

ANNOTATED AGENDA OF XXXIV MEETING OF THE EMPOWERED STEERING COMMITTEE OF THE MINISTRY OF ENVIRONMENT AND FORESTS FOR IMPLEMENTATION OF THE MONTREAL PROTOCOL SCHEDULED TO BE HELD ON 5th MARCH 2008.

Item No. 1 : Adoption of the Agenda

The provisional agenda may be adopted.

Item No. 2 : Confirmation of Minutes of the XXXIII Empowered Steering Committee (ESC) meeting held on 21st November, 2007.

The Minutes of XXXIII meeting of the ESC which was held on 21st November, 2007 have been circulated to all members. No comments have been received. The Minutes placed at **Annex-A, pages:1-48** may be confirmed.

Item No. 3 : Action taken on decision of the XXXIII ESC.

S. No	Decision taken in XXXIII ESC	Action taken on the decision
1.	<u>Paragraphs 7 and 8</u> : <i>Release of incremental costs to enterprises in foam and commercial refrigeration sectors by UNDP</i>	Decision of ESC has been communicated to UNDP. The Chief of MPU, UNDP, New York has been informed that action has been initiated for disbursement of funds. Sector Phase-out Plan Unit (SPPU) has verified about 25 enterprises in foam and commercial refrigeration (CR) sectors.
2.	<u>Paragraph 10 (a) and 10 (b)</u> : <i>Monitoring of production, domestic sale, export and stockpile of CFC in 2007</i>	Project Management Unit (PMU) has undertaken annual technical audit to verify the production, export, domestic sale and stockpile for the year 2007. It is noted that all the 4 CFC producers has produced 2368 MT which is less than the allocated quota (3389). Domestic sale is 2586 MT, export is 1303 MT and stockpile is 1363 MT during 2007.
3.	<u>Paragraph 11 (a) and 11 (b)</u> : <i>Monitoring of production, domestic sale, export, feedstock and stockpile of CTC in 2007</i>	PMU has undertaken annual technical audit to verify the production, export, domestic sale, feedstock use and stockpile for the year 2007. Audit report is yet to be received.

4.	<u>Paragraph 12</u> : <i>Duty exemption applications in respect of new or expanded activities with non-ODS technology.</i>	Duty exemption certificates for the following 12 enterprises were issued :- <ul style="list-style-type: none"> ➤ M/s. Jindal Mectec (P) Ltd., Gurgaon, Haryana; ➤ M/s. Pranav Vikas India Ltd., Faridabad; ➤ M/s. Nilkamal Ltd., Puducherry; ➤ M/s. Nilkamal Ltd., Samba, Jammu; ➤ M/s. Suchi Foams Pvt. Ltd., Ahmedabad, Gujarat ➤ M/s. Subros Ltd., Noida & Manesar ➤ M/s. Apex Prefab Building Systems, H.P. ➤ M/s. Voltas Ltd., Mumbai ➤ M/s. Subros Ltd., NOIDA ➤ M/s. InTime Fire Appliances, Mumbai ➤ M/s. Polyflex (India) Pvt. Ltd., Tamil Nadu ➤ M/s. Techno Electronics Ltd., Kashipur
5.	<u>Paragraph 17</u> : <i>Quarantine and Pre-Shipment (QPS) application of methyl bromide</i>	Regional office of UNEP, Bangkok has been requested to undertake survey of methyl bromide use in QPS applications in close cooperation with Ozone Cell. The UNEP, CAP team has prepared the action plan and submitted to the Ozone Cell.
6.	<u>Paragraph 18</u> : <i>Stockpile of CFC for the year 2006</i>	This issue is presented in Agenda Item No. 7. for consideration of the 34 th ESC.
7.	<u>Paragraph 19</u> : <i>Allocation of CFC quota for CFC based Metered Dose Inhalers (MDI)</i>	A meeting will be convened in March, 2008 to discuss about the CFC requirement for MDI sector.
8.	<u>Paragraph 22</u> : <i>Phase-out of CFC in MDI sector</i>	Preparation of project for non-investment activities to phase-out CFC in MDI sector is related to the issue presented in Agenda Item No. 7. for consideration of the 34 th ESC. UNEP has been requested to be associated in implementation of non-investment activities in MDI sector.
9.	<u>Paragraph 25 (a) and 25 (b)</u> : <i>Important decisions taken for HCFC phase-out</i>	<ul style="list-style-type: none"> • UNEP has been requested to be associated with preparation of HCFC management plan with UNDP as the lead implementing agency. Both UNDP and UNEP have submitted their requests to Multilateral Fund Secretariat (MLFS) for inclusion in their business plan of 2008. • The World Bank has been requested to include the HCFC production phase-out activities in their business plan. The World Bank has informed that it will be included in their 2009 business plan on finalization of policy issues on production sector phase-out project by the Executive Committee at its 54th Meeting. • UNDP has been requested to include HCFC

		<p>phase-out activities in consumption sector except transport refrigeration and air-conditioning sub-sectors in their business plan for 2008-2010.</p> <ul style="list-style-type: none"> • UNIDO has also been requested to include HCFC phase-out activity for HCFC consumption in transport refrigeration and air-conditioning sub-sectors in their business plan for 2008-2010. • UNEP has been requested to include all the non-investment activities relating to HCFC production and consumption phase-out in their business plan. • GTZ and Government of Switzerland have been advised to be associated in phase-out of HCFC consumption in servicing sector. <p>The above distribution has been made based on the involvement of implementing and bilateral agencies in ongoing and completed activities for phasing out CFC production and consumption in India.</p>
10	<u>Paragraph 25 (c)</u> <i>HCFC phase-out</i>	: It is proposed to organize a stakeholders workshop in April/May 2008 to discuss the issues relating to HCFC phase-out and review of existing regulatory and fiscal measures.

Item No. 4 : Progress of Implementation of Projects

a) Progress of Implementation Status of Umbrella Project in Foam Sector

The project was approved in 37th Meeting of the Executive Committee of the Multilateral Fund (MLF) held in July 2002, at a total funding level of US\$ 5,424,577, to be provided in five tranches, leading up to the complete phase-out of CFCs in the Foam Sector in India. All the five tranches have been approved by the Executive Committee and released to UNDP.

CFC phase-out activities at 122 enterprises have been completed. As decided by the 33rd ESC, verification have been initiated by SPPU. UNDP has also initiated action to disburse the funds.

The Committee may kindly take note of the above information and recommend the Ozone Cell to ensure that the project is completed by 31st December, 2008.

b) Progress of Implementation Status of Umbrella Project in Commercial Refrigeration Sector

The Plan for Phase-out of CFCs in the Refrigeration (Manufacturing) Sector in India project was approved in

38th Meeting of the Executive Committee of the MLF held in November 2002, at a total funding level of US\$ 3,609,186 to be provided in five tranches, leading up to the complete phase-out of CFCs in the Refrigeration (Mfg.) sector in India. The Project is implemented by the UNDP and UNIDO. All the five tranches have been approved by the Executive Committee and released to the UNDP.

CFC phase-out activities at 157 enterprises have been completed. As decided by the 33rd ESC, verification have been initiated by SPPU. UNDP has also initiated action to disburse the funds.

The Committee may kindly take note of the above information and recommend the Ozone Cell to ensure that the project is completed by 31st December, 2008.

c) Implementation Status of the National CFC Consumption Phase-out Plan (NCCoPP)

The National CFC Consumption Phase-out Plan was approved at 42nd meeting of the Executive Committee held in April 2004 at a total cost of US\$ 6.388 million. The Government of Germany, as the Lead Implementing Agency, has initiated the implementation process. The UNDP has taken steps for procurement of equipments. The UNEP has also initiated activities to launch the awareness programme and National Academy of Customs, Excise and Narcotics (NACEN) is coordinating for the Customs and Policy Training. So far, the MLF has approved two tranches amounting to US\$ 6 million.

All training and awareness activities were conducted as per the schedule given in the action plan.

The Committee may kindly take note of the above information.

d) Implementation Status of CFC Production Phase out Project.

The Executive Committee of the MLF in its 29th meeting approved a total of US \$ 82 million for the phased reduction and cessation of the entire CFC production in India. In this project, it has been agreed to reduce total CFC production in accordance with an agreed upon schedule. So far, the CFC producers have achieved a reduction of 20,202 MT of ODS production since calendar year 1999.

Annual Program for 2008 has been prepared by the World Bank and submitted to the Multilateral Fund secretariat to be considered at 54th Executive Committee Meeting scheduled to be held from 7th to 11th April, 2008 in Montreal. A copy of the Annual Program is placed at **Annexe-B, pages:49-60.**

e) Implementation Status of National CTC Phase out Plan.

The Executive Committee of the Montreal Protocol at Its 40th meeting held in 2003 approved the CTC National Phase out Plan at a total funding level of US\$ 52 million to phaseout 11535 ODP tons of CTC production and 11525 ODP tons of CTC consumption by 31st December 2009. This includes US\$ 10 million under the bilateral assistance program with the Governments of Germany, France and Japan contributing US\$ 2 million, US\$ 3 million and US\$ 5 million respectively. The World Bank is the lead Implementing Agency, the Governments of Germany, France and Japan and UNIDO are cooperating agencies for Implementation of the National CTC consumption phase-out activities. Besides, UNDP on behalf of Government of Japan is responsible for executing conversion activities in large and medium metal cleaning sub-sectors.

Item No. 5 :

Consideration of the applications received for Duty exemption in respect of new or expanded activities with non-ODS technology.

(i) The TFSC in its meeting held on 11th January, 2008 considered the following applications and recommended for exemption of Customs Duty:-

- M/s. E-Pack Polymers Pvt. Ltd., NOIDA (UP)
- M/s. B.A. International, Raipur, Roorkee (Uttarakhand)
- M/s. Hunter Telecom India Pvt. Ltd., Gurgaon
- M/s. Lloyd Insulations (India) Ltd.
- M/s. Sanden Vikas India Ltd., Faridabad
- M/s. Telecom Network Solutions Pvt. Ltd., NOIDA (UP)
- M/s. Global Autotech Ltd., NOIDA (UP)
- M/s. Pranav Vikas India Ltd.

A copy of Minutes of the TFSC is placed in **Annex-C, pages:61-73.**

Certificates for exemption of customs duty were issued in respect of enterprises listed above with the approval of Secretary (E&F), Chairman of the ESC.

The ESC may accord the Ex post facto approval on the above.

Item No. 6 :

Important decisions taken by the 53rd Meeting of the Executive Committee.

The Executive Committee at its 53rd meeting held during 26th to 30th November, 2007 in Montreal, under agenda item No. 7 (a) on overview of issues identified during project review, considered the definition of consumption under performance based agreement.

The Executive Committee established an Informal Group consisting of Canada, Italy, Sweden, the United States of America, Uruguay and China. It may be noted that the Group while discussing the issue suggested some action points for India. One of the action points is to accelerate the phase-out of CFC production with effect from 1st January, 2008 with a little compensation or from 1st July with no compensation. It was indicated by the Group that if India would accelerate the CFC phase-out, the penalty of amount US \$27 million due to excess calculated consumption of CFC during 2006 would be waived off and the stockpiled quantity would be allowed for manufacturing MDI in future years. Since there was lack of consensus, no decision was taken, and it was agreed to discuss the issue of India's CFC consumption in 2006 and its relation to performance based agreements at the 54th Meeting of the Executive Committee. Relevant extract of the 53rd Excom may be seen at ***Annex-D, pages:74-75.***

As a follow-up to the above, two meetings were held with the producers under the Chairmanship of Joint Secretary (BPN) to discuss about the accelerated phase-out of CFC production in India. The representatives of REGMA did not agree to the accelerated phase-out proposal. However, in a meeting with Additional Secretary (JMM) on 11th January, 2008, the representatives of REGMA had agreed to submit a proposal for accelerated phase-out for consideration of this Ministry.

REGMA vide its letter dated 29th January, 2008 has claimed that they are in compliance with the production quota in each year since 1999 and some historical justifications have been given in regard to domestic sale compliance. The decision taken by the 18th Meeting of the Parties (MOP) relating to stockpile has been interpreted in a different way in their favour. Whereas the decision clearly indicates that

the stockpile should be exported in future year for basic domestic need of developing countries.

With the above background, REGMA had proposed to cease the production of CFC from 1st August 2008 with a provision of production quota on a pro-rata basis for the calendar year 2008. This proposal would result the phase-out of remaining quantity of 2259.5 MT of CFC for which the compensation of US 30 million has been sought. In addition to this, some other conditions have been proposed for which detailed explanations are given separately at **Annex-E, pages:76-81**.

Additional Secretary (JMM) convened a meeting with the representative of REGMA and discussed the proposals for accelerated phase-out and other requirement of REGMA on 6th February, 2008. During discussions, it was pointed out that no justification was given for the proposed compensation of US \$30 million. REGMA was requested to submit the worksheet on the proposal of compensation by 7th February, 2008. This worksheet was received in the Ozone Cell on 7th February, 2008 (**Annex-F, pages:82-85**). The observations of Ozone Cell on the worksheet may be seen at **Annex-F, page:86**. As the proposal was to be submitted on 11th February, with the approval of Secretary (E&F), the following revised proposal has been submitted to the World Bank for onward transmission to MLFS for approval by 54th meeting of the Executive Committee :-

1. The production of CFC will be seized at 4 CFC producing plants in India w.e.f. 1st August 2008.
2. A maximum of 500 MT of CFC will be produced before 1st August 2008.
3. The MLF will provide US \$ 24.854 million as compensation towards the loss of profit in addition to remaining US\$ 12 million as agreed in the consensus agreement between India and the Executive Committee in 1999.

It may also be noted that a decision has been taken not to release the quota order till the issue of stockpiling is sorted out in the Executive Committee meeting in April, 2008.

It may also be noted that based on preliminary reaction of the World Bank and GTZ to the above proposal submitted by the Government of India, a meeting has been fixed on 4th March, 2008 under the Chairmanship of Additional Secretary (JMM) to finalize the project

proposal for accelerated phase-out of CFC and to prepare a CFC management plan. Representatives of the World Bank, UNEP, UNDP and GTZ are invited for the meeting.

The Committee may consider the above issues.

Item No. 7 :

Renewal of Institutional Strengthening Project.

The Montreal Protocol under its financial mechanism provides financial support for building the capacity at national level. Accordingly, the Executive Committee of the Montreal Protocol in 1993 approved an Institutional Strengthening Project (ISP) for India to strengthen the institutional capacity for undertaking activities related to Vienna Convention and the Montreal Protocol. Details of the funding approved under ISP are given below :

Phase	Duration	MLF Approved Funding
ISP Phase I	3 years (1994-1997)	US\$ 430,000
ISP Phase II	2 years (1997-1999)	US\$ 287,100
ISP Phase III	2 years (1999-2001)	US\$ 287,100
ISP Phase IV	2 years (2001-2003)	US\$ 287,100
ISP Phase V	2 years (2003-2005)	US\$ 373,230
ISP Phase VI	2 years (2005-2007)	US\$ 373,230

ISP Phase VI is scheduled to be completed by 31st March 2008. However, sufficient funds are available to meet expenditure to organize activities upto June 2008. In view of this, it is imperative to submit the request of renewal of ISP for another 2 years from 1st July 2008 to 31st June 2010.

UNDP is the Implementing Agency for the ISP in India and as a routine renewal of ISP, the *ISP Phase VII* was to be submitted to the Fund Secretariat for consideration at the 54th Executive Committee meeting. As per the procedure laid down by the Executive Committee, the Extension of ISP plan of action and terminal report for ISP, in the prescribed format (**Annex-G, pages:87-115**) have been submitted to the Executive Committee with the approval of Secretary (E&F) for consideration at the next (54th) Executive Committee which is scheduled to be held from 7th to 11th April, 2008.

Submitted for ex-post facto approval on above.

Item No. 8 :

Any other matters with the permission of the Chair.

In accordance with the decision of the 23rd ESC, the 35th meeting of the ESC is scheduled to be held on 7th May, 2008.

The Committee may take note of the above information.

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List of Annexes with Agenda of XXXIV ESC (05.03.08)

- A.** Minutes of XXXIII ESC held on 21.11.2007. **(Pages:1-48)**
- B.** 2008 Annual Work Program of CFC Production Sector Gradual Phase-out Project (ODS-III). **(Pages:49-60)**
- C.** Minutes of TFSC held on 11. 01.08. **(Pages:61-73)**
- D.** Extract of 53rd Excom regarding “definition of consumption under a performance based agreement”. **(Pages:74-75)**
- E.** Explanations/Analysis of the issues raised by REGMA. **(Pages:76-81)**
- F.** Observations of the Ozone Cell on the REGMA’s worksheet. **(Pages:82-86)**
- G.** Extension of ISP Plan of Action and Terminal Report for ISP. **(Pages:87-115)**