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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Forty-fifth Meeting  
Montreal, 4-8 April 2005

**REPORT OF THE SUBGROUP ON THE PRODUCTION SECTOR**

1. The Subgroup on the Production Sector was reconstituted at the 45<sup>th</sup> meeting of the Executive Committee the 1<sup>st</sup> meeting of the Executive Committee in 2005. The new membership included Brazil, Canada, Japan, Thailand, Syria, United Kingdom of England and Northern Ireland, United States of America and Zambia. The Subgroup met twice during the 45<sup>th</sup> meeting to complete its agenda. At its first meeting the Subgroup decided that Canada should continue to serve as the facilitator of the group. The Chief Officer briefed the group on the functions of the Subgroup and the work programme of the group in 2005.

2. She advised that the Subgroup was created by the Executive Committee in 1996 through Decision 19/36 to assist in developing guidelines for funding ODS productions phase-out. The Committee expanded its terms of reference under Decision 26/40 in 1998 to mandate the group to review and recommend on ODS production phase-out investment projects.

3. There were three investment projects which were expected to be submitted to the Subgroup for review and recommendations in 2005. These were to phase-out methyl bromide production in China; to phase-out the production of CFC, CTC and methyl bromide in Romania; and the 2<sup>nd</sup> phase of the CTC sector phase-out plan in China. Later UNIDO and the World Bank advised that the 3 projects would be submitted to the Subgroup at the 47<sup>th</sup> Meeting at the end of 2005.

4. Brasil informed the Subgroup that the CFC production closure in Mexico would be completed ahead of schedule. The CFC production would terminate in July 2005 instead of December 2005 as originally planned, and UNIDO intended to carry out the verification of the 2005 CFC production in August and submit the verification report to the 47<sup>th</sup> meeting. The Subgroup was requested to consider releasing the final funding tranche of approximately \$12 million in 2005 instead of the first meeting in 2006. The Subgroup recommended to

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consider releasing the final tranche of the CFC production closure project at the last meeting in 2005 upon satisfactory verification of the 2005 CFC production in Mexico provided that the cash-flow of the Multilateral Fund at the time would allow this to happen.

5. At the request of UNIDO, the Subgroup considered the proposed funding level for project preparation of the methyl bromide production phase-out in China and the ODS production phase-out in Romania. After considering the amount of data already collected and the number of producing plants to be covered, the Subgroup recommended US\$ 40,000 for the project preparation for the China methyl bromide project and US\$ 35,000 for the Romania ODS production phase-out project.

6. The Subgroup received additional data from China which China reported as different from that included in the audit report. With that, the Subgroup recommended taking note of the audit report and request UNIDO to take it fully into account in developing the phase-out project.

7. The Subgroup was informed by the Secretariat that the technical audit of the ODS production sector in Romania was near completion and the Secretariat wished to send the audit report to members of the Subgroup for intersessional approval provided the final report was ready by end of April. This would enable UNIDO to proceed with project preparation earlier. The Subgroup recommended authorizing the Secretariat to apply the intersessional approval procedure on a non-objection basis for clearance of the Romanian audit report if it became available to the Secretariat by the end of April.

8. In conclusion, the Subgroup recommended that the Executive Committee may wish to:

- (a) consider releasing the final funding tranche of the Mexican CFC production phase-out project at the 47<sup>th</sup> meeting upon satisfactory verification of the 2005 CFC production in Mexico provided that the cash-flow of the Multilateral Fund at the time allowed that to happen;
- (b) approve US\$ 40,000 for project preparation of the methyl bromide production phase-out project in China, and US\$ 35,000 for project preparation of the ODS production phase-out project in Romania;
- (c) take note of the technical audit report of the methyl bromide producing plants in China and request UNIDO to take it fully into account in developing the investment project, together with China's comments on the audit report and any other comments submitted prior to the end of April.
- (d) authorize the Secretariat to apply the intersessional approval procedure on a non-objection basis to the clearance of the Romania technical audit report if it became available to the Secretariat by the end of April.