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Executive Committee of
the Multilateral Fund for the
Implementation of the Montreal Protocol

Thirteenth Meeting
Montreal, 25-27 July 1994

REPORT OF THE SUB-COMMITTEE FOR THE REPORT ON THE REVIEW UNDER PARAGRAPH 8 OF ARTICLE 5 OF THE MONTREAL PROTOCOL

(May 23-24, 1994)

1. Pursuant to a decision of the Executive Committee at its Twelfth Meeting, the Sub-Committee for the Report on the Review under Paragraph 8 of Article 5 of the Montreal Protocol was convened in the offices of the Fund Secretariat in Montreal from 23 to 24 May 1994. The meeting was chaired by Mr. John Whitelaw, Australia, and was attended by representatives from Brazil, Denmark, India, United States of America, and Venezuela.
2. Following a brief closed session of the Sub-Committee, representatives from the four firms, ICF, TERI, CETEC, and CGC, representing the study team (the Consultant) were invited into the meeting. The Chairman of the Sub-Committee gave a presentation on the overall objectives of the study which was followed by an overview and task by task discussion of the study elements. A copy of the meeting agenda is included as Annex I.
3. The Sub-Committee agreed with the Consultant on the following issues:
 - (a) Phase-out schedules to be considered in the study:
 - (i) London amendments for Article 2 countries
 - (ii) London amendments for Article 2 countries plus 10-year grace period

- (iii) London amendments for Article 2 countries plus 10-year grace period plus a tail for existing equipment
 - (iv) Copenhagen amendments for Article 2 countries
 - (v) Copenhagen amendments for Article 2 countries plus 10-year grace period
 - (vi) Copenhagen amendments for Article 2 countries plus 10-year grace period plus a tail for existing equipment
 - (vii) Maximum possible cost-effective reductions as soon as possible with a servicing tail
 - (viii) Scenario that develops as a result of the Consultant's study (if one arises) (will discuss in July)
- (b) The amount of ODS used each year for each phase-out schedule should be specified.
- (c) A decision on the precise manner of incorporation of HCFCs and methyl bromide will not be made until the July meeting of the Sub-Committee. The Consultant will meet with the co-chairs of the Technology and Economic Assessment Panel before the July Sub-Committee meeting to discuss this issue. It was understood that the modelling will include HCFC substitutes for CFCs but not substitutes for HCFCs or methyl bromide.
- (d) The review of the Financial Mechanism to be undertaken in accordance with decision V/12 and this study on Article 5 country phase-out schedules should be kept distinct. The Consultant should make the data collected for this study available for the review of the Financial Mechanism.
- (e) Analysis of technology transfer should focus on the time it has taken to implement projects on the shop floor. It should also take into consideration changes in the rate of technology transfer and resource transfer to the shop floor.
- (f) Tail scenarios shall be defined as follows:
 - (i) Sensitivity analysis will be conducted of tail scenarios which includes an ending date of 1999 for the production of new ODS-using equipment. This sensitivity will apply to phase-out schedules in paragraph 3(a)(iii) and (vi) above.
 - (ii) Production and consumption of ODS continues only to service existing equipment. The practical implication is that no retrofits are required.
- (g) The Consultant will not make recommendations concerning the phase-out schedules but will indicate if a particular schedule is not feasible and why.
- (h) The Consultant will not evaluate the operation of the Fund.

- (i) The Consultant will not prepare an original forecast of ODS prices, but the Consultant will assemble a consensus forecast of prices based on materials provided by chemical manufacturers, users, and distributors. The Consultant will inform the Sub-Committee about obtaining forecasts and discuss any issues that arise in that regard. The Consultant will consider in addition to multinational chemical producers, indigenous chemical producers.
- (j) The Consultant will not provide analyses, summary information, or recommendations on a country-specific basis.
- (k) Selected environmental organizations will be contacted during the data collection phase of the study.
- (l) Data on project proposals that were considered by the Executive Committee and other information available in the Secretariat will be made available to the Consultant. The Consultant was requested to be as precise as possible when requested information (e.g., by including document numbers when available). Information will be provided on country programmes, project proposals, Fund disbursements, work programmes, and information provided under Article 7 of the Protocol (in cooperation with the Ozone Secretariat).
- (m) The Consultant was asked to ensure that, during all country visits, priority would be given to visits to users and industry groups. OPUs, financial intermediaries and senior environment officials should also be interviewed.
- (n) The Consultant will:

Meet next with the Sub-Committee: 24 July 1994
Submit preliminary draft report to Fund Secretariat: 6 September 1994
Submit draft report to Fund Secretariat: 1 November 1994
Submit final report to Fund Secretariat: 23 December 1994
- (o) The Consultant will provide an outline of the report to the Sub-Committee during its July meeting.
- (p) The Report is envisioned to include a 10-15 page Executive Summary and an additional 50-60 pages of text in the main body of Report. Additional materials will not be incorporated as appendices and instead will be submitted under separate cover. Country visit reports will not be part of the Report.
- (q) The Addendum would include a response to the substantive comments received on the Report submitted in December. If new data are provided by the Fund Secretariat, the Consultant will evaluate these data and incorporate them in the Addendum as appropriate. The Executive Summary will be updated to reflect the Addendum.

- (r) In seeking policy guidance from the Sub-Committee, the Consultant will submit in writing policy issues to the Fund Secretariat which will in turn submit the request to all members of the Sub-Committee. Sub-Committee members will communicate their views to the Chairman of the Sub-Committee who will communicate the decision to the Consultant. A short time frame, e.g., three working days, for a response from Sub-Committee members was acceptable and a non-response within the specified time frame would constitute no comment on the issue. It was understood that a decision would be rendered in five working days from the date of the query of the Consultant.
- (s) The following countries should be visited by the Consultant: Brazil, Cameroon, Chile, China, Egypt, India, Malaysia, and Mexico. The Consultant developed the following list of countries for which data would be sought by means of phone and fax contacts:
 - Africa: Algeria, Kenya, Nigeria, Senegal, and Zimbabwe
 - Asia: Indonesia, Jordan, Pakistan, Philippines, and Thailand
 - Latin American/Caribbean: Ecuador, Panama, Trinidad/Tobago, Uruguay, and Venezuela
- (t) The Consultant will provide the Sub-Committee through the Secretariat, with copies of the proposed data collection forms by mid-June for review.
- (u) The Sub-Committee will provide the Consultant with letters of introduction to:
 - . Article 5 countries,
 - . UNEP Nairobi,
 - . Montreal Protocol Assessment Panels, and
 - . Implementing agencies and financial intermediaries.
- (v) The study will move forward on the following assumptions for all of the scenarios:
 - . Projected demand for ODS until production controls begin,
 - . The Fund provides project support at current levels, and
 - . Nominal prices rise over time.
- (w) Costs will be defined as both Fund-supported costs (as defined by the Executive Committee's and Parties' guidelines and procedures) and real resource costs.

4. The Chair closed the meeting at 12 noon on 24 May 1994.

ANNEX I

**MEETING OF THE SUB-COMMITTEE FOR THE REPORT ON THE REVIEW
UNDER PARAGRAPH 8 OF ARTICLE 5 OF THE MONTREAL PROTOCOL**

(23-24 May 1994)

Agenda

Monday, 23 May 1994

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|---------------|--|
| 9:00 - 10:30 | Sub-Committee meets (without Consultant) |
| 10:30 - 10:45 | Opening remarks |
| 10:45 - 11:15 | Study overview (by Consultant) |
| 11:15 - 11:45 | General observations |
| | Presentation and discussion of Study Framework
(a task-by-task presentation and discussion of the Consultant's proposal) |
| 11:45 - 12:30 | <ul style="list-style-type: none">. Definition of Phase-out Schedule Scenarios (Task 2). Data requirements (Task 3). Data collection (Task 4) |
| 12:30 - 14:00 | Lunch |
| 14:00 - 16:00 | Presentation and discussion of Study Framework
(continued) <ul style="list-style-type: none">. Financial and atmospheric analysis (Task 5). Institutional/Policy Analysis (Task 6). Conclusions and recommendations (Task 7) |
| 16:00 - 16:20 | <ul style="list-style-type: none">. Incorporation of Parties' comments and updating the 31 December report (Tasks 14-15) |

16:20 - 16:30

Study schedule

16:30 - 17:00

Agreements on issues

- . Country visits
- . Adoption of framework
- . Phase-out schedule scenarios
- . Others

Tuesday, 24 May 1994

9:00 - 12:00

Discussion of remaining issues and adoption of the Report