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**Co-Chairs' Paper with reflections on the informal consultation on
the proposals to phase out HCFCs, Montreal, 28 July 2007**

1. The Co-Chairs* would like to thank all those who participated in the informal consultation on the proposals to phase out HCFC, which took place on July 28 in Montreal. We have very much appreciated your constructive input into the discussions. As Chairs, we felt that the informal consultation has further improved the understanding of the issues, and has provided an useful opportunity to further discuss and explore each other's views. As we announced at the meeting, we felt it was useful to share with you some of our impressions of the informal consultation, in the form of this co-Chairs reflections paper.
2. This paper is not a formal or comprehensive report of the informal consultation. Instead, its aim is to highlight some of the topics discussed in Montreal, to further facilitate our dialogue and to contribute to an early identification of possible common or converging views. The paper reflects our views only and is, of course, without prejudice to the upcoming discussions or to any final conclusions.
3. Participants recall that the informal consultation did not focus on numbers, percentages, or freeze or phase-out years. We did have a general round of discussions on the baseline and the freeze, in which views on the pros and cons of the various proposals were exchanged. For the most part, however, the discussion focused on the five topics mentioned below. We structured those discussions around a series of questions that we posed to the group in order to gain a more detailed understanding of the various views.

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Funding

4. On the very important issue of funding, we asked the participants to further consider the needs and constraints related to the funding of a possible accelerated phase-out of HCFC. We noted that this would, of course, continue to be one of the crucial issues at our meetings in September in Montreal. In the discussion, the group addressed a variety of topics related to funding, including the current rules on post-1995 facilities and on second conversion, the issue of continuity of funding, the question of end-of-life of equipment, and the relation between funding and the baseline. It goes without saying that on this issue, and at this stage, we, as co-Chairs, are in no position to come to any sweeping conclusions. However, on the basis of the rich and frank discussion at the informal, we like to share the following impressions:
 - (i) No participant questioned the continued use of the MLF as the instrument to assist in the phase-out of controlled substances;
 - (ii) No participant questioned the need to ensure funding continuity (or, to put it differently, the need to avoid major fluctuations from one cycle to the other);
 - (iii) A re-consideration of the current rules on post-1995 facilities and on the second conversion seems, in our view, a necessary element for making progress.

Differentiation

5. One question we posed to the group related to the concept of differentiation, or the “worst first” scenarios. We had a fruitful round of discussions on the possible advantages and concerns of this approach. Several participants recognized that the approach of differentiation had been successful and effective. At the same time, most participants noted that the appropriate level to apply such a differentiated approach was the national/domestic level – this would allow Parties to apply the concept in different forms (e.g. per substance or per sector) and to factor in specific national circumstances. It is therefore the impression of the co-Chairs that the Parties may work towards a common understanding to note the usefulness and benefits of a differentiated approach at the domestic level, but to not include the concept of differentiation (“worst first”) as a prescriptive element in a possible agreement on the adjustment.

Essential use exemptions

6. Another question related to the issue of “essential use exemptions”. We asked the participants to what extent they could envisage, or feel comfortable with, a possible agreement on the adjustment without, at this stage, detailed provisions on “essential use exemptions”. Many participants explained that they could envisage this, but noted that it would be useful to include a signal that the issue would indeed be considered at a later stage. It was considered important to facilitate such future consideration with a TEAP study. On the basis of the interventions made, it is the impression of the co-Chairs that the Parties could come to a common understanding to not yet include in a possible agreement on the adjustment, provisions on essential use exemptions – instead, the possible adjustment should include a signal that such provisions on essential use will be discussed and considered at a later stage, on the basis of, and informed by, a future TEAP study.

Basic domestic needs

7. The co-Chairs asked a similar question related to the concept of basic domestic needs (BDN) – could participants envisage, or feel comfortable with, a possible agreement on the adjustment without, at this stage, provisions on BDN? Most participants could envisage this approach of including the concept at a later stage, noting that such consideration should be based on the needs of A5 Parties. Some participants wished to retain the current percentage for BDN. On the basis of the interventions made, it is the impression of the co-Chairs that the Parties could consider to not already now include provisions on BDN in a possible agreement on the adjustment – instead, the possible adjustment could include a signal that such provisions will be discussed and considered at a later stage, on the basis of, and informed by, a future TEAP study.

Climate benefits

8. We also asked the group to further discuss the climate aspects related to the phase-out of HCFC – an issue included, or referred to, in several of the adjustment proposals. None of the participants denied the possible additional climate benefits involved in an acceleration of the HCFC phase-out. However, views varied on how explicit such additional benefits should feature in a possible agreement on the adjustment. Although this issue, of course, warrants further discussions, as co-Chairs we came to the understanding that most participants felt that, as a minimum:
- (i) the core focus of our discussions should be on protection of the ozone layer;
 - (ii) within the existing ozone framework, additional climate benefits should be actively pursued; and that
 - (iii) pursuing those additional climate benefits is likely to be most practical or effective in the area of developing, applying or assessing viable alternatives.

Looking ahead to September

9. The Co-chairs do realize that some colleagues will find these reflections too bold, while other colleagues may view them as not ambitious enough. Still, as co-Chairs, we shall continue to try to bridge the gap between those different perspectives and will fully respect and do justice to the wishes and concerns of all colleagues, and the Parties they represent. We have confidence that the Montreal Protocol community will live up to its impressive reputation and track-record of international corporation, and of coming up with effective and pragmatic solutions when they are most needed.

With that notion, we look forward to continue our discussions on the proposals for an accelerated phase-out of HCFC in September in Montreal. Our first upcoming gathering is scheduled for Saturday, September 15, in the form a second, informal consultation. At the beginning of that informal, we shall share with you our suggestions on how to move forward on the issues on that Saturday and the days after, at the MOP.