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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

Twenty-seventh session

Bali, 3–11 December 2007

Item 9 (a) of the provisional agenda

Methodological issues under the Kyoto Protocol

Implications of the establishment of new hydrochlorofluorocarbon-22 (HCFC-22) facilities seeking to obtain certified emission reductions for the destruction of hydrofluorocarbon-23 (HFC-23)

Views on possible approaches to address the implications of crediting new hydrochlorofluorocarbon-22 facilities

Submissions from Parties and intergovernmental organizations

1. The Subsidiary Body for Scientific and Technological Advice (SBSTA) at its twenty-sixth session, invited Parties, admitted observers and intergovernmental organizations to submit to the secretariat, by 21 September 2007, their views on any possible approaches, such as the approaches that had been considered in consultations at previous sessions, to address the implications referred to in paragraph 71 of document FCCC/SBSTA/2007/4 and requested the secretariat to compile these views for consideration by the SBSTA at its twenty-seventh session. The submissions should elaborate on, inter alia, the following:

- (a) Whether the approach addresses the avoidance of the implications referred to in paragraph 71 of document FCCC/SBSTA/2007/4;
- (b) The feasibility of implementing the approach (FCCC/SBSTA/2007/4, para. 73).

2. The secretariat has received two such submissions. In accordance with the procedure for miscellaneous documents, these submissions are reproduced* in the language in which they were received and without formal editing.

* This submission has been electronically imported in order to make it available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the text as submitted.

CONTENTS

	<i>Page</i>
1. CHINA (Submission received 25 September 2007)	3
2. PORTUGAL ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES* (Submission received 11 October 2007)	4

* This submission is supported by Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey and Ukraine.

PAPER NO. 1: CHINA

**China's views on Approaches
to Address the Implication of New HFC-23 CDM projects**

China welcomes the opportunity that the twenty-sixth session of the Subsidiary Body for Scientific and Technical Advice invited Parties, admitted observers and intergovernmental organization to submit their views on possible approaches to address the implications of HFC23 decomposition CDM projects, and would like to submit the following views.

1. The implication as identified in paragraph 2 of decision 8/CMP.1 can be effectively and fully addressed through the following means:
 - a) HFC-23 destruction CDM projects can be developed only if:
 - i) Corresponding new HCFC-22 facilities have been in operation for at least 3 years;
 - ii) No regulation in the host country requires the destruction of the total amount of HFC-23 waste; and
 - iii) The owners/operators of the new HCFC-22 facilities can provide information and evidence to show that HCFC-22 production is to meet real market demand and relevant information and evidence is validated by DOE.
 - b) The host country government has taken necessary measures to avoid the possible high economic benefits for project owners from such projects, for example, to charge more than 50% of the revenues from the sales of ensuing CERs and the charged revenues are used to support activities aimed at the protection of the climate or activities to promote sustainable development.
 - c) Production of HCFCs in the new HCFC-22 facilities where the HFC-23 waste originates is limited to the maximum historical annual production level at the facilities during the most recent three years.
 - d) The waste generation rate (HFC-23)(HCFC-22) for the originating new HCFC-22 facility should be set at the lowest of the three most recent historical annual values estimated but is not to exceed 3%.
2. The Government of China has already formulated domestic policies that are similar to the proposed approach as contained in paragraph 1 above and the practice shows that these policies and approaches are fully practical and very effective to address the concerns as raised.

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PAPER NO. 2: PORTUGAL ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES

SUBMISSION BY PORTUGAL ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES

This submission is supported by Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey and Ukraine

Lisbon, 12 October 2007

Subject: Implications of the establishment of new HCFC-22 facilities seeking to obtain certified emission reductions for the destruction of HFC-23

Portugal, on behalf of the European Community and its Member States, welcomes the opportunity to provide its views to the Conference of the Parties serving as the Meeting of the Parties for the Kyoto Protocol, on the implications of the establishment of new HCFC-22 facilities seeking to obtain certified emission reductions for the destruction of HFC-23, reflecting on the latest developments of the negotiations on the Montreal Protocol.

SBSTA has noted (and recognised in decision 8/CMP.1) “that issuing certified emission reductions for the destruction of hydrofluorocarbon-23 (HFC-23) at new hydrochlorofluorocarbon-22 (HCFC-22) facilities could lead to higher global production of HCFC-22 and/or HFC-23 than would otherwise occur and that the clean development mechanism (CDM) should not lead to such increases.

The EU continues to have concerns about such potential implications, whilst recognizing that Parties to the Montreal Protocol have now successfully agreed on an accelerated phase-out of HCFCs, which should have large ozone and potential climate benefits. The EU welcomes this agreement on the accelerated phase-out of HCFCs reached under the Montreal Protocol. In this context, the EU would like to emphasize that there are significant issues yet to be addressed, with regard, in particular, to HCFC uses not covered under the Montreal Protocol.

The EU remains of the view that, considering in particular the revenues generated by CERs flowing from CDM projects, the risk of incentives towards additional or artificial HCFC 22 production is real and agrees with the Technical and Economic Assessment Panel report that the temptation of producing excess HCFCs to receive CERs must be taken seriously.

One other equally important aspect of this issue, namely the impact of new HFC 23 destruction projects on the overall functioning and effectiveness of the CDM, is also of concern to the EU and deserves further reflection.

The EU welcomes the possibility of positively exploring further with other Parties the implications of the Montreal Protocol agreement to our discussions on crediting of HFC-23 destruction under the CDM.