



## MOP-13 HIGHLIGHTS TUESDAY, 16 OCTOBER 2001

Following an opening ceremony, delegates addressed organizational matters, the terms of reference (TOR) for the Multilateral Fund replenishment study, the proposal for an evaluation of the financial mechanism, the review of the fixed-exchange-rate mechanism, Article 5 Parties' HCFC phase-out schedule, new ozone-depleting substances (ODS), and industrial rationalization.

### OPENING CEREMONY

MOP-13 opened with a cultural ceremony that included a MOP-13 theme song sung by Sri Lankan school children and a performance by the Sri Lankan Army Band. Dinesh Gunewardana, Sri Lankan Minister of Transport and Environment, welcomed delegates. He said Sri Lanka plans to ratify the Beijing Amendment within the year and highlighted domestic measures to reduce ODS consumption, including the conversion of CFC-consuming refrigerator factories, a CFC recovery programme, research on methyl bromide alternatives in tea production, and regulation of ODS imports. He noted that Sri Lanka aims to phase out CFCs by 2005, five years ahead of schedule.

Michael Graber, Deputy Executive Secretary and Officer-in-Charge, Ozone Secretariat, welcomed participants to the preparatory segment on behalf of UNEP Executive Director Klaus Töpfer. Noting the outstanding rate of reporting by Parties on their ODS production and consumption data, Graber highlighted the contribution of national ozone units, the Multilateral Fund and implementing agencies in achieving this result. Regarding the date and venue of MOP-14, he noted that, in the absence of an offer to host the meeting, it would take place in Nairobi from 25-29 November 2002. He urged delegates to remain focused on combating ozone depletion, as much remains to be done.

### PLENARY

**ORGANIZATIONAL MATTERS:** Preparatory Segment Co-Chair Milton Catelin (Australia) invited delegates to comment on the provisional agenda (UNEP/OzL.Pro.13/1) and organization of work for MOP-13. CANADA proposed that an informal group be formed to consider guidance for non-Article 5 countries on preparing essential-use nominations for methyl bromide, and that the results be presented to the MOP under agenda item 6 (other matters). The US said it would present two conference room papers (CRPs), on the hiring of the Ozone Secretariat Executive Secretary and on the preparation of draft decisions. AUSTRALIA proposed that the nomination of new Co-Chairs to the foams and methyl bromide Technical Options Committees be considered under agenda item 6. BELGIUM, on behalf of the EU, noted its submission of CRPs on the financial mechanism's performance and on the fixed-exchange-rate mechanism, and proposed allotting time to prepare a contribution to the World Summit on Sustainable Development. The EUROPEAN COMMUNITY (EC) announced

its intent to introduce CRPs on: n-propyl bromide (nPB); expedited procedures for adding new ODS; procedures for assessing the ozone-depleting potential (ODP) of new ODS; and process agents. Delegates adopted the agenda as amended.

**TOR FOR THE 2003-2005 MULTILATERAL FUND REPLENISHMENT STUDY:** Co-Chair Catelin recalled that an open-ended working group on the TOR had been established at OEWG-21 and noted his intention to convert this group into a small closed contact group with equal representation of Article 5 and non-Article 5 Parties.

**PROPOSAL FOR AN EVALUATION OF THE FINANCIAL MECHANISM:** The EU commented that the evaluation's objective would be to improve the Multilateral Fund's efficiency and the quality of projects funded. He proposed that the evaluation be considered at MOP-15 with subsequent periodic evaluation, and suggested that a process for an independent study be launched.

**REVIEW OF THE FIXED-EXCHANGE-RATE MECHANISM:** Theodore Kapiga, Multilateral Fund Treasurer, outlined the interim review of implementation of the fixed-exchange-rate mechanism (UNEP/OzL.Pro.13/6). He said that for Parties using the fixed-exchange-rate mechanism in 2000 and 2001, the Fund incurred a loss of US\$11.46 million. He noted an overall loss of 3.9% for 2000 and 2001 due to the fixed-exchange-rate mechanism. He projected a total loss of US\$34.5 million for the entire triennium. Andrew Reed, Multilateral Fund Secretariat, said the mechanism causes uncertainty in business planning and project approval. He estimated that the projected shortfall for the triennium could jeopardize the phase out of 6,272 ODP tonnes.

CUBA, INDIA, IRAN and TUNISIA said the mechanism results in less funding for ODS phase out and stressed that Article 5 countries cannot wait until the end of the triennium to evaluate the mechanism. Recalling that the mechanism is in a trial period, several delegates, including the CZECH REPUBLIC, NEW ZEALAND, JAPAN and the UK, said it is premature to draw conclusions. The EU, supported by AUSTRALIA, CANADA and JAPAN, called for further study of the impact of the US dollar's increased purchasing power and other international financial institutions' experience on this issue. He said the study should be finalized by OEWG-21. AUSTRALIA expressed concern over the language and balance of the report. SWEDEN noted that, in 2000, 93% of countries using the mechanism paid their pledges as compared with the average annual payment rate of 60%. JAPAN said the Fund had accrued interest due to more timely payment. The US suggested a study on measures to minimize losses to the Fund while using the mechanism. The CZECH REPUBLIC suggested compensating losses from the mechanism with increased bilateral assistance.

**ARTICLE 5 PARTIES' HCFC PHASE-OUT SCHEDULE:** The EC introduced a proposal (UNEP/OzL.Pro.13/CRP.1) to request the TEAP to assess: past and estimated future patterns in Article 5 Parties' HCFC consumption; the existing and

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future availability of non-HCFC alternatives; technological, environmental, economic, safety and other factors that could influence Article 5 Parties' ability to comply with several HCFC control scenarios; and the impact of each scenario on CFC phase-out in Article 5 Parties. He noted that the study, to be completed by 2003, should enable consideration of possible adjustments to Article 5 Parties' HCFC phase-out schedule, but that the 2040 phase out date should not change.

The EC explained that the proposal had been amended based on earlier consultations. He noted that the proposed study would supplement the TEAP study requested by decision XI/28 on the availability and affordability of HCFCs to Article 5 Parties. He called for a contact group to discuss the issue further.

Several Parties, including BANGLADESH, BRAZIL, CHINA, COSTA RICA, INDIA, IRAN, MEXICO and PERU, expressed concern at any acceleration in Article 5 Parties' HCFC phase-out schedule. In the ensuing discussion, delegates highlighted: difficulties that developing countries would face in complying with an accelerated HCFC phase-out schedule; the need for additional finance if an accelerated phase-out schedule were adopted; potential impacts on CFC phase out; and the importance of information exchange and demonstration projects on non-HCFC technologies. Some said it was premature to expand the report requested by Decision XI/28 and opposed establishing a contact group.

Several delegates supported the EC proposal, including AUSTRALIA, the CZECH REPUBLIC, JAPAN, the RUSSIAN FEDERATION, SWITZERLAND and the US. The US, with AUSTRALIA, proposed requesting the Scientific Assessment Panel (SAP) to investigate the environmental benefits of HCFC control scenarios. He called on Article 5 Parties to accept the proposed study, noting it would provide necessary information for a subsequent decision. AUSTRALIA highlighted the potential benefits of setting milestones in the HCFC phase-out schedule to provide certainty to industry. JAPAN noted that MOP-7 had requested to review the HCFC control schedule by 2000. SWITZERLAND expressed surprise at the mention of possible changes to the HCFC phase-out schedule, as the issue at stake was simply a study. The UK highlighted that the EC-proposed study would provide additional information to that requested by Decision XI/28. GREENPEACE supported the EC proposal and said the main questions are whether accelerating the HCFC phase-out schedule would benefit the ozone layer, and whether viable alternatives to HCFCs exist. He said accelerating the HCFC phase out would pose a global challenge and require additional financing for Article 5 Parties.

The EC emphasized that the proposal only called for a study, and that Parties would decide later how to act on its results. He outlined proposed activities on non-HCFC technologies that would supplement the proposed TEAP report, namely: a booklet including developing country case studies; a one-day workshop at OEWG-22 involving developing country experts; and a study tour for factory managers on non-HCFC alternatives.

Co-Chair Catelin noted a lack of consensus on the formation of a contact group. He stated that, if it wished to pursue the issue, the EC should do so informally or at a subsequent session. After brief consultations with EU member States, the EC accepted this decision, but said it would consequently need to review its proposed activities on non-HCFC technologies. He regretted that Parties failed to request a TEAP study, noting that this was unprecedented in the Protocol.

**CRITERIA TO ASSESS THE POTENTIAL ODP OF NEW CHEMICALS:** A.L. Ajavon, on behalf of the SAP, made a presentation on evaluation of new ODS, and suggested that Parties could first require proposers of new substances to furnish ozone-depleting information and then decide if "controlled substance" status is warranted.

The EC presented its proposed draft decision on procedures for assessing new substances' ODP (UNEP/OzL.Pro.13/CRP.7), which: calls on the Secretariat to maintain the list of new substances on UNEP's website and distribute a current list to all Parties six weeks prior to OEWG meetings and MOPs; calls on Parties to request enterprises that produce new substances to fund

ODP assessments within one year of the new substance's identification in a decision; and requests the Assessment Panels to confirm the acceptability of each ODP assessment for each substance and recommend appropriate action.

The US said new substances have not been defined as in the EC's proposal (those not controlled under the Protocol and that could be damaging to the ozone layer), and said they should be defined as in Decisions IX/24 and X/8. He emphasized that enterprises producing new substances may not agree to fund ODP assessments, and highlighted its alternative proposal that the Panels develop a screening technique and make recommendations to Parties on which assessments should be undertaken.

AUSTRALIA underscored the importance of agreeing on whether the definition of "new substances" includes only chemicals not yet in production or also commercialized chemicals suspected of having ODP, and expressed preference for the latter. CANADA preferred the former, and opposed placing the burden of assessing ODP on companies. Regarding adding new substances, he highlighted mechanisms for expediting addition under the OECD and the Stockholm Convention on persistent organic pollutants (POPs) as potential models. GREENPEACE urged Parties to develop a zero-tolerance policy on new ODS, and suggested they incorporate an umbrella clause into the Protocol that puts all new ODS on a fast-track phase-out schedule.

**N-PROPYL BROMIDE:** The EC introduced a draft decision (UNEP/OzL.Pro.13/CRP.10) requesting Parties to inform industry about nPB's potential threat to the ozone layer, urging industry to take precautionary measures, and requesting the TEAP to report annually on nPB use and emissions. JAPAN noted that agreement was reached at OEWG-21 only on having the TEAP report. Discussion on the matter was postponed.

**ESSENTIAL-USE EXEMPTIONS:** Graber noted the essential-use nominations listed in this draft decision (UNEP/OzL.Pro/13/9) and said a Ukrainian nomination would be added. Parties agreed to forward the draft decision to the high-level segment.

**INDUSTRIAL RATIONALIZATION:** INDIA introduced a draft decision on clarification of "industrial rationalization" (UNEP/OzL.Pro.13/CRP.4) which would ensure that Multilateral Fund Executive Committee decisions to fund incremental costs of plant closure or conversion would be based on installed manufacturing capacity. The US expressed concern over opening Executive Committee decisions in the MOP and opposed the proposal, stressing that industrial rationalization is used to ensure that industries on the verge of bankruptcy are not funded. He noted the US proposal to use industrial rationalization as appropriate. KENYA expressed concern that industrial rationalization might result in deindustrialization in Article 5 countries. CHINA supported India, stating that the Fund cannot direct countries' industrial development. JAPAN opposed approving funding on the basis of a plant's installed capacity rather than actual production. AUSTRALIA said India's proposal could inadvertently reduce manufacturing capacity by creating economically nonviable overcapacity and result in low environmental returns on Fund expenditures while taking money from other Article 5 countries. Co-Chair Catelin suggested deferring the discussion.

### IN THE CORRIDORS

At the outset of MOP-13, several delegates commented on the thin turnout resulting from the international political situation. Others were delighted that the meeting was taking place at all, noting that it sent out a signal that "life must go on." However, as negotiations got underway, some delegates expressed frustration that time was being squandered by simply repeating long-standing debates and well-worn arguments.

### THINGS TO LOOK FOR TODAY

**PLENARY:** Plenary will convene at 10:00 am to discuss the remaining agenda items for the preparatory segment of MOP-13, beginning with production of CFCs for metered dose inhalers.