



Distr.: Limited
26 July 2012

Original: English



**United Nations
Environment
Programme**

**Open-ended Working Group of the Parties to
the Montreal Protocol on Substances that
Deplete the Ozone Layer
Thirty-second meeting
Bangkok, 23–27 July 2012**

**Draft report of the thirty-second meeting of the Open-ended
Working Group of the Parties to the Montreal Protocol on
Substances that Deplete the Ozone Layer**

Addendum

- I. Issues related to exemptions from Article 2 of the Montreal
Protocol (agenda item 4) (continued)**
- A. Nominations for essential-use exemptions for 2013 and 2014 (agenda item 4
(a)) (continued)**

1. The representative of China introduced another conference room paper, prepared by China and the Russian Federation, setting forth a draft decision on the 2013 essential-use nominations of the two parties relating to CFCs for metered-dose inhalers. The draft decision incorporated the quantities recommended by the Technology and Economic Assessment Panel for the Russian Federation but the quantity for China required further discussion.
2. The representative of the Russian Federation, noting that his country had for some time been importing CFCs from China, said that if the draft decision was adopted then the Executive Committee of the Multilateral Fund would need to consider adjusting China's approved production of CFC-11 and CFC-12 to permit it to meet the demand from the Russian Federation for 212 tonnes.
3. One representative suggested that the draft decision should be amended to include, in square brackets, the 386.82 tonnes recommended by the Panel for China alongside the 395.82 requested. The Working Group agreed to the amendment.
4. The Working Group agreed to forward the draft decision, as set out in section [] of annex [] to the present report, to the Twenty-Fourth Meeting of the Parties for further consideration.
5. The representative of the United States of America introduced a conference room paper setting out a draft decision that requested the Scientific Assessment Panel to review the ozone-depleting and global-warming potential of RC-316c, which had been identified by the Chemicals Technical Options Committee during the presentation on the 2012 progress report as a new CFC, not currently controlled by the Montreal Protocol, that was being investigated by the Russian Federation. The draft decision would invite parties to provide information on the substance and would request the Panel to conduct a preliminary assessment and report its findings to the Working Group at its thirty-third meeting.

6. The representative of the Russian Federation said that the substance had already been registered and was already in use in his country's aerospace industry, and thus could not be described as a new substance. Noting that the Secretariat had recently written to his Government to request that it evaluate the ozone-depleting potential of the substance, he suggested that relevant information could be obtained from the makers of the substance, and he said that any party could investigate it without doing so through the Montreal Protocol. His delegation therefore deemed it unnecessary to consider the draft decision.

7. The Working Group agreed that the two parties should discuss the draft decision with the proponent and report to the Working Group on the results of their discussions.

8. *[To be completed]*

B. Quarantine and pre-shipment issues (decision XXIII/5, paragraphs 5–7) (agenda item 4 (c)) (continued)

9. Subsequently, the co-chair of the contact group reported that the group had made considerable progress but finalization of the draft decision was dependent upon the outcomes of the upcoming forty-eighth meeting of the Implementation Committee under the Non-Compliance Procedure for the Montreal Protocol. Consequently, the members of the contact group intended to work intersessionally to resolve outstanding issues prior to the Twenty-Fourth Meeting of the Parties to the Montreal Protocol.

10. The Working Group agreed to forward the draft decision, as set out in annex [] to the present report, with square brackets around the entire text, to the Twenty-Fourth Meeting of the Parties for further consideration, on the understanding that members of the contact group would continue to work to resolve outstanding issues before that meeting.

II. Montreal Protocol treatment of ozone-depleting substances used to service ships (decision XXIII/11) (agenda item 5) (continued)

11. *[To be completed]*

III. Report by the Technology and Economic Assessment Panel on additional information on alternatives to ozone-depleting substances (decision XXIII/9) (agenda item 6) (continued)

12. Following informal discussions among the interested parties, the representative of the United States introduced the conference room paper, which it had submitted in conjunction with Canada and Mexico. She said that the proponents felt that 2012 progress report of the Technology and Economic Assessment Panel contained good information but also gaps, particularly with respect to new technologies and new alternatives, which the draft decision aimed to fill.

13. She went on to describe the draft decision, which requested the Panel to prepare a draft report for consideration by the Open-ended Working Group at its thirty-third meeting and a final report to be submitted to the Twenty-Fifth Meeting of the Parties. The report would identify and describe, for each sector and end-use, the efficacy of all low-global-warming-potential alternatives to HCFCs and CFCs, both currently deployed and expected to be available in specified future periods that reflected key implementation years for phase out. The draft decision also called for analysis of the technical and economic feasibility of options and aimed to avoid increased use of high global warming potential alternatives. It also requested additional information on alternatives suitable for use in high ambient temperatures, including how such temperatures might affect efficiency or other operational parameters, as well as an estimate of the proportion of high-global-warming-potential alternatives that could be avoided or eliminated. Parties in a position to do so were encouraged to provide data on current and historical annual production and consumption of individual hydrofluorocarbons and to promote policies and measures aimed at avoiding the selection of high-global-warming-potential alternatives in applications where there were alternatives that minimized impacts on the environment.

14. Two representatives expressed support for the proposal, saying that it reflected the questions and concerns expressed in earlier debate, and asked for an opportunity for further discussion.

15. One representative recalled that a similar proposal had been discussed at the Twenty-Third Meeting of the Parties and had resulted in decision XXIII/9, requesting the Technology and Economic Assessment Panel to prepare a report for consideration by the Open-ended Working Group at its thirty-second meeting, and said that he could support an update of that report provided that it respected

the terms of decision XXIII/9. Another said she did not support the proposal because the mandate was impractical, as the Panel's report made it clear that alternatives were still in the development stage and were not yet commercially available.

16. Taking into account the many questions and expressions of interest in further debate based on the outcome of the Panel's report, the Working Group agreed to form a contract group, Co-Chaired by Ms. Anne Gabriel (Australia) and Mr. Leslie Smith (Granada), to discuss the matter further.

17. *[To be completed]*

IV. Nomination and operational processes of the Technology and Economic Assessment Panel and its subsidiary bodies and any other administrative issues (decision XXIII/10) (agenda item 9) (continued)

18. Subsequently, the representative of the United States of America introduced a conference room paper setting out a draft decision on the terms of reference, code of conduct and disclosure and conflict of interest guidelines for the Technology and Economic Assessment Panel and its technical options committees and temporary subsidiary bodies.

19. The Working Group agreed that the contact group previously established under the item would consider the draft decision.

20. *[To be completed]*

V. Proposed amendments to the Montreal Protocol (agenda item 10)

21. The representatives of the United States of America, Canada and Mexico presented a proposal to amend the Montreal Protocol to include hydrofluorocarbons (HFCs,) contained in document UNEP/OzL.Pro.WG.1/32/6. They explained that the proposal was very similar to the proposal they had made in 2011, but that the proposed phase-down schedule had been simplified, and that by-product substances emitted from approved projects under the Clean Development Mechanism, as long as they continued to generate emissions reduction credits, would be exempted from the proposed controls.

22. They argued that the Montreal Protocol was the appropriate forum to deal with the topic, as HFCs were being introduced entirely as replacements for ozone-depleting substances, an unintended consequence of the remarkable success of the Protocol. Furthermore, HFC consumption was increasing very rapidly and was likely to continue to do so in the absence of signals to the market that it should develop and commercialize low-GWP alternatives suitable for all countries.

23. The Vienna Convention for the Protection of the Ozone Layer specified that parties should harmonize policies to limit adverse effects resulting from the phase-out of ozone-depleting substances, made it clear that it was legally possible to cover HFCs under the Montreal Protocol. In any case, the Executive Committee of the Multilateral Fund was already taking action to limit the climate impact of the phase-out of HCFCs, and no fewer than 128 parties operating under paragraph 1 of article 5 had already had phase 1 HCFC phase-out management plans approved.

24. In addition, over the three years during which the issue had been discussed, there had been significant progress in the development of cost-effective alternatives to HFCs, as illustrated in the 2012 progress report of the Technology and Economic Assessment Panel and in the conference on advancing ozone and climate protection technologies held just before the current meeting. There was also a much greater awareness of the issue and a much better understanding of concerns surrounding it. Many countries had expressed a desire to avoid developing a dependence on HFCs in their efforts to phase out HCFCs.

25. World leaders meeting at the United Nations Conference on Sustainable Development in June, had recognized the urgency of the case. In paragraph 222 of the Conference outcome document they acknowledged that the phase-out of ozone-depleting substances was resulting in a rapid increase in the use and release of high global-warming potential HFCs to the environment and expressed support for a gradual phase-down in the consumption and production of HFCs. The explicit reference to the phase-down of consumption and production reinforced the arguments for the proposed amendment, which used exactly the same language. Similarly, the formation of the Climate and Clean Air Coalition,

aimed at taking action on short-lived climate forcers, demonstrated widespread international support for the measure.

26. The institutions of the Montreal Protocol – the scientific and technology and economic assessment panels, the Multilateral Fund and its implementing agencies, and the parties, working together to develop national regulations – put the Protocol in a uniquely favourable position from which to address HFCs, and they obviated the need to start from scratch or duplicate those bodies elsewhere. The Protocol had proved to be an effective tool in phasing out ozone-depleting substances over the last twenty-five years, and could continue to be so for the joint aims of climate and ozone protection.

27. The proponents of the amendment acknowledged the views of parties who felt that HFCs would be better controlled under the United Nations Framework Convention on Climate Change (UNFCCC), but said that the Montreal Protocol possessed the expertise and experience to make it a far more efficient forum in which to phase down HFCs, just as it was managing to phase down HCFCs.

28. In conclusion, they called on all parties to enter into a fruitful discussion and an open exchange of views. In response to a question, they clarified that the amendment proposed a phase-down rather than a total phase-out in recognition of the fact that alternatives did not yet exist for all uses. The proposals in the amendment for control measures adjusted by global warming potential would facilitate a transition from high-GWP substances through low-GWP alternatives, such as hydrofluoroolefins (HFOs). In the future, as more alternatives developed, the Protocol's adjustment procedure could be used if parties agreed that the phase-down should be accelerated.

29. The representative of the Federated States of Micronesia also presented a proposed amendment to the Protocol, contained in document UNEP/OzL.Pro.WG.1/32/5. Rather than going through his proposal in detail, he drew attention, through the use of poetic allegory, to the dangers of over-consumption inherent in the current model of development. If all countries aimed to reach the consumption level of the so-called developed countries, he said, the world would require the resources of between five and nine earths, and the consequences would threaten the very survival of some countries, such as those located on small islands. Countries had to learn to use resources efficiently and to live within natural limits.

30. He recalled that, in effect, HFCs were born out of the Montreal Protocol, not out of the Framework Convention on Climate Change, and said that it would be irresponsible for parties to ignore that fact. Parties were faced with a clear choice: develop a global framework for the phase-down of HFCs, or accept the consequences of regulations developed in parties such as the United States or the European Union, which were already taking action to reduce HFC use.

31. In conclusion, he drew attention to the growing number of parties that were calling for action on HFCs and encouraged all parties to adopt a change in mindset, saying that the problem could not be solved by adopting the same mindset that had created it in the first place.

32. Many representatives welcomed the proposals and congratulated their proponents for their perseverance in raising the issue. Many drew attention to the growing emissions of HFCs and the increasingly severe impacts of climate change. Many representatives also highlighted the outcome of the Conference on Sustainable Development on HFCs, saying that it was an important new development and an imperative signal for action. Having discussed the issue for the last three years, the time was ripe for decision.

33. Other representatives, however, said that there was a need to avoid rushing to adopt new measures, particularly in the light of the current global economic crisis and given the fact that the first deadline for HCFC phase-out in parties operating under paragraph 1 of article 5 was in less than six months. Given the limited financial support available, the Montreal Protocol parties should give priority to their existing commitments rather than to creating new ones.

34. Several representatives expressed concern at the potential impact on parties operating under paragraph 1 of article 5 and called for greater clarity regarding the additional financial support that would be necessary. One representative recalled that at the Twenty-Third Meeting of the Parties, parties not operating under that paragraph had agreed to a replenishment of the Multilateral Fund at the lower end of the estimates of what was needed; given that lack of financial ambition, actions directly related to the scope of the Montreal Protocol, such as the phase-out of HCFCs, should be given priority.

35. Several representatives expressed concern over what they said was uncertainty regarding the technical and economic viability of potential non-HFC alternatives to HCFCs, particularly for parties operating under paragraph 1 of article 5. As the report of the Technology and Economic Assessment

Panel had shown, replacements still did not exist for all HCFCs, including in particular HCFC-22. Such replacements as were available often suffered drawbacks such as flammability, toxicity or poor energy efficiency, which meant that they could make the problem of climate change worse, not better, and contribute to other environmental problems such as acid rain. Many alternatives could only be used in low-charge systems such as domestic or mobile air-conditioning and were not suitable to larger systems.

36. In response, one representative said that domestic and mobile air-conditioning accounted for a very significant proportion of current HCFC and HFC consumption and that major projects to convert to hydrocarbons were already under way in some parties operating under paragraph 1 of article 5.

37. One representative pointed to the fact that many companies were already commercializing low-GWP alternatives to ozone-depleting substances, demonstrating that there was currently no need to amend the Montreal Protocol; once new alternatives had become available for all uses, the issue of amending the Protocol could perhaps be considered. One representative responded that had such an approach been taken to the phase-out of CFCs, the Montreal Protocol would never have come into being; when it was agreed, alternatives to CFCs did not exist in all sectors.

38. Many other representatives pointed to the wide range of alternatives presented at the technology conference before the meeting of the Open-ended Working Group as evidence that an amendment was timely. The GWP-weighted phase-down process proposed in the amendment allowed for the fact that alternatives were not currently available for all uses, and would act as a spur to new commercial developments – just as the Montreal Protocol had done in the case of CFCs and HCFCs. New regulation was needed to set the framework for innovation, create certainty for industry and maximize environmental benefits; the amendment was a fair and cost-effective proposal.

39. Some representatives said that HFCs should not be subject to the Montreal Protocol because they were not ozone-depleting substances and thereby fell outside its scope. Others said that the United Nations Conference on Sustainable Development outcome document did not specify any particular treaty under which action should be taken. The Framework Convention on Climate Change and its Kyoto Protocol should be regarded as the primary forum in which to tackle the issue, in line with the principle of common but differentiated responsibility – particularly as discussion of the second commitment period of the Kyoto Protocol was currently under way. As greenhouse gases covered by the Kyoto Protocol, HFCs should be addressed under that instrument by Annex I parties in accordance with their responsibilities. One representative regarded the amendments as an attempt, in effect, to merge the climate and ozone regimes, a step that could only be taken, if at all, by a joint meeting of the parties to both treaties.

40. Some representatives called for better coordination between the two regimes as an alternative way forward. Others observed that complementary approaches, such as the provision of additional funding for low-GWP alternatives to ozone-depleting substances, were possible and had already been adopted under the Montreal Protocol.

41. Other representatives, however, pointed out that the Kyoto Protocol controlled only emissions of HFCs, whereas the amendments proposed to control their production and consumption; the two approaches were entirely complementary and represented a coherent attempt to address the issue. In addition, the matter of whether it was possible to amend the Protocol to incorporate HFCs had been discussed at length at previous meetings and the legal justification had been set out clearly in the report of the Twenty-Third Meeting of the Parties. There were many precedents for actions aimed at mitigating climate change under the Montreal Protocol.

42. One representative added that under the terms of the Durban Platform of the Framework Convention a new climate treaty would not enter into force for another eight years at the earliest, and argued that the parties could not wait that long to take action on HFCs given the rapid increase in their production and consumption. The Montreal Protocol had established an efficient and effective regime that was well suited to controlling HFCs.

43. Some representatives called for parties not operating under paragraph 1 of article 5 to take voluntary action to discourage the use of HFCs through their own regulatory processes, in preference to amending the Montreal Protocol. In response, the representative of the European Union pointed to the Union's commitment, adopted in 2011, to reduce its non-carbon dioxide emissions by 70–80 per cent by 2050, as well as regulations governing HFCs applicable to all member States. The representative of Switzerland said that his country was in the process of revising its domestic regulations to restrict HFCs in the light of the growing availability of alternatives.

44. Some representatives expressed concern that subjecting HFCs to the Montreal Protocol could set a precedent for other non-ozone-depleting chemicals. Others, however, argued that the growth in HFC use was a direct consequence of the Montreal Protocol, and in particular of the phase-out of HCFCs, and that it would be irresponsible of the Protocol not to recognize and address that.

45. Many representatives suggested that a contact group should be established to allow for a full discussion of the proposed amendments and all related issues. Some added that many of the concerns that had been raised by critics of the proposal could only be discussed at length within a contact group, and that it was unfair to critics to block such a group's establishment. Since agreeing to the establishment of a contact group did not imply support for the specific proposals in the amendments, there was no reason to oppose it. Different formats or titles for the discussions were possible if the term "contact group" was unsatisfactory.

46. Other representatives objected, however, arguing that HFCs fell outside the scope of the Montreal Protocol and that it would therefore be wrong to establish a formal contact group. Informal discussions could proceed between interested parties if they so wished.

47. Responding to the arguments, the proponents of the amendment proposed by the United States, Canada and Mexico highlighted the fact that many of the arguments raised by the critics of the proposal had been raised before and had been answered, in detail, in an information document circulated before the Twenty-Third Meeting of the Parties. The document, which they intended to update and re-circulate, had included information on the scientific, technical and economic aspects of low-GWP alternatives to HCFC, and the technology conference held before the current meeting had underlined the extraordinarily dynamic state of technological innovation in the area.

48. The phase-down in the proposed amendment represented a gradual, step-by-step approach to reducing HFC use progressively as new alternatives became available. Furthermore, it was clear that the proposal did not aim to place an unfair burden on parties operating under paragraph 1 of article 5; parties not so operating would face a faster phase-down process, which would not be easy to achieve but was nevertheless necessary. They acknowledged the concerns of parties operating under paragraph 1 of article 5 about the need for additional funding, and pointed out that additional financial support was already available for low-GWP alternatives through the Multilateral Fund. If HFCs were added to the Protocol additional funding would need to be provided to assist with their phase-out. It would be useful to commission a study to estimate how much funding was likely to be necessary, but that had not been blocked by critics of the proposal.

49. The arguments for including HFCs in the Montreal Protocol did not rest primarily on the success to date of the agreement, but on the fact that the Protocol was uniquely placed to tackle the issue, given its experience in phasing out substances in exactly the same sectors in which HFC use was expanding. In addition, as had been pointed out, HFC use was a direct consequence of the good work carried out under the Protocol. Furthermore, there was no reason not to consider climate objectives under the Protocol; they were already routinely taken into account, for example in many decisions of the Executive Committee of the Multilateral Fund.

50. The proposition that a particular class of substances could only be dealt with under one treaty was unjustified. There were many examples of treaties successfully working together on common problems, including HCFC use being addressed by the MARPOL Convention and methyl bromide use being addressed by the International Plant Protection Convention. Including HFCs in the Montreal Protocol would in no way undermine the climate regime; rather, it would reinforce it, helping to phase out an estimated 96 billion tonnes of carbon dioxide equivalent by 2050, with a very significant positive impact on the climate. It was difficult to understand why that should be regarded as objectionable.

51. In conclusion, and acknowledging the genuine concerns raised by parties about some of the proposals, they said that they looked forward to discussing them further in a contact group.

52. The representative of the Federated States of Micronesia dismissed the arguments that HFCs could not be included in the Montreal Protocol, arguing that it was the parties to the Protocol that had the sole responsibility for interpreting its applicability. This was not only a legal possibility but a moral imperative. He recognized the genuine concerns regarding the technical and economic feasibility of alternatives to HFCs, and looked forward to discussing them in a contact group.

53. The representative of an environmental non-governmental organization recalled the exact wording of the Vienna Convention and the Montreal Protocol, which clearly indicated that the phase-out of ozone-depleting substances should not proceed in a vacuum, but with reference to all relevant scientific and environmental impacts, including in particular climatic effects. Blocking the

establishment of a contact group and failing to act on HFC phase-down represented an abrogation of the obligations all parties assumed when they ratified the Montreal Protocol and its amendments.

54. The representative of another environmental non-governmental organization highlighted the gathering evidence of serious climatic change and the present gap between the greenhouse gas emissions reductions needed to prevent runaway climate change and existing national commitments. The rapid phase-down of HFCs was one of the most readily available measures to protect the climate in the short term, and their use should be completely eliminated by 2020. He called on parties to support the amendments and to enact domestic measures to reduce HFC use. Should HFCs not be incorporated into the Montreal Protocol, the Meeting of the Parties and the Open-ended Working Group should meet every two years rather than annually.

55. The representative of an industry non-governmental organization from China said that the members of his organization had a good record in phasing out CFCs and that efforts were being made to phase out HCFCs. The failure of the Executive Committee of the Multilateral Fund to approve funding for HCFC production sector phase-out, however, was likely to cause them serious problems, and meant that the industry could not promise to meet the HCFC freeze scheduled for January 2013. Adding in new restrictions on HFCs, which were potential alternatives to HCFCs, could only cause additional problems. Parties to the Montreal Protocol should afford a higher priority to assisting parties operating under paragraph 1 of article 5 than to phasing out HCFCs.

56. Summing up the discussion, the co-chair proposed the formation of a contact group on a dialogue on possible actions by the Montreal Protocol to minimize the further introduction of high-GWP HFC alternatives related to phasing out HCFCs. The group could consider a broad range of issues, including the need for scientific information on trends in HFC use, the technical and economic feasibility of low-GWP alternatives, legal questions with regard to a possible extension of the Montreal Protocol, possible policies and procedures that could be adopted to minimize the introduction of high-GWP HFC alternatives to HCFCs, and financial and cost considerations.

57. The group's discussions would proceed without any prejudice to any possible outcome of discussions under any other relevant multilateral environmental agreement, including the Framework Convention on Climate Change. She emphasized that the proposed terms of reference for the group aimed at taking a step back from the specific provisions of the proposed amendments and facilitating discussion of the many related issues that parties had raised as matters of concern. In response to questions, she clarified that the ideal outcome of the discussions would be the identification of issues that could be taken forward under the Montreal Protocol for negotiation at a later stage. She suggested that all parties would benefit from a full exchange of views.

58. Some representatives objected to the proposal, saying that the matter was better dealt with under item 6 of the meeting's agenda, that the report of the Technology and Economic Assessment Panel already provided information on low-GWP alternatives, and that in the absence of clear alternatives to key uses of HCFCs there was little point in discussing the matter any further.

59. After further discussions, including informal consultations, the co-chair reported that despite the best efforts of all parties, it had not proved possible to reach consensus to establish a contact group. She thanked parties for the flexibility they had displayed and the constructive nature of the discussions.

60. Several representatives expressed disappointment at the outcome, particularly given that a clear majority of the parties had expressed support for the proposals. They said that the current stalemate on the issue was a missed opportunity to realize significant benefits for climate protection and that they looked forward to working with colleagues to advance the proposals at the Twenty-Fourth Meeting of the Parties. One representative expressed surprise at some parties' desire to pass the responsibility for dealing with HFCs to the Kyoto Protocol, given that it was the Montreal Protocol that had created the problems.

61. Other representatives, however, while stating their shared concerns over climate and ozone protection, reiterated the view that the Montreal Protocol was not the appropriate forum in which to consider HFCs and said that the Framework Convention on Climate Change provided the right forum.

62. Another representative said that the time might be approaching when the parties needed to consider proceeding through methods other than consensus. Responding to a question, the representative of the Secretariat confirmed that so far the Montreal Protocol had always taken decisions by consensus, saying that that had been an important reason for its success.

63. All representatives who took the floor thanked the co-chair for her hard work and constructive efforts in trying to find a way forward. The Working Group agreed to forward the proposed amendments, enclosed in square brackets to indicate a lack of agreement, for consideration by the Twenty-Fourth Meeting of the Parties.

VI. Other matters (agenda item 11) (continued)

A. Discrepancies between reported export and import data (continued)

64. [To be completed]

B. Funding for HCFC production facilities

65. [To be completed]

C. Feedstock uses of ozone-depleting substances

66. The representative of the European Union introduced a conference-room paper setting out a draft decision on feedstock uses. He noted that quantities of ozone-depleting substances used for feedstock were currently over 1 million tonnes and were expected to grow, and there was a risk that significant amounts of ozone-depleting substances could be diverted to uses restricted under the Montreal Protocol.

67. He recalled that in its 2012 progress report the Panel had found that the use of carbon tetrachloride in the production of vinyl chloride monomer could be considered to be a feedstock use rather than a process agent use and that the parties had earlier, in decision XXIII/7, decided that such use would be considered to be a feedstock use, on an exceptional basis, until 31 December 2012.

68. He then gave a brief overview of the key provisions of the draft decision, which among other things would remind parties that reporting on quantities of ozone-depleting substances used as feedstock was obligatory under article 7 of the Montreal Protocol, call on them to refrain from commissioning new production facilities using ozone-depleting substances as feedstock when alternatives were available, request them to identify processes in which ozone-depleting substances were used as feedstock in their territories and report them to the Ozone Secretariat along with information on any new alternatives to feedstock uses, and request them to consider introducing labelling requirements for ozone-depleting substance containers.

69. Representatives thanked the European Union for submitting the draft decision, several noting that a similar proposal had been considered the previous year. They expressed reservations regarding the proposal but said they were willing to discuss the issues further. One said that the draft decision should be discussed as countries operating under paragraph 1 of article 5 were working hard to phase out ozone-depleting substances and had little time or energy for the additional effort that would be needed to implement it.

70. One representative suggested that there should be no further discussion of the matter because feedstock uses were not controlled by the Montreal Protocol. Another representative said in response that it was appropriate to consider a draft decision about feedstock monitoring, labelling and reporting issues given that the Multilateral Fund had been requested to consider funding projects to monitor and minimize emissions of carbon tetrachloride used as feedstock.

71. The Working Group agreed that the parties that had taken the floor would discuss the matter further and report to the Working Group on the outcome of their discussions.

72. [To be completed]

D. Mobilization of financing from sources other than the Multilateral Fund for maximizing the climate benefits of the accelerated phase-out of HCFCs

73. The representative of Switzerland introduced a conference room paper setting out a draft resolution on the mobilization of financing from sources other than the Multilateral Fund for maximizing the climate benefits of the accelerated phase-out of HCFCs. The draft decision invoked decision XIX/6, which encouraged parties to select alternatives to HCFCs that minimized climate impacts and called on the Executive Committee of the Multilateral Fund to prioritize relevant, cost-effective, projects and programmes. While the Executive Committee had suggested at previous meetings that such climate impacts could be addressed under the Fund, some parties operating under paragraph 1 of Article 5 had expressed a willingness to seek other sources and, to enable the Fund's limited resources to be devoted to phase-out management plans, donor countries had shown a willingness to provide additional funding.

74. The Executive Committee had previously considered a similar proposal but had been unable to reach a conclusion. The present draft decision therefore sought to simplify procedures by establishing a funding window for the provision of resources to supplement existing pledges to the Multilateral Fund. Those resources would be reserved for projects aiming to eliminate high-global-warming-potential alternatives to HCFCs that had been turned down on the grounds that their incremental costs exceeded the cost-effectiveness thresholds agreed by the Executive Committee. The draft decision provided ideas as to how the funding window might operate and was designed to garner comments and suggestions on such questions as eligibility for – and the collection and use of – emission-reduction credits.

75. In the ensuing discussion, a number of representatives said that they saw merit in aspects of the proposed draft decision, but suggested that further discussion was needed. Some representatives sought clarification on the nature and sources of the proposed funding.

76. One representative asked whether putting forth the draft decision did not constitute an implicit acknowledgment that previous funding from parties not operating under paragraph 1 of Article 5 had been inadequate. The representative of Switzerland said that the proposal implied not a shortage of funds but rather the lack of an adequate vehicle for mobilizing them in such a way as to maximize climate benefits.

77. One representative said that financing for incremental costs beyond those covered under the Multilateral Fund was a delicate matter with potential implications for the future replenishment of the Fund and for future funding possibilities under the Global Environment Facility, as well for the approval and funding of future HCFC phase-out management plans. He also said that no decision had been reached on the Multilateral Fund Climate Impact Indicator, which was proposed in the text as a means of establishing the climate impact of alternatives. Another representative said that the guidelines for developing HCFC phase-out management plans asked implementing agencies and parties, when preparing plans, to explore other sources of funding to maximize climate benefits, so the proposed draft decision was redundant. She added that the experience of her party was that mobilizing additional funding was in reality very difficult, and said that her country favoured the current practice of the Multilateral Fund of enhancing support for climate-friendly technologies in project development.

78. The Working Group agreed that interested parties would discuss the matter and report to the Working Group on the results of their discussions.

E. Update on the Bali Declaration

79. Introducing the item, the representative of Indonesia recalled the Bali Declaration on Transitioning to Low Global Warming Potential Alternatives to Ozone Depleting Substances, which had been adopted at the combined ninth meeting of the Conference of the Parties to the Vienna Convention and Twenty-Third Meeting of the Parties to the Montreal Protocol. A total of 94 parties had signed the Declaration to date, and it would remain open for signature until the Twenty-Fourth Meeting of the Parties the following November. She said that the Montreal Protocol, a model of effective international cooperation, faced a serious challenge in the form of high-GWP alternatives to ozone-depleting substances. Arguing that the Bali Declaration provided a means of facing that challenge by working toward a transition to low-GWP alternatives to ozone-depleting substances, she urged all parties to sign the declaration before it closed for signature.

80. One representative took the floor to express his Government's full support for the Bali Declaration, commending Indonesia on the leadership it had shown in drafting the Declaration, and urged other parties to sign it before the Twenty-Fourth Meeting of the Parties.

81. The Co-Chair invited interested parties to continue discussing the Bali Declaration informally and to seek any necessary clarification from the delegation of Indonesia.

F. Clean production of hydrochlorofluorocarbon-22 through by-product emission control

82. The representative of Mexico introduced a conference room paper containing a draft decision on clean production of HCFC-22 through by-product emission control, submitted by Burkina Faso, Canada, Comoros, Egypt, Mexico, Senegal and the United States of America. He said that the draft decision had been developed in response to the fact that certain facilities or production lines emitting HFC-23 as a by-product of HCFC 22 production did not earn emission reduction credits under the Clean Development Mechanism; accordingly, the draft decision proposed that the Executive

Committee of the Multilateral Fund should consider proposals for cost-effective demonstration projects aiming to eliminate those by-product emissions, and requested the Technology and Economic Assessment Panel to conduct a study of the costs and benefits of such projects.

83. A number of representatives said that the draft decision warranted further consideration. One representative, speaking on behalf of a group of countries, said that the issue was linked to feedstock uses and should be considered in relation to that matter. Another representative said that while production of HCFC-22 would be reduced in the near future due to the phase-out of production and consumption of HCFC, production might continue for some time for feedstock uses and that it was the responsibility of the Montreal Protocol to deal with the adverse consequences of its decisions. In addition, it would be useful to start collecting data on the cost-effectiveness of measures to control HFC-23 emissions during the production of HCFC-22.

84. One representative, supported by another, said that control of emissions of HFC-23 fell under the purview of the United Nations Framework Convention on Climate Change and thus was not within the mandate of the Montreal Protocol; nor was clean production an element of decision XIX/6 of the Meeting of the Parties, dealing with the accelerated phase-out of HCFCs. A proponent of the draft decision said that it was consistent with work being undertaken under the Executive Committee of the Multilateral Fund to develop projects to phase out ozone-depleting substances while taking account of the ensuing climate benefits, suggesting that the voluntary development of projects that shed light on the cost-effectiveness of such action would facilitate the work of the Montreal Protocol. Another representative said that, in line with decision XIX/6, the proposed draft decision would assist in gathering information that would help the development of projects with reduced environmental impacts and would clarify the implications of the various financing options being considered by the Executive Committee.

85. The Working Group agreed that interested parties should discuss the matter informally and report to the Working Group on the results of their discussions.

86. *[To be completed]*

G. Implications of the outcome of the recently concluded United Nations Conference on Sustainable Development on implementation of the Montreal Protocol

87. The representative of Saint Lucia introduced a conference room paper submitted by Saint Lucia and Trinidad and Tobago on the implications for the implementation of the Montreal Protocol of the United Nations Conference on Sustainable Development. She recalled that paragraph 178 of the outcome document of the United Nations Conference on Sustainable Development recognized small island developing states as special in view of their unique and particular vulnerabilities, including their small size, remoteness, narrow resource and export base, and exposure to global environmental challenges and external economic shocks. Noting that 39 of the 197 parties to the Montreal Protocol were recognized by the United Nations as small island developing States, she explained that the draft decision would ask the parties to recognize their vulnerabilities and take them into account when asking these States to meet their Protocol obligations and considering their efforts to select and make the transition to longer-term energy-efficient, ozone- and climate-friendly alternatives.

88. Many representatives, including those of other small island developing States, expressed support for the draft decision. Some nevertheless expressed caution with regard to the complexity of the issue, and called for further discussion to enable them to better understand the aim and implications of the proposed operative paragraph. Two representatives said that they hoped that the scope of the proposal could to be broadened to include other countries and their vulnerabilities in the face of climate change.

89. One representative said that he opposed discussion of the proposal, as paragraph 178 of the Conference on Sustainable Development outcome document made no mention of ozone-depleting substances.

90. Several representatives expressed reservations regarding the establishment of a contact group for further discussion. Another suggested that given the small amount of time left for discussion during the current meeting, the matter could be discussed intersessionally. The Working Group agreed that interested parties should hold informal consultations.

91. *[To be completed]*

VII. Adoption of the report (agenda item 12)

92. [To be completed]

VIII. Closure of the meeting (agenda item 13)

93. [To be completed]
