



## MOP-14/COP-6 HIGHLIGHTS: TUESDAY, 26 NOVEMBER 2002

Delegates met in a morning plenary to discuss process agents, the fixed-exchange-rate mechanism and the review of the non-compliance procedure. A contact group on illegal trade also met. Contact groups on the Multilateral Fund replenishment, interaction between the Implementation Committee and the Executive Committee, and ozone-depleting substance (ODS) destruction technologies convened in the afternoon. The Implementation Committee and a budget committee also met.

### PLENARY

**MULTILATERAL FUND REPLENISHMENT:** Preparatory segment Co-Chair Catelin announced that Finland and Nigeria will serve as co-chairs of the Multilateral Fund replenishment contact group, whose members will comprise: Botswana, Brazil, China, Colombia, Dominican Republic, Indonesia, Iran, Mauritius and Venezuela for Article 5 Parties; and Canada, France, Germany, Italy, Japan, Netherlands, Poland, UK and US for non-Article 5 Parties.

**PROCESS AGENTS:** The US introduced a draft decision on process agents submitted by Australia, China and the US (UNEP/OzL.Pro.14/CRP.3), stressing the complexity of the issue.

He explained that the draft decision contains a list of uses of controlled substances as process agents, and that listed control agents would be treated in the same manner as feedstocks for non-Article 5 Parties. He also noted that, for Article 5 Parties, listed controlled substances in plants in operation before 1 January 1999 would be treated in the same manner as feedstocks until three years after the Executive Committee determines that the country's process agent applications are eligible for funding. Eligibility is dependent on criteria outlined in decision X/14 on process agents and on the provision that projects result in sustained national aggregate reductions in national process agent consumption. He underscored that this draft decision would ensure that Article 5 Parties would not be found non-compliant for reasons beyond their control.

Several Parties, including BRAZIL, EGYPT, INDIA, POLAND and SWITZERLAND expressed concerns with the draft decision and, after protracted debate, the US "orphaned" the proposal.

**FIXED-EXCHANGE-RATE MECHANISM:** Omar El-Arini, Chief Officer of the Multilateral Fund Secretariat, presented an update to the final report on the fixed-exchange-rate mechanism (FERM) for payment of contributions to the Multilateral Fund (UNEP/OzL.Pro.14/8), which was introduced for a trial period during the current triennium. He invited Anthony Brough, consultant to the Fund Secretariat, to outline the update's findings. Brough noted that, despite a recent reversal of the general decline of currencies against the US dollar for much of the triennium, projected losses from the FERM would amount to US\$17.7 million. He highlighted, however, that this had not hindered allocation of funds by the Multilateral Fund. Brough reported a lack of conclusive evidence on the FERM's overall impacts, remarking that, while it has administrative advantages for contributors and thus promotes timely payment, it introduces uncertainty for the Fund Secretariat. Noting the variety of contribution systems that exist in the international arena, he said three years is insufficient to evaluate the impacts of the FERM.

AUSTRALIA, CANADA, the CZECH REPUBLIC, DENMARK for the EU, NEW ZEALAND and NORWAY supported the continuation of the FERM. AUSTRALIA, the CZECH REPUBLIC and NORWAY proposed calculation of the dollar exchange rate as the average over the six months prior to the Meeting of the Parties (MOP) before the end of the triennium. The US called for averaging out over a longer period. The EU, opposed by the US, suggested that Parties consider using the Euro as the contributing currency. JAPAN expressed concern at the losses resulting from the FERM. BRAZIL highlighted the FERM's mixed results and called for consideration of how to compensate for losses if the trial period is extended.

Noting lack of consensus, Co-Chair Catelin urged interested Parties to continue discussions bilaterally.

**REVIEW OF THE NON-COMPLIANCE PROCEDURE:** The US introduced a draft decision, submitted by Australia, the EU, New Zealand and the US, on the non-compliance procedure (UNEP/OzL.Pro.14/CRP.2).

He explained that the draft decision enables increased continuity of participation in the Implementation Committee by allowing, *inter alia*, the possibility of Committee members to serve three consecutive terms, and the option for incoming Committee members to invite outgoing members to participate, in an advisory capacity, in the next Committee meeting. He noted that the draft decision also hastens the timing of communications between the



Ozone Secretariat and Parties regarding their compliance status from three to one-and-a-half months, and urges Parties to submit statistical data on their annual production of controlled substances within six months following the end of the year to which the data relate, rather than the current nine months. He said the draft decision urges countries elected as Implementation Committee members to attend all meetings, and requests the Ozone Secretariat to ensure that language difficulties do not hinder the work of the Implementation Committee.

CANADA and JAPAN supported the draft decision, and JAPAN, with COLOMBIA, stressed that individuals representing their country on the Implementation Committee should serve for their entire term. ARGENTINA and others supported: inviting outgoing members to participate in the next Committee meeting; urging Implementation Committee members to attend all meetings; and requesting the Ozone Secretariat to minimize language difficulties. ARGENTINA, with BANGLADESH, BOLIVIA, COSTA RICA, UGANDA and others, opposed extending the length of service of Committee members beyond two consecutive terms. With COSTA RICA, KENYA, LIBYA and others, ARGENTINA opposed hastening the timing of communications between the Ozone Secretariat and Parties, and with BOLIVIA, UGANDA and others, opposed urging Parties to submit statistical data within the proposed six months. Underscoring that the draft decision was a "package deal", AUSTRALIA, the EU and the US withdrew their proposal.

#### **CONTACT GROUPS**

**ILLEGAL TRADE:** The contact group on illegal trade, chaired by Poland, met in the morning to discuss a draft decision on monitoring of trade in ODS and preventing illegal trade in ODS. Some Parties opposed undertaking a study on the labelling of used ODS and products containing ODS, and stressed the need to avoid language with funding implications. Parties highlighted the potential of United Nations Environment Programme (UNEP) regional networks and other networks for increased cooperation on illegal trade, and agreed to request a report on the activities of regional networks on means of combating illegal trade. They could not agree, however, on the need for Parties to report joint efforts to the Ozone Secretariat. A draft decision will be presented to MOP-14 on Wednesday, 27 November.

**RESEARCH UNDER THE VIENNA CONVENTION:** The contact group on research under the Vienna Convention, chaired by Argentina, met during lunch to continue discussions on the funding of ozone-related monitoring activities in developing countries. Parties focused on delineating the operational details of a voluntary trust fund under the Vienna Convention that will provide financial support to help developing countries meet their research and monitoring needs. A draft decision will be presented to MOP-14 on Wednesday, 27 November.

**MULTILATERAL FUND REPLENISHMENT:** The contact group on the Multilateral Fund replenishment, co-chaired by Finland and Nigeria, met in the afternoon. The group discussed the G-77/China proposal to increase the level of funding for 2003-2005 to US\$924.6 million. The G-77/China explained how their proposed funding level was derived and the cost elements involved. Discussion will continue in Plenary on Wednesday, 27 November.

#### **IMPLEMENTATION COMMITTEE/EXECUTIVE**

**COMMITTEE INTERACTION:** The contact group on interaction between the Implementation Committee and the Executive Committee, chaired by the US, met in the afternoon. Delegates discussed the US draft decision on Executive Committee/Implementation Committee interaction and agreed to amend text regarding decision-making by the Executive Committee in situations of non-compliance, and on how the two Committees interact with each other. A revised draft decision will be presented to MOP-14 on Wednesday, 27 November.

**ODS DESTRUCTION TECHNOLOGIES:** The contact group on ODS destruction technologies, chaired by Australia, met in the afternoon. The group agreed on a revised draft decision that simplifies the language and focuses on providing guidance to Parties. The draft decision will be presented to MOP-14 on Wednesday, 27 November.

#### **OTHER MEETINGS**

**IMPLEMENTATION COMMITTEE:** The Implementation Committee met during lunch to finalize its recommendations for MOP-14. It agreed to recommend more than 20 decisions, covering approximately 25 Parties found to be in various states of non-compliance, including three non-Article 5 Parties. The Committee also agreed to a decision welcoming the Russian Federation's return to compliance. The recommended decisions and full report of the Implementation Committee will be presented to MOP-14 on Wednesday, 27 November.

**BUDGET COMMITTEE:** The budget committee, an informal group of interested Parties, met in the afternoon to consider the Ozone Secretariat's proposed 2003 and 2004 budgets for the Montreal Protocol Trust Fund (UNEP/OzL.Pro.14/5) and proposed 2004, 2005 and 2006 budgets for the Vienna Convention Trust Fund (UNEP/OzL.Conv.6/5). The Committee will submit its recommendations to the high-level segment.

#### **IN THE CORRIDORS**

Delegates got down to serious business today. Negotiations on the Multilateral Fund replenishment began in earnest and a total of seven groups met throughout the day, generating a level of activity unusual for an ozone meeting.

Regarding the Multilateral Fund replenishment, some developing country delegates were doubtful that donor Parties would accept their proposal.

Concerning illegal trade, some participants expressed concern at the absence of Article 5 representatives during most of the contact group, and lamented the slow progress since the decision's drafting at the 22nd meeting of the Open-Ended Working Group (OEWG-22). One observer noted that discussions at OEWG-22 had "torn the heart out" of the recommendations in the Ozone Secretariat's study considered at that meeting, bits of which have now been reintroduced. Notably, observers expressed satisfaction with the emphasis on regional efforts to combat illegal trade in ODS.

#### **THINGS TO LOOK FOR TODAY**

**Plenary:** The Plenary will reconvene at 10:00 am on the 3rd floor to consider the remaining agenda items before the preparatory segment, including recommendations of the Implementation Committee and draft decisions prepared by the contact groups.