



## SUMMARY OF THE 22ND MEETING OF THE OPEN-ENDED WORKING GROUP OF THE PARTIES TO THE MONTREAL PROTOCOL ON SUBSTANCES THAT DEplete THE OZONE LAYER: 23-25 JULY 2002

The 22nd meeting of the Open-Ended Working Group (OEWG-22) of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer convened in Montreal, Canada, from 23-25 July 2002. Approximately 277 delegates representing 106 governments as well as UN agencies, industry and environmental non-governmental organizations (NGOs) attended the meeting. Delegates to OEWG-22 discussed a range of issues in preparation for the 14th Meeting of the Parties (MOP-14) to be held from 25-29 November 2002, including: replenishment of the Multilateral Fund; illegal trade in ozone depleting substances (ODS); chlorofluorocarbon (CFC) production for metered-dose inhalers (MDIs); the fixed-exchange-rate mechanism; and other matters arising from the report of the Technology and Economic Assessment Panel (TEAP).

OEWG-22 proved to be a routine technical meeting. Despite initially thinking it would be necessary to hold an evening session, the OEWG actually managed to complete its relatively light agenda on the second day of the three-day meeting with the efficiency now considered characteristic of the ozone regime.

However, there were indications that MOP-14 may not provide such a smooth ride. The fourth replenishment of the Multilateral Fund and looming questions over scientific research funding are sure to place some bumps along the roads that lead to Rome. Article 5 Parties (developing countries) are concerned about whether the replenishment will be adequate to finance their compliance in the 2003-2005 triennium. An informal meeting on concessional lending sponsored by Japan on the eve of OEWG-22 did little to calm such concerns, with some Article 5 Parties fearing that developed countries may be trying to evade their financing responsibilities.

Also, the reported closing of a key ozone research monitoring center in the Arctic flagged some concern over how well the ozone layer recovery will be monitored and where funding for such monitoring will come from. The retirement of several TEAP members

paired with the perceived dwindling developed country interest in supporting the Panel's work has also raised some uncertainty over how the body will continue to meet the growing research demands placed upon it.

A harbinger of strengthening collaboration between the climate change and ozone regimes at OEWG-22 was the presence of a representative of the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat for the first time in recent years. Furthermore, delegates agreed to discuss outcomes from UNFCCC COP-8 at MOP-14, although the hesitation of the US delegation in this regard was notable.

OEWG-22 also marked the first meeting under the leadership of new Executive Secretary Marco González. González's vision of increasing the visibility of the Montreal Protocol by building on existing synergies with current environmental issues, such as climate change and biodiversity conservation, may provide the new impetus necessary to carry the regime through the challenges it now faces in implementing Article 5 Party obligations.

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## A BRIEF HISTORY OF THE OZONE REGIME

Concerns that the Earth's stratospheric ozone layer could be at risk from CFCs and other anthropogenic substances were first raised during the early to mid-1970s. At that time, scientists warned that the release of CFCs and other substances into the atmosphere could deplete the ozone layer, thus hindering its ability to prevent harmful ultraviolet (UV) rays from reaching the Earth. This would adversely affect ocean ecosystems, agricultural productivity and animal populations, as well as harm humans by causing higher rates of skin cancer, cataracts and weakened immune systems. In response to this growing concern, the United Nations Environment Programme (UNEP) convened a conference in March 1977 that adopted a World Plan of Action on the Ozone Layer and established a Coordinating Committee to guide future international action.

**VIENNA CONVENTION:** In May 1981, the UNEP Governing Council launched negotiations on an international agreement to protect the ozone layer and, in March 1985, the Vienna Convention for the Protection of the Ozone Layer was adopted. The Convention called for cooperation on monitoring, research and data exchanges, but did not impose specific obligations to reduce production or consumption of ODS. To date, the Convention has 184 Parties.

**MONTREAL PROTOCOL:** Efforts to negotiate binding obligations continued, leading to the adoption of the Montreal Protocol on Substances that Deplete the Ozone Layer on 16 September 1987. The Montreal Protocol introduced control measures for some CFCs and halons for developed countries (non-Article 5 Parties). Developing countries (Article 5 Parties) were granted a grace period allowing them to increase their use of these ODS before taking on commitments. To date, the Protocol has 183 Parties.

Since 1987, several amendments and adjustments to the Protocol have been agreed, with amendments adding new obligations and additional ODS, and adjustments tightening existing control schedules.

**LONDON AMENDMENT AND ADJUSTMENTS:** Delegates to MOP-2, which took place in London in June 1990, tightened control schedules and agreed to add ten more CFCs to the list of ODS, as well as carbon tetrachloride (CTC) and methyl chloroform. To date, 163 Parties have ratified the London Amendment.

In addition, MOP-2 established the Multilateral Fund for the Implementation of the Montreal Protocol. The Fund meets the incremental costs of developing country implementation of the Protocol's control measures and finances all clearing-house functions, including technical assistance, information, training and costs of the Fund Secretariat. The Fund is replenished every three years, and has disbursed some US\$1.3 billion since its establishment.

**COPENHAGEN AMENDMENT AND ADJUSTMENTS:** At MOP-4, held in Copenhagen in 1992, delegates tightened existing control schedules and added controls on methyl bromide, hydrobromofluorocarbons (HBFCs) and consumption of hydrochlorofluorocarbons (HCFCs). MOP-4 also agreed to enact non-compliance procedures and stronger import and export controls. To date, 141 Parties have ratified the Copenhagen Amendment.

**MONTREAL AMENDMENT AND ADJUSTMENTS:** At MOP-9, held in Montreal in 1997, in addition to further tightening the existing control schedules, delegates agreed to a new licensing system for tracking trade in ODS and controlling illegal trade. To date, 81 Parties have ratified the Montreal Amendment.

## BEIJING AMENDMENT AND ADJUSTMENTS: MOP-11

and the Fifth Conference of the Parties (COP-5) to the Vienna Convention met jointly in Beijing in 1999. Delegates agreed to controls on HCFC production and bromochloromethane, and to reporting on methyl bromide for quarantine and pre-shipment (QPS) applications. To date, 34 Parties have ratified the Beijing Amendment. In addition, MOP-11/COP-5 agreed to replenish the Multilateral Fund with US\$477.7 million for the triennium 2000-2002.

**MOP-13:** MOP-13 convened in Colombo, Sri Lanka, from 16-19 October 2001. MOP-13 adopted decisions on, *inter alia*: the terms of reference for a study on the 2003-2005 replenishment of the Multilateral Fund; the compliance of Parties with their ODS control schedules including, for the first time, Article 5 Parties; procedures for assessing the ozone depleting potential (ODP) of new substances; CFC production for MDIs; and monitoring of international trade and prevention of illegal trade in ODS. MOP-13 also adopted the Colombo Declaration, which recognizes links between environmental issues such as climate change and ozone layer depletion, urges governments and all stakeholders to apply due care in using new substances that may have ODP, and decides to share the Montreal Protocol's successful experience at the World Summit on Sustainable Development (WSSD) to be held in Johannesburg from 26 August to 4 September 2002.

## INTERSESSIONAL MEETINGS

### FIFTH MEETING OF THE OZONE RESEARCH

**MANAGERS:** The fifth meeting of the Ozone Research Managers of the Parties to the Vienna Convention convened in Geneva from 25-27 March 2002. Chaired by Michael Kurylo (US), the meeting reviewed national and international ozone research activities, and developed recommendations for presentation to COP-6 of the Vienna Convention to be held in conjunction with MOP-14. The recommendations emphasize the urgent need for funding of ozone research activities, especially in developing countries, in order to assess the onset of ozone layer recovery and monitor its evolution.

**37TH MEETING OF THE MULTILATERAL FUND EXECUTIVE COMMITTEE:** The 37th meeting of the Executive Committee of the Multilateral Fund took place in Montreal from 17-19 July, and was chaired by Executive Committee Chair Oladapo Afolabi (Nigeria). It was preceded by meetings of the Sub-Committees on Project Review and on Monitoring, Evaluation and Finance held from 15-16 July. Over the course of its past three meetings, the Committee has taken key decisions to give the Fund a more strategic focus in assisting Article 5 countries to meet their obligations. Discussions at this meeting centered on situations that impact on Article 5 countries' ability to meet their obligations. The Fund Secretariat reported that, for the first time, the entire budget for the year, plus the carryover for the present triennium, would be committed.

### 28TH MEETING OF THE IMPLEMENTATION

**COMMITTEE:** The 28th meeting of the Implementation Committee took place in Montreal on 20 July, and was chaired by Committee President Mahfuzul Haque (Bangladesh). The Committee reviewed the status of Parties that had previously been found to be in non-compliance or potential non-compliance, and identified possible new cases of non-compliance arising from the Secretariat report on the latest ODS data. A few Parties requested the Implementation Committee to revise their baseline data. The Committee asked Parties to justify their requests with more information from different sources, and agreed to review the issue further at its next meeting.



## OEWG-22 REPORT

On Tuesday, 23 July, Co-Chair Milton Catelin (Australia) opened the 22nd meeting of the OEWG and welcomed the new Executive Secretary of the Ozone Secretariat, Marco González. Executive Secretary González welcomed delegates to the meeting and remarked that, while there are many reasons for Parties to feel proud of their work, there are still many challenges to face. Among them, he highlighted the need for compliance with the phase-out schedule for Article 5 Parties, and for global participation in the ozone regime. He noted that meeting these challenges will require the same spirit of collaboration that led the Protocol to its current, unprecedented level of success, and called on Parties to expedite the ratification of its amendments. Finally, he remarked that the Protocol's experiences should be shared, as they contain lessons for the international community.

Co-Chair Catelin introduced the provisional agenda (UNEP/OzL.Pro/WG.1/22/1). Several Parties proposed items for consideration under "other matters," and the agenda was adopted with these additional items. Following debate on the organization of work, Parties agreed that sufficient time should be allowed for a full discussion on the Multilateral Fund replenishment.

### PRESENTATION OF ASSESSMENT PANEL REPORTS

On Tuesday, representatives of the assessment panels provided reports on their work.

**SCIENTIFIC ASSESSMENT PANEL (SAP):** Gérard Mégie, SAP Co-Chair, reviewed the status of preparation of the 2003 SAP report. He noted topics to be addressed by the report, including: decrease of ODS in the stratosphere; short-lived ODS; ozone in the Arctic and in mid-latitudes; the interaction between climate change and ozone depletion; and surface UV radiation. The US urged that the report be made available on the Internet by the end of February 2003, to allow adequate time for Parties to prepare and submit any proposals for adjustments and amendments to the Protocol prior to MOP-15.

**ENVIRONMENTAL EFFECTS ASSESSMENT PANEL (EEAP):** Jan van der Leun, EEAP Co-Chair, highlighted progress in finalizing the study on the interactive effects of ozone depletion and climate change, noting that it is currently under review. He said atmospheric changes associated with climate change, such as increases in CO<sub>2</sub>, temperature, cloud coverage and precipitation, may affect UV radiation impacts. He also highlighted preliminary findings from experiments on these interactions on plants, namely: increased CO<sub>2</sub> levels compensate for negative impacts of UV radiation on plant growth; increased precipitation decreases plants' vulnerability to UV radiation; and increased UV radiation and CO<sub>2</sub> levels decrease Arctic plants' resistance to freezing. He reported that another experiment has found that mice exposed to UV radiation develop skin cancers faster at higher room temperatures, and that, if this impact is found to be the same in humans, this would imply a 10% increase in the incidence of skin cancer for a one degree Celsius temperature increase. In closing, he stressed that the effects of climate change and ozone depletion should no longer be addressed as separate issues.

**TECHNOLOGY AND ECONOMIC ASSESSMENT PANEL (TEAP):** Members of the TEAP presented aspects of the April 2002 TEAP Report (TEAP Report/April 2002/Volumes 1 and 3).

The Solvents Technical Options Committee (TOC) did not report on its work at OEWG-22 since the Co-Chairs were not in attendance.

**Essential-use Nominations for MDIs:** José Pons Pons, Co-Chair of the Aerosols TOC, noted that nominations for MDIs for 2004 total 5,000 tonnes, down from 6,300 tonnes in 2003.

**Process Agents:** Gary Taylor, Halon TOC Co-Chair, said the TEAP recommended a list of 45 process agents divided into four categories, depending on their status. He announced that a workshop would be convened next year on reducing and more accurately reporting process agent emissions.

**N-propyl Bromide (nPB):** Taylor noted the TEAP's finding that the nPB market has not developed significantly since 2001. However, he noted the intentions of some companies to use nPB for dry-cleaning, and that long-term toxicity studies are ongoing.

**Aerosols:** Ashley Woodcock, Aerosols TOC Co-Chair, said there are no technical barriers to eliminating CFC use in this sector, but that government intervention is required to effect a full phase out. Regarding use of CFCs in MDIs for asthma and chronic obstructive pulmonary disease, he stated that the availability of alternatives is insufficient. Woodcock noted that the transition to CFC-free MDIs is largely industry driven, and stressed the importance of raising awareness among healthcare providers on the need for the transition. Explaining that some pharmaceutical companies recycle CFCs from unusable MDIs and sell them for air conditioning and refrigeration uses, he questioned whether this practice is acceptable under essential-use allowances. With regard to possible final campaign production for MDIs, the TEAP recommended that just-in-time production be carried out as long as feasible, as the required volumes are difficult to estimate.

**Foams:** Paul Ashford, Foam TOC Co-Chair, noted that financial constraints faced by small and medium-sized enterprises, as well as differences in local circumstances, necessitate tailored HCFC phase-out strategies. He noted technical progress in using hydrocarbons as blowing agents and in transitioning to liquid HFCs, but remarked that demonstrating the effectiveness of HFCs in the field is an ongoing challenge. He said that the phase out of HCFCs in developed countries introduces uncertainty regarding their future supply to developing country markets.

**Methyl Bromide:** Nahum Marban-Mendoza, Methyl Bromide TOC Co-Chair, highlighted sulfuryl fluoride and 1,3-dichloropropene as potential alternatives to methyl bromide, but noted that the high cost of registering new chemicals remains a major impediment to deploying such alternatives. He called attention to a methodology included in the TEAP Report aimed at assisting Parties to distinguish between QPS (exempt) and non-QPS (not exempt) methyl bromide applications. He noted that the "Handbook on Critical Use Nominations for Methyl Bromide" is available on the Ozone Secretariat website.

**Refrigeration:** Lambert Kuijpers, TEAP Co-Chair, highlighted the importance of the disposal of CFC refrigerants, as well as progress in phasing out CFCs and HCFCs in commercial refrigeration, with growing reliance on hydrocarbons and other alternatives.

**Collection, Recovery and Long-Term Storage:** Pons Pons reported findings of the Task Force on Collection, Recovery and Long-Term Storage (TFCRS), including on patterns of ODS use, emissions and inventories, and the potential for managing surplus ODS. For refrigeration equipment, the TFCRS estimates the inventory at between 350,000 and 400,000 tonnes in 2002, and expects this to decrease to 140,000 in 2010 and 15,000 tonnes in 2020. The potential for destruction was estimated to be 9,000 tonnes per year, with refrigerants often sent to landfills or improperly incinerated.



For foams, the inventory was projected to be 1.25 million ODP tonnes in 2010, with nearly 70% in non-Article 5 Parties. The TFCRS found that some collection and destruction would be feasible, but at a cost of between US\$60–100 per kilogram (kg). The TFCRS also stressed that the recovery rate should be more than 90% effective if it is to be pursued.

For halons, the estimated global inventory is 780,000 ODP tonnes. Inventories for aerosols, solvents and methyl bromide were found to be low (about 20,000 tonnes or less for each) with some chance of recovery for methyl bromide and recycling for solvents due to their value.

Barriers to collection, recovery and disposal identified by the report include lack of financing schemes and uncertainty over who should bear the cost, lack of infrastructure for efficient end-of-life decommissioning for foams, and waste transport restrictions between countries.

**Destruction Technologies:** Kuijpers reported on the work of the Task Force on Destruction Technologies (TFDT). He stated that the TFDT had looked at disposal of contaminated stockpiles, cross-contaminated CFCs, halons, confiscated compounded materials, and displaced ODS. After evaluating 45 technologies, the TFDT recommended twelve. The TFDT found that the cost of destruction varied significantly depending on the type of ODS, distance to destruction facility, exchange rate, and pre-processing needs; on-site destruction costs, however, were estimated at between US\$3–6 per kg. The TFDT recommended that the technology list be updated on a biannual basis, and called for assessment of the price per kg and way to avoid fugitive emissions from foams.

**TEAP Membership:** Noting that six of the 23 TEAP members will soon retire, Stephen Andersen, TEAP Co-Chair, announced openings for a TEAP Co-Chair from the Latin American and Caribbean Region and for experts representing countries with economies in transition (CEITs), China, Japan, Southeast Asia and Sub-Saharan Africa.

**DISCUSSION:** In the ensuing discussion, the US expressed concern over the suggested timeline for critical-use exemption requests for methyl bromide (by end of 2003 for exemptions for 2005) and said the essential-use exemption decisions should be omitted from the “Handbook on Critical Use Nominations for Methyl Bromide,” stressing the differences between essential and critical use. Tunisia noted drawbacks to using CO<sub>2</sub> as an alternative to methyl bromide in date cultivation and asked for suggestions for other alternatives. Canada and Japan suggested that a standard nomination form for methyl bromide exemptions should be prepared for MOP-14. Australia suggested the Methyl Bromide TOC also include information on stockpiles and that the TEAP provide justification for exemption recommendations, especially when different recommendations are made for the same use in different countries.

Burkina Faso said Parties submitting exemption requests should specify the production company and any intended exports, in order to improve monitoring. Mauritius expressed interest in regional initiatives for destruction centers.

In response to comments and queries, a TEAP representative noted that the nomination of methyl bromide critical-use exemptions will be a learning-by-doing process and offered to meet with Parties to discuss individual requests for information.

## **FURTHER STUDY OF CFC CAMPAIGN PRODUCTION FOR MDIS**

On Tuesday, Co-Chair Catelin recalled that the TEAP report recommended continued just-in-time production of CFCs for MDIs, but noted that final campaign production may become necessary at the end of the transition period.

The US proposed general principles that could guide possible future campaign production, including: retention of the current framework for essential-use exemptions, whereby the MOP reviews and approves essential uses annually; production of CFCs for MDI use only, so that stockpiled CFCs would be destroyed or allocated to other agreed essential uses; the submission of requests for campaign production as late as technically possible, taking account of CFC manufacturers' need for lead time; and the possibility of industrial rationalization for transferring CFCs manufactured in the campaign if MDI firms decide to switch production location.

The EU called on all non-Article 5 Parties to submit strategies for ensuring the transition to CFC-free MDIs. He supported applying the existing essential-use procedure, if campaign production becomes necessary.

Australia highlighted the need to avoid overproduction while ensuring continuity in availability of essential pharmaceutical grade CFCs. She called on Parties to consider a possible purchase guarantee to ensure sufficient incentive for CFC producers to invest in campaign production. She also encouraged CFC-producer countries to check that their regulatory frameworks would be able to accommodate final campaign production.

Co-Chair Catelin invited interested Parties to consult on this issue, in preparation for further discussion at MOP-14.

## **USE OF ODS AS PROCESS AGENTS**

Delegates considered the use of ODS as process agents on Tuesday. India noted the availability of new information on the use of ODS as process agents, since the adoption of decision X/14, which lists those uses. She presented a draft decision to update the list of uses of ODS as process agents, and proposed that this list be updated annually. Arguing that this issue has been insufficiently addressed, she requested the TEAP to present a comprehensive report by 2003.

The US underscored the difficulties faced by the TEAP in obtaining complete data on process agent uses. He noted that the use of ODS as process agents in non-Article 5 Parties is generally declining, but cautioned that some Article 5 Parties are concerned that they may not comply with CTC controls due to uncertainty over which uses are process agents and therefore controlled. He also expressed concern at the “extraordinary variability” in annual reported CTC use in some Article 5 Parties, along with the large sums requested for funding of process agent projects, amounting to at least US\$135 million at the most recent Multilateral Fund Executive Committee meeting. He expressed doubt that approval of these funding requests would achieve sustained reductions in use of ODS as process agents in Article 5 Parties, given the absence of reliable data. Announcing that the US would present a draft decision to this effect, he proposed that Article 5 Parties agree to treat ODS used in a revised list of process agent applications in the same manner as feedstocks, until the Multilateral Fund Executive Committee determines that a specific sub-sector of process agent uses for a country is eligible for funding, and is assured that sustained reductions in consumption will be achieved.



Responding to a request for clarification from the EU, a TEAP representative explained that its evaluation was based on data submitted by Parties, an Internet search and input from experts. He noted that the interpretation of decision X/14 had proved more ambiguous than originally foreseen, and highlighted a TEAP proposal for a workshop to develop a common reporting format. Argentina supported the proposed workshop, noting that it lacks information on firms that use ODS as process agents and requested material that could help facilitate discussions with business groups.

Parties agreed to discuss the issue further at MOP-14, based on the draft decisions proposed by India and the US.

#### **STATUS OF ODS DESTRUCTION TECHNOLOGIES**

On Tuesday, Australia presented a draft decision on ODS destruction technologies, based on the recommendations in the TEAP Report. The draft decision proposes to update the existing list of approved destruction processes and minimum regulatory standards, and clarifies the methodology for calculating the destruction and removal efficiency of ODS and ODS mixtures, including a factor to account for relative ODP.

The EU expressed interest in discussing the proposal further. Supported by Australia, Canada proposed an addition to the draft decision whereby, at OEWG-24 in 2004, Parties would consider the need for a review in 2005 of the status of destruction technologies. El Salvador called for a study of the economic, not just technical, efficiency of destruction technologies, and agreed this should be part of the proposed 2005 review.

Japan reported on recent national legislation passed on destruction technologies, noting that this would enable his country to implement the TEAP recommendations.

Parties agreed to further consider the draft decision, including the proposed additions, at MOP-14.

#### **OTHER ISSUES ARISING FROM THE TEAP REPORT**

Delegates considered other issues arising from the TEAP Report on Tuesday.

**ESSENTIAL-USE EXEMPTIONS:** Co-Chair Catelin requested the Secretariat to prepare a draft decision for MOP-14, reflecting the seven essential-use exemptions reflected in the TEAP report (for CFC use in 2003-2004 in Australia, the EC, Japan, Poland, the Russian Federation, Ukraine and the US).

**LONG-TERM MANAGEMENT OF CONTAMINATED AND SURPLUS ODS:** Parties took note of the TEAP's findings on this issue.

**N-PROPYL BROMIDE (nPB):** The EU highlighted the TEAP estimate that up to 65,000 tonnes of nPB could be placed on the global market. He warned that certain uses have been further commercialized and, in some cases, are replacing non-ozone-depleting alternatives. The EU encouraged the TEAP to provide further information on nPB to the SAP. The TEAP responded that the Panel has completed its evaluation of likely nPB emissions, and on the basis of which the SAP is already modeling the likely impact on the ozone layer. Parties took note of the TEAP's findings on this issue.

#### **MODALITIES FOR THE 2003 REVIEW OF THE NON-COMPLIANCE PROCEDURE**

Delegates considered this issue on Tuesday. Many Parties, including Argentina, Canada, Costa Rica, the EU, Kenya, New Zealand, Nigeria, the UK and the US, agreed that a full review of the

non-compliance procedure is unnecessary, but that modifications could be considered to further improve the procedure. The US proposed several modifications, including:

- reducing the time allotted for communication between the Secretariat and Parties to confirm compliance status;
- improving continuity of Implementation Committee membership by abolishing term limits;
- requiring all Implementation Committee members to attend meetings;
- providing interpretation for meetings in all UN languages;
- requesting the Secretariat to present information in a clearer manner; and
- complying with the requirement that Implementation Committee decisions be circulated six weeks before the MOP.

Several Parties, including Argentina, China, Costa Rica, Japan, Kenya and Nigeria, underscored that the purpose of the procedure is to promote the implementation of the Protocol, and called for more emphasis on helping countries that face compliance difficulties. Argentina and Kenya stressed that non-compliance is usually due to administrative or technical difficulties. Implementation Committee President Haque stated that Parties take the Implementation Committee very seriously, and that those appearing before the Committee at its most recent meeting had presented their cases honestly. Parties agreed to consider the issue further at MOP-14, based on a draft decision submitted by the US.

#### **PRECEDENTS FOR EXPEDITED PROCEDURES FOR ADDING NEW SUBSTANCES TO THE PROTOCOL**

On Tuesday, the Secretariat introduced a report that describes how lists of chemical substances or species of animals/plants controlled by other multilateral environmental agreements may be modified (UNEP/OzL.Pro/WG.1/22/3). The US, supported by Canada, favored retaining the existing Protocol amendment and adjustment procedures. The US highlighted the benefits of the current procedures, noting that the requirement of ratification ensures that amendments have the full national support needed for their implementation. China said that any expedited procedures should take into account Parties' technical and financial ability to control new substances. El Salvador noted the need for more in-depth study, and cautioned against "lifting" procedures from other conventions. The EU welcomed the report, and said that it will also produce a report on the same topic by the next meeting for further consideration.

#### **ILLEGAL TRADE IN ODS**

On Tuesday, the Secretariat introduced a study on the monitoring of international trade and prevention of illegal trade in ODS (UNEP/OzL.Pro/WG.1/22/4), and suggested that additional steps to combat illegal trade may become necessary as Article 5 Parties phase out their ODS use.

Several Parties lauded the practical suggestions contained in the study and remarked on the need to raise public awareness of illegal trade. China, with India, remarked that illegal trade demands coordinated action and financial support for capacity building in Article 5 countries. The Bahamas reported that it is working with neighboring countries to combat unintentional illegal trade, typically perpetrated by tourists. Japan noted its involvement in a campaign against CFC smuggling and suggested establishing a database on illegal trade. The Czech Republic proposed strengthening the Secretariat to help deal with the issue. The US expressed dissatisfaction with the study, saying that it deviates from its terms of reference. He stressed the need to



prioritize actions given limited resources and opposed an enforcement role for the Secretariat. India highlighted the possibility of curbing illegal trade by managing production so that supply precisely equals demand.

Poland introduced a draft decision incorporating a wide range of measures to combat illegal trade, including the establishment of an enforcement assistance unit within the Secretariat. On Wednesday, the EU introduced an additional draft decision requesting the Secretariat to contact the UN Economic and Social Council (ECOSOC) Committee of Experts on the Transport of Dangerous Goods and evaluate possibilities for including ODS in the globally-harmonized system for the classification and labeling of chemicals.

A contact group, chaired by Jiri Hlavacek (Czech Republic), met to develop the draft decision proposed by Poland. The group agreed on the usefulness of the proposed decision and Parties exchanged views on its structure and content. Parties agreed to forward a revised version, along with the EU draft decision, to MOP-14 for further consideration.

The revised draft decision urges Parties to:

- implement national ODS import/export licensing systems;
- introduce economic incentives to promote the use of ODS substitutes;
- encourage closer collaboration between enforcement agencies; and
- report detected cases of illegal trade to the Ozone Secretariat.

#### **FIXED-EXCHANGE-RATE MECHANISM**

On Wednesday, Omar El-Arini, Chief Officer, Multilateral Fund Secretariat, presented the final report on the implementation of the fixed-exchange-rate mechanism (UNEP/OzL.Pro/WG.1/22/5), and invited Anthony Brough, consultant to the Multilateral Fund Secretariat, to outline the report's findings. Brough explained that the appreciation of the US dollar over 2000-2001 reduced the value, in US dollars, of contributions made under the fixed-exchange-rate mechanism, resulting in an estimated shortfall of over US\$18 million. He noted that the estimate of an additional US\$9 million shortfall for 2002 contained in the report is now inaccurate because of the recent depreciation of the US dollar, and that despite the shortfall, all approved projects have been fully funded. Brough recommended continuing with the mechanism, with possible alterations, including the use of: the special drawing rights (SDR) basket of currencies as the reference currency; a single reference date for exchange rates rather than a six-month average; and currency futures to hedge against currency fluctuations.

In the ensuing discussion, Parties received clarification from El-Arini and Brough on various technical issues. Many Parties welcomed data indicating that contributions in national currencies under the mechanism were more timely than US dollar contributions. Bangladesh and Nigeria expressed concern over the projected shortfall. France suggested using the Euro as the reference currency. Australia, Belgium, Canada, Italy, New Zealand, Sweden and the UK supported maintaining the mechanism in its current form, using a six-month average to determine the fixed exchange rates. The US said it is willing to discuss ways of using the mechanism in the next triennium, but with safeguards to limit potential losses. Canada, France and the UK recommended that Parties consider bids from other organizations interested in acting as Fund Treasurer, since UNEP will no longer provide this service for free given the growing burden of work. Parties took note of the report and agreed to discuss a revised version at MOP-14.

#### **IMPLEMENTATION COMMITTEE REPORT**

On Wednesday, Implementation Committee President Haque reported on the Committee's 28th meeting held immediately prior to OEWG-22. He noted that Argentina had reported on its efforts to comply with the CFC production freeze, and that the Dominican Republic, Kenya, Morocco and the Solomon Islands were found to be below the freeze level. He said that Egypt and Yemen had requested baseline adjustments in light of new data. The Committee invited the Secretariat to: send letters recognizing the achievement of those in compliance; request more information from Parties whose status is under review; and request Parties with data deviating from compliance schedules to submit explanations and attend the next Implementation Committee meeting. He noted that the Committee had found a one-day meeting insufficient to consider all the data received and take decisions, and suggested that it meet for two days in the future.

The US questioned adjusting baselines five years after their establishment, and suggested setting a cut-off date for reconsideration of baselines. He also stressed that the Implementation Committee and the Multilateral Fund Executive Committee must not overstep one another's mandates.

#### **ASSESSMENT OF FUNDING REQUIREMENTS FOR THE MULTILATERAL FUND REPLENISHMENT**

**PRESENTATION OF THE TEAP REPORT:** On Wednesday, TEAP members presented the "Assessment of the Funding Requirements for the Multilateral Fund Replenishment for the Period 2003-2005" (TEAP Report/April 2002/Volume 2). The report assessed the funding required to meet the ODS control schedules for 2003-2005 (and also for 2007 in the case of CFCs due to the duration of projects), including investments in ODS consumption and production sectors, non-investment projects, administrative costs of the implementing agencies, project preparation costs and the operating costs of the Secretariat and Executive Committee of the Multilateral Fund. The assessment took into consideration costs associated with implementation of projects previously approved for 2003-2005, those likely to be approved in 2002, time lags in project implementation, and longer-term goals. The TEAP estimated the total funding required for 2003-2005 at between US\$548-600 million.

In the consumption sector, the TEAP noted that national phase-out plans increase the cost effectiveness of ODS elimination compared to a project-by-project approach. It estimated the costs for meeting consumption reductions at US\$239.6 million for CFCs, US\$64.9 million for methyl bromide, US\$49.7 million for CTC, and US\$3.1 million for methyl chloroform (excluding China which has its own CTC/methyl chloroform plan estimated at US\$5 million).

The total cost to compensate for production closure was estimated at US\$84 million. Funding requirements for non-investment projects, such as the UNEP Compliance Assistance Programme, refrigeration management plans, MDI transition strategies and others, were estimated at US\$71.6 million. Administration, project preparation and operating costs of the Executive Committee and the Multilateral Fund Secretariat totaled approximately US\$72.2 million. Expected benefits from non-investment activities were estimated at US\$20.4 million and subtracted from the overall estimated cost.

**DISCUSSION:** Jukka Uosukainen (Finland), Co-Chair of the *Ad Hoc* Working Group on Replenishment, also speaking on behalf of Co-Chair Benedicto Fonseca (Brazil), addressed procedural issues for the run-up to MOP-14. He said that the aim of the Plenary discussion was to allow open and transparent debate among all Parties, especially those not participating in the *Ad Hoc* Working Group on Replenish-



ment, which would meet on Friday following OEWG-22. He recalled that the mandate of the *Ad Hoc* Working Group was to discuss sensitivity analyses and advise the TEAP on the need for any further analysis, which would be included in a supplementary report. He emphasized that the *Ad Hoc* Working Group would not take decisions, and that Parties would decide for themselves what to do with the information received at MOP-14.

In the general discussion, several Parties highlighted the importance of ensuring that the replenishment is sufficient to enable Article 5 countries to meet their Protocol obligations, and questioned the assumptions used by the TEAP in its report. Some also noted the need for additional analysis on the effect of movements in CFC prices on project funding.

Georgia, on behalf of several Article 5 Parties in Central and Eastern Europe, noted the absence of any regional consultation network for countries from that region similar to the eight regional networks managed by UNEP. Remarking that the region is not represented on the Multilateral Fund Executive Committee, he said that working in isolation has made it difficult for Central and Eastern European Article 5 Parties to understand Executive Committee decisions.

China, echoed by many other countries, emphasized that the triennium 2003-2005 will be a key period for implementation of the Montreal Protocol by Article 5 Parties. She said that China has achieved great results through project funding, including the development of ODS alternatives and the control of ODS imports/exports. She called for an adequate replenishment level for the triennium 2003-2005 to cover both investment and non-investment projects, and regretted that there are no approved projects for process agents in China or India.

Noting that the "years of grace" for developing countries are over, Nigeria, on behalf of the G-77/China, called for clarification as to why the estimated funding needs for the triennium had fallen from a 1999 estimate of US\$800 million, and said that the present estimate seemed insufficient. In particular, he indicated that funding for awareness-raising appeared inadequate. He called for further analysis to take account of the effects of the fixed-exchange-rate mechanism and, with El Salvador and Mauritius, highlighted the need for resources to help Article 5 Parties combat illegal trade in ODS.

The EU noted that its contributions currently represent over 40% of total pledges to the Multilateral Fund. Bangladesh supported agreeing to a realistic figure that would be fulfilled. He noted the need to take account of new ODS, the funding shortfall resulting from the fixed-exchange-rate mechanism, and country programmes already developed by Article 5 Parties. The UK and Sweden affirmed their willingness to provide their historical funding shares, with Sweden indicating its readiness to consider increasing its contribution. The UK emphasized the need for a country-driven approach, and supported consideration of concessional lending. Sweden noted the importance of enhancing Article 5 countries' ownership of their obligations and noted the need for further sensitivity analysis, especially with regard to CTC. Germany remarked that the more compliance-focused and country-driven strategic approach recently adopted by the Executive Committee would have an impact on the future operation of the Multilateral Fund. Noting that figures provided by the Fund Secretariat to the most recent Executive Committee meeting sometimes conflict with TEAP data, he queried whether the TEAP estimates would require adjustments as a consequence.

Kenya remarked that this critical stage of compliance also poses challenges for the implementing agencies. France noted that savings from completed and cancelled projects, as well as monies from the

repayment of some concessional loans, could be redirected to other projects. Japan inquired as to whether effects of previous awareness-raising projects had been documented.

The US called attention to a number of "soft spots" in the TEAP proposal, such as linear reduction to meet targets for 2015 or later, and noted that increased efficiency could account for some decreases in estimated funding requirements, for example, with regard to administration of the Fund. The Czech Republic supported an integrated approach for addressing short-, medium- and long-term goals, and said that Fund resources should be additional to national and bilateral resources.

Malaysia and Tanzania suggested that funding for non-investment projects should be increased. Zambia remarked that many countries are developing control measures that will need support.

Greenpeace described the Multilateral Fund Replenishment as a barometer of the willingness to combat ozone depletion, and remarked that the current phase-out schedule does not adequately reflect the urgent need to address threats from the combined effects of climate change and ozone depletion. He argued for the provision of funding to developing countries wishing to pursue an accelerated phase out, and suggested that chemical manufacturers pay reparations to finance efforts to mend the ozone layer.

Responding to issues raised, the TEAP explained that its assessment of funding requirements is US\$200 million less than the 1999 estimate due to improved data, and because the replenishment agreed at MOP-11 was approximately US\$160 million in excess of the assessed base case funding requirement for the 2000-2002 triennium. The TEAP also clarified assumptions regarding methyl bromide projects and illegal trade, and noted that sensitivity analysis could be undertaken on a number of the assumptions underlying its funding requirement estimate. He noted that the allocation for awareness-raising activities is a fixed amount based on UNEP funding, and expressed willingness to revise linear reduction costs.

The TEAP remarked that several issues raised were beyond the scope of the terms of reference for the study, including consideration of the cost of an accelerated phase-out schedule, and assessment of the impacts of economic downturns or political upheavals on ODS consumption. He said the forthcoming meeting of the *Ad Hoc* Working Group on Replenishment would provide an opportunity to discuss these issues in more depth.

#### **OTHER MATTERS**

##### **INTERACTION BETWEEN THE EXECUTIVE COMMITTEE AND THE IMPLEMENTATION COMMITTEE:**

The US suggested that Parties provide the Multilateral Fund Executive Committee with the authority to approve projects that, within two or three years, would bring Parties not complying with the 2002 methyl bromide freeze back into compliance. Otherwise, the Implementation Committee would have to approve such projects and this could unnecessarily delay their implementation. The US said it would submit an information paper on this issue for discussion at MOP-14.

##### **CLARIFICATION OF TERMINOLOGY RELATED TO CONTROLLED SUBSTANCES:**

Poland introduced a draft decision on the clarification of certain terminology related to controlled substances, noting that "used controlled substance" and "recycled controlled substance" have not been used uniformly. Delegates agreed to forward the draft decision, which adjusts the text of the Protocol and relevant decisions for consistency, to MOP-14 for further consideration.



**INTERACTIONS WITH CLIMATE CHANGE:** Astrid Olsson, representing the UNFCCC Secretariat, reported on conclusions adopted by the UNFCCC Subsidiary Body for Scientific and Technological Advice (SBSTA) at its recent sixteenth session. She reported that the SBSTA had invited the Intergovernmental Panel on Climate Change (IPCC) and the TEAP, in consultation with other organizations such as UNEP, to consider the possibility of developing a balanced information package that would help Parties and stakeholders make informed decisions when evaluating ODS alternatives. She noted that, based on replies by the IPCC and the TEAP, Parties to the UNFCCC will decide at COP-8, in New Delhi in October/November 2002, whether to make a further request to these bodies.

The EU underscored the strong interactions between climate change and ozone layer depletion, and proposed that this issue be placed on the provisional agenda of MOP-14. The US responded that broad discussion of the interactions between the Montreal Protocol and the Kyoto Protocol would raise concerns for his delegation. Following clarification from the EU that the aim is specifically to consider the outcome of UNFCCC COP-8, delegates agreed to place the issue on the MOP-14 provisional agenda.

**FUNDING FOR METHYL BROMIDE PROJECTS IN SOUTH AFRICA:** South Africa drew attention to a "misunderstanding" arising from its reclassification as an Article 5 Party for the purposes of the Montreal Protocol and the pledge it had made, through decision IX/27, "not to request financial assistance from the Multilateral Fund for fulfilling commitments undertaken by developed countries prior to MOP-9." South Africa noted that it had not been a Party to the Copenhagen Amendment (which introduced methyl bromide controls) at the time of its reclassification, and had not said that it would never request funding from the Multilateral Fund. Despite this, the Executive Committee had refused as ineligible a methyl bromide project submitted for funding by South Africa. He requested that this decision be reviewed at the next meeting.

The US opposed South Africa's interpretation, stating that the intent of decision IX/27 was that South Africa would not seek funding from the Multilateral Fund for methyl bromide projects. Noting the "high political voltage" of this issue, Brazil recalled that the Multilateral Fund Executive Committee had requested the MOP to pronounce on South Africa's eligibility and expressed sympathy for South Africa's position. Parties agreed to consider the issue at MOP-14.

**OTHER STATEMENTS:** Greenpeace drew attention to recent signs of ecological limits, including the melting of Antarctic ice shelves and a predicted ozone hole over the Arctic. He expressed alarm at a decision by Canada to shut down its Eureka Ozone Research Station, one of only two fully-equipped ozone stations in the high Arctic. He called on Parties to request Canada to provide ongoing funding for the station, or to take measures to secure international sponsorship for it.

Italy provided information on organizational arrangements for MOP-14. She expressed the hope that discussions on the Multilateral Fund replenishment would be inspired by the principles of the WSSD, and, recalling the saying that "all roads lead to Rome," she looked forward to welcoming the "ozone family" to Italy.

Parties paid tribute to Nelson Sabogal, Senior Scientific Officer, Ozone Secretariat, who is moving to another post, and to Michael Graber, Deputy Executive Secretary, who has acted as Executive Secretary for the past two years.

## CLOSING PLENARY

In the closing Plenary on Thursday, delegates considered the draft report of the meeting (UNEP/OzL.Pro/WG.1/22/L.1), and adopted it with minor amendments. Japan and Mauritius announced their parliaments' ratification of the Montreal and Beijing Amendments on 25 July. Co-Chair Catelin thanked delegates for their work and gavelled the meeting to a close at 4:30 pm.

## AD HOC WORKING GROUP ON REPLENISHMENT

The *Ad Hoc* Working Group on Replenishment met on Friday, 26 July. Discussions in the *Ad Hoc* Working Group, which is composed of eight Article 5 and eight non-Article 5 Parties, were led by Co-Chairs Fonseca and Uosukainen, with input from Multilateral Fund Chief Officer El-Arini and TEAP Co-Chair Kuijpers. The *Ad Hoc* Working Group identified further sensitivity analyses that are needed to inform debate at MOP-14 on the replenishment of the Multilateral Fund. These analyses will be presented in a supplementary report to be made available by the TEAP in September. Speaking after the meeting, one participant commented that discussions in the *Ad Hoc* Working Group had been less contentious than those on the previous replenishment.

## THINGS TO LOOK FOR BEFORE MOP-14

### WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT:

The World Summit on Sustainable Development will take place in Johannesburg, South Africa, from 26 August to 4 September 2002. For more information, contact: Andrey Vasilyev, DESA, New York; tel: +1-212-963-5949; e-mail: vasilyev@un.org; Major groups contact: Zehra Aydin-Sipos, DESA; tel: +1-212-963-8811; e-mail: aydin@un.org; Internet: <http://www.johannesburgsummit.org/>

### UNEP ENVIRONMENTAL EFFECTS ASSESSMENT

**PANEL MEETING:** The Environmental Effects Assessment Panel Meeting will be held from 14-21 September 2002, in Salt Lake City, Utah, United States. For more information, contact: UNEP Ozone Secretariat; tel: +254-2-62 12 34; fax: +254-2-62 39 13; e-mail: ozoneinfo@unep.org; Internet: <http://www.unep.org/ozone/home.htm>

**INTERNATIONAL DAY FOR THE PRESERVATION OF THE OZONE LAYER (OZONE DAY):** Monday, 16 September, is international day for the preservation of the ozone layer. For more information, contact the UNEP Ozone Secretariat (see above).

**GLOBAL ENVIRONMENT FACILITY:** The GEF Council will meet in Beijing, China, from 14-15 October 2002, to be followed by the second meeting of the GEF Assembly in Beijing from 16-18 October. These meetings will be preceded by NGO consultations on 13 October. For more information, contact: the GEF Secretariat, tel: +1-202-473-0508; fax: +1-202-522-3240/3245; e-mail: secretariatofgef@worldbank.org; Internet: <http://www.gefweb.org>

**EIGHTH CONFERENCE OF THE PARTIES TO THE UNFCCC:** COP-8 will be held from 23 October - 1 November 2002, in New Delhi, India. For more information, contact: UNFCCC Secretariat; tel: +49-228-815-1000; fax: +49-228-815-1999; e-mail: secretariat@unfccc.int; Internet: <http://www.unfccc.int>

**14TH MEETING OF THE PARTIES TO THE MONTREAL PROTOCOL AND SIXTH CONFERENCE OF THE PARTIES TO THE VIENNA CONVENTION FOR THE PROTECTION OF THE OZONE LAYER:** MOP-14/COP-6 will be held from 25 - 29 November 2002 in Rome, Italy. For more information, contact: Ozone Secretariat; tel: +254-2-62 12 34; fax: +254-2-62 39 13; e-mail: ozoneinfo@unep.org; Internet: <http://www.unep.org/ozone/home.htm>