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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Thirty-sixth Meeting
Montreal, 20-22 March 2002

Addendum

PRODUCTION SECTOR

Add the following after page 5:

Part II: Report of the Executive Committee's Subgroup on the Production Sector

1. The Subgroup on the Production Sector composed of Burundi, Canada, China, Colombia, France and the United States of America. met on March 20 2002 after being reconstituted by the Executive Committee at its 36th Meeting. Representatives from the World Bank were present in the meeting as observers.
2. The Subgroup decided to choose Canada as the facilitator. The meeting was then briefed by the Chief Officer on development in the ODS production sector since the 35th Executive Committee, especially with regard to the progress on the technical audit of the CFC production sector in Mexico. With regard to the technical audit of CTC production in China and India, efforts were being made by the Secretariat to prepare the terms of reference for the audit, which will be developed by the Secretariat in consultation with the World Bank. The Chief Officer stressed the importance for receiving CTC production data from China and India segregated between production for feedstock and controlled uses. The Chief Officer also informed the meeting of the draft agreement with the Democratic People's Republic of Korea, and requested approval of US \$150,000 to complete the pending technical audits.
3. The Subgroup amended the Draft Agreement for the Phase-Out in the ODS Production Sector in Democratic People's Republic of Korea, inserting the words "permanent closure of

ODS production and dismantling of the production facilities” to CFC-113 and methyl chloroform and requested UNIDO as the implementing agency to ensure that this be achieved prior to fund disbursement (Amended Agreement attached).

4. The Subgroup completed the agenda and recommended that the Executive Committee should:

- (a) Approve the request of the Secretariat to replenish the account for the technical audit by US \$150,000 to enable the Secretariat to proceed with the technical audits planned in 2002;
- (b) Authorize the Secretariat to proceed with the technical audit of the CFC production sector in Venezuela;
- (c) Approve the Agreement for the Phase-Out in the ODS Production Sector in Democratic People’s Republic of Korea as amended.

Annex I

**AMENDED AGREEMENT FOR THE PHASE-OUT IN THE ODS PRODUCTION
SECTOR IN DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA**

(a) The Executive Committee decides to approve in principle a total of US \$2,566,800 in funding for the closure of the entire ODS production capacity in Democratic People's Republic Of Korea. This is the total funding that would be available to in Democratic People's Republic Of Korea from the Multilateral Fund for the total permanent closure and dismantling of all capacity for the production of the controlled substances under Annex A - Group I CFCs (CFC-11, 12 and 113), Annex B-Group II carbon tetrachloride, Annex B - Group III 1,1,1-trichloroethane, and/or the development of capacity to produce alternatives to these ODSs. The agreed level of funding would be paid out according to the following schedule of closing the facilities, upon the submission and the Executive Committee approval of the independent verification report on the permanent closure of the ODS production and dismantling of the production facilities.

Schedule of closures and disbursement

Processing facility	Time of closure	Time of verification	Level of disbursement**	Time of disbursement
CFC-113	May 2001	August 2001*	687,700	Upon satisfactory verification of permanent closure of the CFC-113 production and dismantling of the production facility.
Methyl Chloroform	May 2001	August 2001*	656,650	Upon satisfactory verification of permanent closure of the methyl chloroform production and dismantling of the production facility.
CFC-11/12	2003	2003	733,700	Upon satisfactory verification of permanent closure of the CFC-11/12 production and dismantling of the production facility.
CTC	2005	2005	488,750	Upon satisfactory verification of permanent closure of the CTC production and dismantling of the production facility.
Total			2,566,800	

* Verified by Wakim Consulting during the technical audit and to be confirmed by UNIDO.

** Includes the replacement cost of the facility and 15% for dismantling.

(b) UNIDO has agreed to be the implementing agency for this project at a total support cost of US \$128,340. As the implementing agency, UNIDO agrees to be responsible for independently verifying for the Executive Committee that dismantling all ODS production lines is done appropriately by ensuring that the reactor, distillation towers, receiver tanks for finished

products, and control and monitoring equipment are dismantled and rendered unusable for future ODS production, and are disposed of.

(c) The funding components of this decision shall not be modified on the basis of future Executive Committee decisions that may affect the funding of the ODS Production Sector or any related activity.

(d) In light of the fact that the closure of CFC production capacity in Democratic People's Republic of Korea will make CFCs more scarce, and that recycled CFC will be important to ensuring that CFC is available to meet continuing servicing needs in the country, the Democratic People's Republic of Korea will endeavour to preserve its recycled/reclaimed CFCs for its own use.