such products were then exported, that would count against the consumption allowance in the exporting countries and not the importing countries.

105. One representative stated that decision I/12A dealt with finished products such as aerosol cans, refrigerators, fire extinguishers and so on. A prepolymer was a partially polymerized substance which meant that a prior irreversible process had already taken place in it. A prepolymer was thus different from blended polyols which were not polymerized and were therefore raw materials. The CFC in the blended polyols was not irrevocably mixed and in fact could be reclaimed easily. In consequence, the CFCs in pre-blended polyols were to be counted in the importing country and not the exporting country – there would be no double counting.

106. Another representative said that the view expressed by the previous speaker was in direct contradiction with the view of the Implementation Committee that consumption of CFC was required to be counted against the consumption of the country producing the polyol blend, would result in double counting of the same tons and was therefore inconsistent with the Montreal Protocol. Another representative

supported that explanation and added that the general problem of differentiation between ODS-containing mixtures and ODS-containing products would be dealt within the framework of the study related to illegal trade that was to be undertaken based on decision XII/10.

XII. HYDROCHLOROFLUOROCARBONS (HCFCs) FOR PARTIES OPERATING UNDER PARAGRAPH 1 OF ARTICLE 5 (PARAGRAPHS 24-27 OF THE REPORT OF THE TWELFTH MEETING OF THE PARTIES, UNEP/OZL.PRO.12/9)

107. The representative of the European Community introduced an informal paper containing a proposal for a draft decision on the consumption of HCFCs in Article 5 Parties. He felt that the proposal was fully in line with several past declarations made at meetings of the Parties, including those in 1990, 1993, 1995, 1997 and 1998. He explained that, following the discussions on the European Community's previous proposal on HCFCs at the Twelfth Meeting of the Parties, the Community had consulted extensively with stakeholders, including its own member States, members of the like-minded group of countries and several developing countries. Many of those Parties' comments had been incorporated into the proposal.

108. The representative of the Islamic Republic of Iran, speaking on behalf of the Group of 77 and China, expressed appreciation for the work of the European Community and its efforts to take their concerns into account. The group indicated that it was important to develop environmentally sound alternatives to HCFCs which were affordable, available, accessible and cost effective, particularly as HCFC prices seemed likely to increase in the future as a result of declining volumes. Therefore, they stressed the importance of developing countries' having access to affordable, available, accessible and cost-effective substitutes before they could agree to any accelerated phase-out of HCFCs. Issues of safety and impact on the climate also had to be considered when discussing HCFC substitutes. One representative mentioned that to some degree the actual use of HCFCs in Article 5 Parties was related to the Multilateral Fund investment projects.

109. Several representatives preferred to remain with the procedure agreed in decision XI/28 which required a report by the end of April 2003 on the availability of HCFCs in sufficient quantity and quality and at affordable prices for Article 5 Parties. The European Community's proposal seemed to involve prejudging the outcome of that report and take it for granted that HCFC substitutes would be equally available at affordable prices. The time was not ripe to consider any acceleration of the phase-out schedules.

110. Currently, for many applications, HCFCs were the affordable and cost-effective options and it was still the case that there were no commercially viable non-HCFC alternatives for many applications. Many enterprises in Article 5 Parties had already invested in HCFC technologies in order to replace CFCs and did not have the resources to replace HCFC technologies in turn. Accordingly, a premature move to phase out HCFCs would cause considerable uncertainty and retard economic growth in many Article 5 Parties. One representative added that it was important to understand that many enterprises in Article 5 Parties were already experiencing difficulty in adapting their processes to meet import requirements in European countries. Those enterprises needed the whole period until 2040 to make the major investments required and would find any acceleration of HCFC phase-out a major economic burden.

111. It was suggested that the European Community might wish to consider carrying out more demonstration projects of viable substitutes in developing countries, perhaps supported bilaterally or through the Multilateral Fund and workshops to enable proper appraisal of such alternatives. One representative stated that he did not object to asking the Technology and Economic Assessment Panel to gather information as long as it was presented to the Parties purely as information, with no scenarios or recommendations attached; but even so, he doubted that the European Community's proposal allowed the Panel enough time to gather the specified data.

112. Several representatives supported the proposal of the European Community, recognizing the substantial efforts made by the European Community to take Parties' concerns into account. They believed that the study contained in the proposal would provide all the information that all the Parties that had contributed to the discussion wanted. In particular, paragraph (c) of the proposal of the European

Community included consideration of economic and other factors influencing Article 5 Parties' ability to comply with accelerated phase-out schedules. If any proposal to accelerate the phase-out schedule seemed likely to cause problems to Article 5 Parties, then of course Parties would respect that before taking any decision but the study was needed to cast light on those possibilities, and the decision did not itself propose any change in the phase-out schedule. One representative suggested that if paragraph (a) of the draft decision could incorporate consideration of national compliance strategies, that would help to meet Parties' concerns.

113. The representative of the European Community thanked all the Parties that had participated in the discussion for their contributions. He added that the European Community was considering holding a one-day workshop on non-HCFC alternatives at the Thirteenth Meeting of the Parties, involving experts from Article 5 and non-Article 5 Parties and also commissioning case studies in partnership with UNEP/DTIE on alternatives in use in Article 5 countries and their costs.

114. He reminded the meeting that in 1995 the Parties had agreed to review the need for further adjustments to the phase-out schedules for HCFCs in 2000 which meant that it was certainly appropriate to discuss the issue now. It was very difficult, however, to come to any conclusions on the matter in the absence of reliable data on the availability of HCFC alternatives. Therefore, the European Community's proposed study by the Technology and Economic Assessment Panel, would help to provide a road map towards the final goal of total phase-out in 2040; the Community had no intention of changing the 2040 date. All the key elements of decision XI/28 had been included in the draft decision but the proposal was broader, assessing future consumption needs, determining the availability of non-HCFC alternatives and providing a range of phase-out options, all ending in 2040. The process of systematic collection of information before discussion of decisions was a long-held principle of the Montreal Protocol and the draft decision was fully in line with that approach.

115. Summarizing the discussion, the Chair of the Open-Ended Working Group stated that it was very clear that Article 5 Parties were fully committed to meeting their obligations under the Protocol and to their own efforts to phase out HCFCs. Equally, however, for reasons that were understood and accepted by all, Article 5 Parties were very wary of any proposals for adjustments to the phase-out schedule. It was also clear, however, that the draft decision did not seek to make any such adjustments, but, in the tradition of the Protocol, sought to collect information well before any discussion on adjustments. It was also clear that there was much support for the collection of information and the need for further study. On the basis of the discussion and understanding that it implied no commitment to accept the draft decision, it was agreed to forward the proposal of the European Community for discussion at the next meeting of the Open-ended Working Group.

116. The representative of the Islamic Republic of Iran, speaking on behalf of the Group of 77 and China and referring to the Chair's summary, said that the Group supported the type of information and study referred to in decision XI/28 rather than the content of the proposal of the European Community.

XIII. OTHER MATTERS

Proposal for an evaluation study on the financial mechanism of the Montreal Protocol

117. The representative of France submitted a proposal for an evaluation of the financial mechanism of the Montreal Protocol. Some representatives considered that the proposal had merit but several others believed that it was necessary to examine in detail how it related to the replenishment study. Further examination of the proposal and time to study the relevant parts of Agenda 21 and the documentation of the Rio conference were needed. One representative stressed the need to distinguish between the proposal and the work to replenish the Fund. Some other representatives considered that the proposed evaluation was not timely since the Fund was only just embarking on its new strategic, country-focused course. It would be better to carry out such an evaluation at a later stage when the Fund had gained some experience and had completed the transition to its new approach.

118. Another representative considered that the proposed evaluation was timely and should be part of the exercise to prepare for the next replenishment. He wondered, however, whether the existing evaluation mechanism in place within the United Nations had been fully used to evaluate the Fund. That mechanism could include the Sub committee on Monitoring, Evaluation and Finance of the Executive Committee of the Multilateral Fund, the United Nations internal auditor, the semi-independent Office of Internal Oversight Services (OIOS) and the Board of External Auditors and the Panel of External Auditors.

119. The representative of the Islamic Republic of Iran, speaking on behalf of the Group of 77 and China, sought clarification concerning where in the agenda the proposal submitted by France should be considered. He questioned the appropriateness of having a simultaneous discussion on replenishment and on the proposal of France. He also had several questions concerning clarification of the content and the objective of the proposal.

120. The representative of France made oral amendments to the proposal and explained that, for many funds, it was the practice to carry out an evaluation before any replenishment of the fund. In the ten years of the Multilateral Fund, there had been one evaluation, in 1995. Since that date, the Fund had been given a new direction and there had been a number of new developments. An evaluation at the current time would also help to identify where there were obstacles to the implementation of the aforementioned approach. She concluded that any problems over the scheduling of the proposed evaluation could be discussed at the Thirteenth Meeting of the Parties.

121. One representative considered that a periodic evaluation of the Fund was an important tool for providing information to the Parties and assessing the Fund's performance and noted that there had been many changes in the Fund since the last evaluation had been carried out. He suggested a number of amendments to the proposal.

122. The Working Group agreed to forward the proposal for discussion at the Thirteenth Meeting of the Parties. It was also suggested that the representative of France discuss the terms of reference of the evaluation within the framework of the discussions in the open-ended contact group on replenishment

Industrial rationalization

123. The representative of India and the representative of the United States of America presented separate proposals on the implications of industrial rationalization. The concern was expressed that such rationalization might result in de-industrialization or a reduction in installed manufacturing capacity in individual countries. On the other hand, it was pointed out that the purpose of this exercise was to identify significant overcapacity in industrial infrastructure in a given country in order to ensure that money provided by the Multilateral Fund was used effectively for the conversion of economically viable firms. In the interest of clarifying and confirming the intent of the Parties and the spirit of the Montreal Protocol, the Working Group agreed to consider the two proposals at the Thirteenth Meeting of the Parties.

CFC production for MDIs

124. The representative of Cuba and the representative of the United States of America presented separate proposals on CFC production for MDIs, and the related issue of campaign production. In the discussion, it was suggested that the proposals should refer not only to Article 5 Parties, but should also include Parties with economies in transition. Several representatives supported discussion of the issue and one representative suggested that the Executive Committee could put the issue of MDI activities in Article 5 countries on the agenda of its thirty-sixth meeting.

125. A proposal was made to prepare guidelines for the presentation of strategies and projects for the substitution of CFCs in MDIs and to guarantee the necessary transfer of technology to enable countries to produce CFC-free MDIs.

126. Given the recommendation of the Technology and Economic Assessment Panel regarding the advisability of continuing just-in-time production of pharmaceutical-grade CFCs for MDIs for asthma and COPD and the concern on the part of some Parties with regard to the availability of that type of CFC in the changing market, the Working Group agreed to consider the two proposals at the Thirteenth Meeting of the Parties, bearing in mind that any consideration of campaign production of CFCs for MDIs should be looked at carefully in order to avoid jeopardizing the health of patients using those products.

Continued use of ODS for analysis of oil in water

127. The representative of the European Community said that the Community wished to apply for an emergency exemption for a total of 19,850 kgs (19.85 metric tonnes) of CTC and CFC-113 to allow the use of those ODS for analysis of oil in water. Both CTC and CFC-113 were used as solvents in the extraction of oil from water in order to determine the oil content of water. The requirement to monitor water quality derived, in many cases, from local environment authorities. The monitoring parameters, limit values and testing method references were typically listed in a monitoring programme for a particular industry or local municipality. An ODS-free method was dependent on national laboratories operating in the European Community adopting procedures based on the International Standards Organization (ISO) standard. The detection limit of the new ISO standard and the range of oil compounds that it could reliably quantify was in the process of being compared with the ODS-based method. Final approval of the ODS-free methodology and its recognition by ISO was not expected until 2002 or even 2003. The European Community had thus submitted a special-use request for an exemption for the above purposes.

128. The Working Group noted the application made by the European Community which was being discussed by the secretariat and the Technology and Economic and Assessment Panel.

Thirteenth Meeting of the Parties

129. Mr. Thosapala Hewage, Ministry of Forestry and Environment of Sri Lanka, thanked the Parties for their decision to hold their Thirteenth Meeting in Colombo from 15 to 19 October 2001 and gave a presentation on the facilities that would be available to participants for that meeting.

UNEP/DTIE OzonAction Awards to Ozone Officers

130. The observer for an industrial non-governmental organization, the Manitoba Ozone Industries Protection Association (MOPIA), said that his organization would be hosting a capacity-building programme in Winnipeg, Canada, in September 2001 for ozone officers from Article 5 countries who had been awarded the UNEP/DTIE OzonAction Programme awards. The award-winning ozone officers for 2001 were from Bahrain, Burkina Faso and Uruguay.

Statement by Armenia on behalf of the countries with economies in transition.

131. The representative of Armenia, speaking also on behalf of Azerbaijan, Kazakhstan, Mongolia, Russian Federation and Uzbekistan, stated that they recognized the importance of compliance with all the obligations which they assumed as parties to the Montreal Protocol and recalled decision XII/14 adopted by the Meeting of the Parties and paragraph 40 of item 8 of the report of the GEF Council of 11 May 2001 and section V of the report of the twenty-sixth meeting of the Implementation Committee of the Montreal Protocol on the status of compliance with decisions of the Parties by the countries with economies in transition.

132. These Parties expressed the need to create a regional network for the exchange of experience and information and requested international organizations to examine the possibility of considering provision of assistance for the creation of such a network of countries with economies in transition. The Ozone Secretariat was requested to distribute this statement to countries with economies in transition which were Parties to the Montreal Protocol but did not participate in the meeting of the Working Group with a view to final consideration of their statement at the Thirteenth Meeting of the Parties in Colombo.

XIV. ADOPTION OF THE REPORT

133. The present report was adopted on Thursday, 26 July 2001, on the basis of the draft report contained in document UNEP/OzL.Pro/WG.1/21/L.1

XV. CLOSURE OF THE MEETING

134. The Chair declared the twenty-first meeting of the Open-ended Working Group of the Parties to the Montreal Protocol closed at 1.45 p.m. on Thursday, 26 July 2001.

Annex

Essential-use nominations for 2002-2004 recommended by the Open-ended Working Group
For consideration by the Thirteenth Meeting of the Parties
(in metric tons)

	2002		2003	
	CFCs	CFC-113	CFCs	CFC-113
Australia	(1)	-	-	-
European Community	-	-	2539	40
Hungary	1.50	0.25	1.50	0.25
Japan	45	-	-	-
Poland	-	0.85	-	-
Russian Federation	(2)	-	(2)	-
United States	550(3)	-	3270	-
Total	596.50	1.10	5800.50	40.25

Notes:

1. Australia reduced its essential-use nomination for CFC in 2001 and 2002 from 74.95 to 11 metric tons each year.
2. The Russian Federation requested an essential-use exemption for 2002, 2003 and 2004 of 495, 465 and 445 metric tonnes respectively. The Panel recommended essential-use exemption only for 2002 and 2003 subject to clarification of the quantities strictly used for MDI production.
3. The United States nominated a supplemental quantity of 550 metric tons for 2002 (in addition to the quantity approved previously by the Parties in 2000, of 2900 metric tons).
