



HIGHLIGHTS FROM MOP-11/COP-5 MONDAY, 29 NOVEMBER 1999

On the first day of MOP-11/COP-5, delegates met in Plenary to hear opening addresses, adopt the agenda and consider presentations on: the supplementary report on replenishment of the Multilateral Fund; the report on a fixed currency rate mechanism for the Multilateral Fund; and the Technology and Economic Assessment Panel (TEAP) report on HFCs and PFCs. Participants then considered the EU proposals on adjustments and amendment to the Montreal Protocol and the replenishment of the Multilateral Fund. The Budget Group met in the afternoon.

PLENARY

K. Madhava Sarma, Executive Secretary of the Ozone Secretariat, opened MOP-11/COP-5 and welcomed delegates. Representatives of the children of China delivered a message calling on all people to work hand-in-hand to protect the Earth. Ibrahim Abdel Gelil (Egypt), Co-chair of the Open-ended Working Group of Parties to the Montreal Protocol, thanked China for its hospitality and wished delegates the best for the session. Xie Zhenhua, Minister of the State Environmental Protection Administration of China, attributed progress in addressing ozone depletion to international cooperation.

Shafqat Kakakhel, Deputy Executive Director of UNEP, welcomed delegates on behalf of Executive Director Klaus Töpfer. He identified China as a significant force in the global economy and in the protection of the environment and the ozone layer. He highlighted draft decisions before COP-5/MOP-11, including the EU proposed adjustments and amendment to strengthen controls on HCFCs and to cap methyl bromide (MB) for quarantine and pre-shipment (QPS) applications, ozone-depleting substances (ODS) for basic domestic needs and new ODS. He emphasized the need to address low ratification of the Copenhagen and Montreal Amendments, noting that uncontrolled consumption of HCFCs and MB by some countries could negate all achievements. He also drew attention to draft decisions on: a fixed currency rate mechanism and the replenishment of the Multilateral Fund; compliance; import and export of products relying on Annex A and B substances; the terms of reference for Assessment Panels; and budget proposals for the Vienna Convention and Montreal Protocol trust funds. He commended progress in capacity building and remarked that 100 countries now participate in UNEP's Ozone Action Programme. He lauded the Protocol's achievements over the last decade, including ratification by 172 countries and an 85% reduction in production and consumption of ODS, and highlighted the Multilateral Fund's role in assisting developing countries to adopt ODS alternatives.

ORGANIZATIONAL MATTERS: Adoption of Agenda:

Co-Chair Jukka Uosukainen (Finland) introduced the provisional agenda and proposed additional items on: the supplementary report

on replenishment of the Multilateral Fund; the report on a fixed currency rate system for the Multilateral Fund; and the TEAP Report on HFCs/PFCs. CHINA introduced a draft Beijing Declaration and, with BRAZIL, INDIA and ANTIGUA AND BARBUDA, requested that the Declaration be included on the agenda. INDIA requested an item on process agents and POLAND one on customs codes. The agenda was adopted with these additions.

Supplementary report on the assessment of the funding required for the replenishment of the Multilateral Fund:

Lambert Kuijpers, Co-Chair of the TEAP, introduced the supplementary report on the assessment of the funding required for the replenishment of the Multilateral Fund for the period 2000 - 2002. He noted a number of aspects investigated by the TEAP Replenishment Task Forces, including: cost effectiveness for MB projects; sensitivity analysis on growth rates for consumption of ODS; benefits of non-investment activities; monetizing the benefits of advanced funding; sensitivity analysis for cost-effectiveness thresholds; analysis of the costs of refrigerant management plans; outcomes of the Executive Committee discussions on innovative financing; new sub-sectors, such as transport; costs of avoiding the use of HCFCs; and expenditures to favor hydrocarbons.

Report on the use of a fixed currency rate mechanism for the replenishment of the Multilateral Fund:

Theodore Kapiga, Fund Management Officer, UN Office at Nairobi, introduced key findings of the supplementary report on the use of a fixed currency rate mechanism for the replenishment of the Multilateral Fund, which applied a previous study on this issue to the actual replenishment period 1994 - 96. He noted, *inter alia*, the finding of the supplementary report that the net effects of a fixed currency rate mechanism on the Fund could fluctuate negatively or positively, depending on prevailing exchange rates.

TEAP report on HFCs/PFCs: Stephen Andersen, Chair of the TEAP HFC/PFC Task Force, presented a report on the implications to the Montreal Protocol of the inclusion of HFCs and PFCs in the Kyoto Protocol. Among the 32 findings of the report, he highlighted, *inter alia*, that, while HFCs are critical to the phase out of ODS, the implementation of the Montreal and Kyoto Protocols need not interfere with each other. He reported on possible alternatives to HFCs, noting that, with financial assistance, countries with economies in transition and Article 5 Parties could leapfrog HFC use in some applications. He said that consolidated information and investment on ozone and climate was needed.

In the ensuing discussion, SWITZERLAND said the report went beyond its mandate by producing an analysis rather than just information. He expressed concern over the analysis of national HFC regulations, which he said were too general and did not reflect the complexity of the issue. GREENPEACE INTERNATIONAL called for agreement on a global cap on HFC production, and for a legally-binding contract between governments and industry stating



that industry will pay the full cost of any damages resulting from HFC use. He said chemical manufacturers are over represented in the TEAP and that Parties should ensure balanced representation.

PROPOSED ADJUSTMENTS AND AMENDMENT TO THE MONTREAL PROTOCOL: The EUROPEAN COMMISSION, on behalf of the EU, outlined its package of proposals for adjustments and amendment to the Montreal Protocol.

HCFCs: On HCFCs, the EU said current controls need to be strengthened to maximize ozone layer protection and take account of recent progress in developing non-ozone-depleting alternatives. He proposed a freeze on HCFC production for non-Article 5 Parties from a specific base year with phase out by 2025. For Article 5 Parties, he said HCFC production controls should apply with levels and dates identical to the existing consumption controls. He called for a ban on trade in HCFCs with non-Parties.

Many Parties opposed these proposals. CANADA opposed HCFC production controls, pointing to the possible need to: increase HCFC production as CFCs are phased-out; make HCFC production permits transferable; and ensure an adequate supply of HCFCs for legitimate needs. JAPAN said HCFCs provide developing countries with an alternative to CFCs and opposed HCFC production controls. CHINA, COLOMBIA and others said alternatives to HCFCs still need to be developed. The RUSSIAN FEDERATION said accelerating phase out would have financial consequences and suggested the issue be reviewed once research on replacement technologies has progressed. The US, noting that HCFCs are substitutes for other ODS, opposed the proposal.

GREENPEACE INTERNATIONAL urged Parties to support the proposals on HCFCs. NORWAY said controls on HCFCs need to be strengthened and called for harmonization with existing measures for other ODS.

Methyl bromide: On QPS uses of MB, the EU noted that 22% of the current global use of MB is for QPS applications. Supported by NORWAY, he proposed a freeze in MB consumption for QPS, noting that there could be flexibility on the date of applying the freeze. The UK said the current exemption for QPS uses of MB discouraged the development of alternatives.

Numerous Parties, including MEXICO, CANADA, the US, CHINA, TUNISIA, COLOMBIA, MALAYSIA, and NEW ZEALAND, on behalf of the Valdivia Group, opposed a freeze on QPS use of MB. Several Parties said it was not the appropriate time to take a decision on this matter. CHINA added that limitations on MB use would adversely affect people's health, plant safety and trade. CHILE said MB regulation would require adequate funding for developing countries. The PESTICIDE ACTION NETWORK said clear and definitive guidelines should be established for QPS uses and urged countries to develop accurate reporting methods.

New ozone-depleting substances: The EU stated that a full amendment and ratification procedure should not be required to extend existing controls to new ODS. He added that bromochloromethane production and consumption should be banned. JAPAN and INDIA opposed the proposed procedure for adding new ODS, while GREENPEACE INTERNATIONAL supported the proposal. SWITZERLAND supported simplified procedures and the inclusion of bromochloromethane.

CFC production for basic domestic needs: The EU proposed adjustments to tighten the Protocol in relation to CFC production to meet basic domestic needs, including the insertion of a paragraph stating that 1995 - 97 shall be the base period for reductions in ODS production of 50% by 2005. CHINA opposed steps to tighten production specifications for basic domestic needs.

General comments: In general comments on the EU proposals, BRAZIL, recalling that any Party may declare that an amendment will not enter into force unless agreed to, accepted the EU's text. The REPUBLIC OF KOREA expressed concern over possible price increases and negative trade impacts arising from the

proposals. INDIA stated that the proposals should be studied in depth and that no further controls should be imposed at this stage for Article 5 Parties. The CZECH REPUBLIC and TURKEY supported the EU proposals.

Co-Chair Uosukainen established an Open-ended Working Group on the proposed adjustments and amendments. He also nominated John Ashe (Antigua and Barbuda) to chair a Budget Group and Patrick Széll (UK) to chair a Legal Drafting Group.

REPLENISHMENT OF THE MULTILATERAL FUND: Co-Chair Uosukainen summarized discussions at the meeting of the *Ad hoc* Group on Replenishment held in Washington DC in May 1999, highlighting, *inter alia*: best-case funding of US\$300 million; Copenhagen Amendment ratifications; non-investment activities; advanced funding; concessional lending; costs of avoiding HCFCs; and hydrocarbon use.

FINLAND, on behalf of the EU, underscored, *inter alia*: the cost of MB phase out; ratification of the Copenhagen Amendment; non-investment activities such as capacity building; and support for concessional lending. NIGERIA, on behalf of the G-77/CHINA, and supported by a number of other Article 5 Parties, called for replenishment funding of not less than US\$500 million, and insisted that concessional lending not be considered. BOTSWANA called for public awareness network funding.

The CZECH REPUBLIC suggested alternative sources for funding, such as the private sector. The PHILIPPINES said non-payment of contributions must be addressed. TURKEY expressed concern that the proposed funds would not be adequate to support refrigerant management plans. Co-Chair Uosukainen suggested that the *Ad-Hoc* Group on Replenishment reconvene, with the addition of representatives from Italy and Brazil, to continue discussions. The Co-Chairs will preside over the Group.

BUDGET GROUP

The Budget Group met in the afternoon to begin consideration of the financial report on the Montreal Protocol Trust Fund, the approved budget for 1999 - 2000 and the proposed budget for 2001.

IN THE CORRIDORS

On a lively opening day for MOP-11, the EU's package of proposals received a mixed response at best, with a number of participants noting that the EU remains a major producer of ODS. Some delegates welcomed Switzerland's criticism of the TEAP Report on HFCs/PFCs, noting that membership of the TEAP was too closely aligned to industry and suggesting that TEAP had overstepped its mandate by recommending policy rather than simply providing information. Discussions on concessional funding are likely to be another ongoing point of contention.

THINGS TO LOOK FOR TODAY

PLENARY: Plenary will convene at 10:00 am in Hall 1 to address both the use of a fixed currency rate mechanism for contributions to the Multilateral Fund and the Beijing Declaration. Plenary will reconvene at 3:00 pm to select members for the Implementation Committee and the Multilateral Fund Executive Committee and Co-Chairs for the Open-ended Working Group. It will also begin consideration of: reporting of data; ratification of the Convention, Protocol and its amendments; and QPS applications of MB.

WORKING GROUPS: Immediately following the morning Plenary, the Working Group on proposed adjustments and amendments will meet in Room 12 and the Working Group on replenishment of the Multilateral Fund will meet in Room 3030. The Budget Group will meet at 4:00 pm in Room 14.