



## OEWG 38 HIGHLIGHTS: WEDNESDAY, 20 JULY 2016

OEWG 38 reconvened for its third day of deliberations in Vienna, Austria, on 20 July 2016. In the morning, delegates addressed the issue of amendments to the Protocol in the HFC Management Contact Group. Plenary also reconvened for stocktaking.

In the afternoon, contact and informal groups on the TOR for the Study on the 2018-2020 Replenishment of the MLF, the draft proposal to establish an *ad hoc* standards coordination group, and HFC Management met.

### OEWG 38 PLENARY SESSION

OEWG Co-Chair Leslie Smith opened this session, noting a number of new CRPs had been tabled, including an Indian submission of text for parties' consideration for inclusion in decisions under the Dubai Pathway on HFCs (UNEP/OzL.Pro.WG.1/38/CRP.2), TEAP report on the climate benefits and costs of reducing HFCs under the Dubai Pathway (UNEP/OzL.Pro.WG.1/38/CRP.3), and a Pakistani text for consideration by the parties for inclusion in decisions related to the phase-down of HFCs under the Montreal Protocol (UNEP/OzL.Pro.WG.1/38/CRP.4).

He then called for progress reports from the Co-Chairs of the HFC Management Contact Group and the Contact Group on the MLF Replenishment Study TOR.

HFC Management Co-Chair Patrick McInerney highlighted discussion on baselines for non-Article 5 and Article 5 parties. Emphasizing the group's progress, he summarized Article 5 parties' concerns, including a lack of reliable data on HFC use and possible constraints to future HFC and economic growth.

MLF Replenishment Study TOR Co-Chair Philippe Chemouny said the contact group had made some changes but required more time for substantive changes.

OEWG Co-Chair Smith agreed to provide additional time.

### ISSUES RELATED TO EXEMPTIONS UNDER ARTICLES 2A-2I OF THE MONTREAL PROTOCOL:

CHINA presented its CRP on EUEs for laboratory and analytical uses for 2017 in China (UNEP/OzL.Pro.WG.1/38/CRP.5), highlighting updates that reflect, *inter alia*, discussion with the EU. BELARUS described challenges related to exemptions for laboratory purposes in his country, asking how to proceed. OEWG CO-Chair Smith invited interested parties to continue discussions.

**OTHER MATTERS:** OEWG Co-Chair Smith said initial discussions had taken place on the draft proposal to establish an *ad hoc* standards coordination group (UNEP/OzL.Pro.WG.1/38/CRP.1), stating that informal discussions would convene in the afternoon.

### CONTACT GROUPS AND INFORMAL DISCUSSIONS

**HFC MANAGEMENT:** Contact Group Co-Chair McInerney opened the morning session, which continued addressing Article 5 party baselines.

On a negotiating text, SENEGAL, supported by MOROCCO and MAURITANIA, emphasized the need for a document to form a real basis for further negotiations on Article 5 baselines.

On baseline dates, SENEGAL proposed a baseline from 2020-2024. The DOMINICAN REPUBLIC supported 2017-2022 as a good timeframe. GUATEMALA supported a baseline from 2016-2019. COLOMBIA, with CUBA, supported using 2020 as the start for baseline dates. BRAZIL supported a significant time lag between baseline years for non-Article 5 and Article 5 parties, favoring the Indian proposal. CHINA preferred a future date, underscoring that growth in HFC use should be linked to the freeze date.

ARGENTINA urged sufficient time between non-Article 5 and Article 5 phase-downs to allow for conversion to tried and tested new alternatives. In response to South Africa, the EU clarified that since a number of Article 5 parties are not using many HFCs, early baselines would be based on limited-to-no HFC use in those countries, and a percentage of HCFC usage, with HFCs contributing more over time as conversion occurs.

On calculation of baselines, BRAZIL, with KUWAIT, called for using HCFC baseline consumption, rather than actual consumption, as the latter would penalize early action on HCFCs by Article 5 parties. COLOMBIA called for setting the HCFC coefficient at 65%. CANADA said the HCFC percentages in the four amendment proposals are meant to stimulate discussion and can be adjusted.

BRAZIL expressed concern regarding calculation of carbon dioxide equivalent (CO<sub>2</sub>e) for the HCFC consumption component of baselines. CANADA said HCFCs should not be a major factor in CO<sub>2</sub>e calculations and suggested baselines be set by deciding what CO<sub>2</sub>e target parties want.

Several parties, including PAKISTAN, CHINA and INDIA, said an HFC phase-down should not constrain Article 5 parties' development and economic growth. The US said the North American proposal includes a percentage of HCFCs with the aim of providing a "cushion" for parties' needs and also allowing for growth and transition to HFCs. CANADA said the Montreal Protocol has always recognized the special situation of developing countries and tried not to constrain their growth, and suggested that switching to efficient low-GWP alternatives may stimulate economic growth.

IRAN, with CUBA, called for taking into account different national circumstances, with IRAN further suggesting variable baselines for different national circumstances. SAUDI ARABIA suggested developing situation-specific, rather than country-



specific, baseline sets. KUWAIT suggested delaying setting baselines for Article 5 parties until after non-Article 5 parties are 70-80% finished with their HFC phase-down.

On data for establishing a baseline, VENEZUELA informed they have been tracking HFC imports and use since July 2015. SENEGAL said many Article 5 parties are in the process of conducting HFC inventories and this data would be available by 2017. FYR MACEDONIA shared national efforts to collect and analyze HFC data. IRAN said countries need time to build capacity to collect reliable data. CANADA noted that the MLF is helping 129 countries produce HFC surveys, but agreed that, for Article 5 parties, capacity-building support on data will be necessary in advance of a phase-down.

The US stressed historical data can be used to calculate baselines, recalling that the Protocol used this approach before.

MOROCCO, MAURITANIA and EGYPT called for the World Customs Organization (WCO) to establish a specialized category for HFCs and products using HFCs to track such products across borders. SWITZERLAND and the EU noted the WCO is conducting relevant work on tracking numbers, with SWITZERLAND suggesting national-level efforts to assign unique tariff codes to HFC products.

SOUTH AFRICA queried if there are other sources of data, where customs data is not available. The EU informed that the MLF and Climate and Clean Air Coalition (CCAC) initiatives have conducted HFC inventories.

On country-level implications of various baseline options, SWITZERLAND proposed the Ozone Secretariat establish a “help desk” or interface for countries inquire on how to calculate baselines. Several parties, including INDIA and COLOMBIA, supported establishing some form of support desk. NEW ZEALAND described his delegation’s work in analyzing the Article 5 baselines, offering to share it with the Secretariat and interested parties.

BRAZIL, with AUSTRALIA, said one guiding principle in the amendment negotiations is that the Protocol and its subsidiary bodies have worked well in the past, so maintaining its successful modalities in this amendment is important.

Co-Chair Xia Yingxian opened the evening session, which considered the freeze year and phase-down schedule for non-Article 5 parties, followed by those for Article 5 parties.

On the freeze year, SWITZERLAND and AUSTRALIA supported a phase-down in 2019, with AUSTRALIA, NEW ZEALAND, NORWAY, and others noting the time needed to enact legislation.

BELARUS suggested setting the baseline in 2020, then starting phase-down in 2028, to allow for implementation of regulations and mechanisms.

CHINA and SAUDI ARABIA worried that no freeze date or a freeze date in 2019 would result in HFC import or production spikes.

On end dates, SWITZERLAND proposed 2034-2035. AUSTRALIA preferred 2036. The EU noted it proposed 2034, but remained open.

On the residual percentage, NORWAY, NEW ZEALAND, AUSTRALIA, CANADA, and the US supported 15%.

On the phase-down schedule, NEW ZEALAND, NORWAY, JAPAN, and the US preferred the North American proposal’s schedule. The EU said it is open to adjusting the schedule in its proposal. KUWAIT called for careful coordination of the non-Article 5 and Article 5 phase-down schedules, and asked how the proposed schedule for non-Article 5 parties might affect HFO production.

JAPAN suggested a technical review to periodically assess the state of alternatives. The US said its proposal includes a technology review applicable to both non-Article 5 and Article 5 parties.

On Article 5, INDIA presented its proposal. He highlighted, *inter alia*, cost concerns, observing the MLF has spent much less to date than the estimated costs of an HFC phase-down. BURKINA FASO and MEXICO expressed concern that India’s proposal allows for future exponential growth of HFCs.

Observing that alternative technologies are not available, KUWAIT preferred a longer period such as the Indian proposal. MALAYSIA said Article 5 parties need at least a two-year grace period to allow transitions by industry.

The EU described its proposal as the “basket approach.” SAUDI ARABIA did not support the basket approach and expressed concern about time for industry to transition.

ARGENTINA said proposals do not respect common but differentiated responsibilities.

In response to questions from Argentina, FSM stressed that what matters is the amount of refrigerant allowed.

MEXICO emphasized the North American proposal’s structure, which he said includes a reasonable time for freezing of consumption and includes a series of technologies that could be easily and quickly adopted.

LESOTHO acknowledged benefits of an early freeze date but questioned additional parameters like GDP and population. EGYPT reflected on challenges in phasing out or halting HFCs.

**TOR FOR THE STUDY ON THE 2018-2020 REPLENISHMENT OF THE MLF:** The contact group made additional updates to the text. Participants discussed, *inter alia*: the relationship with a possible HFC amendment; and whether to reference Stage Three HPMPs. Participants agreed to leave bracketed text for discussion by the MOP.

**AD HOC STANDARDS COORDINATION GROUP INFORMAL DISCUSSION:** All parties welcomed the intent of the CRP on establishing a standards coordination group, but several raised concerns about modalities, particularly creating a new group. Some suggested that existing Protocol institutions, such as the Secretariat and TEAP, could perform the tasks. All welcomed the idea of a 2017 workshop, subject to funding availability. Most welcomed some type of interface with international and regional standards bodies and helping national ozone officers liaise with national standards bodies. Several parties asked for further reflection on modalities, perhaps intersessionally before MOP 28.

### IN THE CORRIDORS

Vienna’s sunny, cloudless sky appeared to bring calm to Wednesday’s OEWG 38, where smiling delegates could be seen quietly conversing and exchanging HFC baseline and schedule spreadsheets throughout the venue. Parties reacted to technology challenges and other hiccups with grace, with what seemed like the whole room exploding into laughter when one party suggested a gap of “15-days” and quickly corrected himself to say “15-years.”

Some parties adopted a “pick and choose” approach to the amendment proposals during discussions on baselines, schedules and freeze, expressing their preferences and where they could be flexible. The contact group made steady progress, with many parties asking questions and the amendment proponents providing responses. Some participants wondered, though, how at this pace the OEWG 38 could possibly finish its work in time for the high-level ExMOP on Friday. With new CRPs posted on the meeting portal, but not discussed, and ministers beginning to arrive Thursday morning, today’s calm may represent “the calm before the storm.”