Comments and questions by Chinese Delegation

on TEAP 2012-2014 replenishment report

1. In the report, it mentioned that USD252.7 million are available in 2011 Business Plan, Since 64th ExCom meeting held in July approved 21 HPMPs including some large consumption countries, would that be possible to recalculate or estimate the funding remaining in 2009-2011 replenishment until the end of the year 2011 (65th ExCom meeting in November may also approve some additional HPMPs) which may help better calculate the funding needed for 2012-2014?

2. UP to July 2011, the ExCom meeting have approved 81 HPMPs, we would like to know:

   1) how many funding were approved for these HPMPs

   2) how many tones of HCFC-22, HCFC-141B, and HCFC-142b are to be phase out by 2015 under these HPMPs, what is the percentage for each substance comparing to the total ODS to be phased out?

   3) what is the average cost effectiveness for those approved HPMPs? And what is the average CE for each substance?

   4) what is the percentage for phase-out amount comparing to the starting point? 15% or more than 15% ?

3. In 2010, many article 5 countries report great increase of HCFC

consumption comparing to 2009. By September, all countries will submit article 7 data to the secretariat. We believe at that time the actual baseline for all countries (average of 2009 and 2010 consumption and production) will be established. We expect this real baseline data could be reflected in the report instead of an estimated baseline (estimation of 8% growth from 2009 to 2010). Meanwhile, the increased HCFCs consumption and production in 2011 and 2012 as well as the phase out amount of HCFCs to meet 2013 consumption and production compliance target shall also be adjusted accordingly.

4. In the report, it doesn't fully consider the cost for phase out of HCFC production, especially for HCFC-22. The excuse was that some HCFC production can be changed from ODS use to feedstock use. We would like to point out that this is different with the practice of previous MLF production phase out projects. Feedstock use is not controlled by Montreal Protocol, and the government cannot interfere. Since the demand for HCFC in foam/refrigeration sector is increasing in recent years and keep increasing, the government could not request producers to reduce their HCFC production for ODS use without providing funding for profit loss.

5. In the report, when calculate the cost for production sector, when suggest 3 USD/kg as CE, it also suggest using 1.5 us$/kg as cost

effectiveness. We would like to know why propose this figure, where does it come from? As we know, 10 years ago, average CE for CFC production phase out was us$3/kg. At that time the price of CFC is **1500** USD/ton, and now due to the increased demand of HCFC, the price of HCFC is over **3500** USD/ton. The profit of production of HCFCs is much higher than that of CFCs, and the producers are reluctant to reduce their production. We would like to suggest when calculating the cost, consider the real profit loss of such reduction, and we hope it could be well presented. We also suggest delete the suggestion on using 1.5 USD/KG as optional CE.

6. For NON-HCFC phase out activities, we would like to emphasis the importance of ODS destruction and management. After successful phase out of CFC/HALON by 2010, the destruction of unwanted ODS and management of ODS bank become more and more important. Now some demo projects for ODS destruction were approved and in the next replenishment period, more activities on ODS destruction and management shall be considered to reduce emission of such ODS. We expect TEAP task force take this into consideration.

7. Because of inflation and depreciation of US dollar, the enterprise have to spend more local currency on conversion to non-HCFC technology or compensate their profit loss, we hope this factor could

be properly considered.

Thank you and we look forward a well prepared supplement report.