

UNEP WORKSHOP ON CFCs

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TOPIC 6c

Economy of the reduction measures which have been proposed as well as the newly proposed measure

by

Kimio Kurosawa, Steering Committee Chairman,
Japan Freon Gas Association

and

Katsuo Imazeki, Technical Committee Chairman,
Japan Aerosol Association

1) The production capacity cap for CFC-11 and 12

1. If a cap is put on the production capacity for CFC-11 and 12, that would lead to cut in the large opportunity of cost reduction of plant, and producers of CFCs will lose a business opportunity.

Also, if a shift to alternative products is forced upon by some control measure, as we discussed in Topic 4, we can think of shift to CFC-22 in the area of refrigerant, and a shift to HCs in the foam field. However, these shifts would create problems in terms of economy and safety, and they are likely to necessitate a large scale renewal of system on the part of users and major increases in cost, which, in turn, would have a negative impact on the national economy.

2. In addition, we can anticipate that regulation would have a large impact in sacrificing social welfare and equity (as we said in Topic 6a(1) 3). Therefore, from the standpoint of cost benefit, the damage to the national economy is much larger than the achieved effectiveness in control.

2) Reduction of CFCs used in aerosol products

1. As we discussed in Topic 3, the reduction of the use of CFCs in aerosol products in the past created a loss of aerosol markets, and the increase of initial costs of converting equipments capable of handling the more flammable propellants. It thus caused very large losses for the aerosol industry. In addition to the losses suffered by the aerosol industry, it led to lower level of performance due to the use of alternative products and lowering of safety levels. So, to the extent that the public lost an opportunity to use high-quality and safe products, there was a high damaging indirect loss for the people.

2. Now, if the reduction in the use of CFCs in aerosol products (which has reached the limiting point in Japan) is to be pushed further, there would be many technical problems, as we pointed out in Topic 4 above. It will not only lead to a major cost increase and to lowering of safety and quality, it will also make it very difficult for most of the aerosol business in Japan (who are largely small companies) to survive. Thus, such a measure is likely to give birth to a serious problem in the national economy.

3. On the other hand, the effect of the reduction is expected to be small, as we stated in Topic 6a(2) 2, therefore from the cost benefit standpoint, there will be large losses for the national economy in terms of large cost increases and loss of opportunities for the people to use aerosol products.

3) Level control on CFCs production or use per capita

1. If this measure is to be implemented, the control impact can be distributed very equitably and reasonably as we discussed in Topic 6a. (The exact extent of the effectiveness, of course, will depend in part on how the tolerable limit is established).

2. The economic impact will also vary in accordance with how the tolerable limit is set. However, since the question of how much CFCs can be used for different uses can be determined on the basis of specific circumstances prevailing in different countries, it will be possible to minimise the negative economic impact of the reduction of CFCs.

3. Therefore, from the standpoint of cost benefit effectiveness, this measure represents the optimal approach.

Paper No. 22: THE GLOBAL PRODUCTION CAPACITY CAP EQUITY, TRADE IMPACTS,
IMPLEMENTATION AND MONITORING

Lothar Gündling

The global production capacity cap as a regulatory approach for the Protocol on CFC cannot be objected to from the point of view of international law, taking into account the particular aspects of equity, trade impacts, and implementation and monitoring. Any problems that may arise under these particular aspects can be solved.

The global production capacity cap as a regulatory approach is in accordance with the concept of equity. Which legal standard ever is thought of when the argument of "equity" is raised - equity as a maxim to realize the idea of justice or the legal principle of equality of States - : The global production capacity cap is compatible with both. It appears appropriate only to provide, in the CFC Protocol, for a specific clause to meet cases which may arise when Member States are not able to cover their necessary need of CFCs 11 and 12 either by using their existing production capacity, or by imports or by substituting CFCs 11 and 12 by other substances. In these specific cases Member States must be able to increase their production capacities to the necessary extent.

Trade implications, in particular the problems associated with imports of CFCs 11 and 12 from States which do not adopt a production capacity cap, may be solved by providing for an obligation for Member States to control imports of CFCs 11 and 12. An obligation to control imports of CFCs 11 and 12 from States which do not adopt a production capacity cap, does not violate principles of international trade law which might be invoked by other States.

To implement and monitor the global production capacity cap, a reporting system appears possible and appropriate. Member States should be obliged to notify the Secretariat - which may establish a particular Panel - their respective production capacity and to report, in regular terms, on the enforcement within their territory of the production capacity cap and the related obligations.