



**REPORT BY AMBASSADOR F. AZZARELLO
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FOR CHEMICAL INDUSTRY AND OTHER ARTICLE VI ISSUES**

Mr Chairman,

Allow me first of all to congratulate you on the assumption of your duties as Chairman of the Executive Council. Congratulations also to the other Vice-Chairpersons, with whom we have already started working with a positive, constructive and result-oriented approach. My thanks, obviously, to the Director-General and his staff. Excellent cooperation continues with the Technical Secretariat in the industry cluster.

Allow me also to publicly thank and congratulate Ambassador Robert Mikulak, and his staff, for his outstanding work, appreciated by all States Parties, as previous coordinator of the industry cluster. With the cooperation of the Technical Secretariat he has successfully contributed in solving several issues, at the same time preparing the ground for others that are now closer to a solution.

It is now my pleasure to report to the Council on the two consultations that took place during the intersessional period, on 18 June and 15 July.

On 18 June the industry cluster took up the issue of other chemical production facility (OCPF) site-selection methodology. A summary of a recent Office of Internal Oversight (OIO) audit was provided to the delegations, which demonstrated that the selection of OCPFs in 2012 and 2013 was in accordance with the adopted methodology (S/962/2011, dated 8 September 2011). The Secretariat used the cluster to transparently provide more information on its implementation, including internal audits on its performances, to ensure the integrity of the method. This was followed by a simulation of the process for site selection.

The scope covered the entire process, from random selection to the finalisation of the OCPFs inspection plan. The conclusion was that the current software is in accordance with the adopted methodology. However there is scope for improvements in the area concerning documentation and accuracy in fulfilling declarations.

Related to the ongoing discussions on transfer discrepancies, delegations received a Technical Secretariat proposal to improve the transfer of information between the Technical Secretariat and States Parties. The initiative of the Technical Secretariat—Secure Information Exchange (SIX)—will include an additional or alternative instrument for submitting declarations by a secure electronic transmission mechanism. The benefit will be

* Reissued for technical reasons.



the improvement in timeliness, decreasing the number of transfer discrepancies and efficiency in evaluation of declarations reducing possible incidents with confidential data delivered through unauthorised means (i.e. e-mail).

The cluster also continued to address the issues of product group codes (PGCs). The Secretariat has identified PGCs as one of the causes of OCPFs declaration discrepancies. The TS assesses that inclusion of revised codes in the Declaration Handbook would help lower the number of discrepancies. While there is broad support among delegations for the new code list, some will require additional time to transition to the new codes.

Mr Chairman,

The industry cluster consultation held on 15 July covered four topics.

First, delegations received a simulation of the Secure Information Exchange by the Technical Secretariat, as a follow-up of the proposal made during the industry cluster of 18 June. Delegations supported this demonstration, comments to take into account have been made and other issues on the project will be considered, looking at a testing phase. I encourage delegations to provide their views to the Secretariat in the near future, so to continue constructively our work in the cluster.

Second, the Secretariat provided delegations with a presentation of the items that should be updated in the Declarations Handbook, that has not been revised since 2008 and needs to incorporate improvements identified over the last five years, including more guidance to the States Parties.

Third, delegations considered an informational briefing from the Secretariat on its proposal to terminate Schedule 2 facility agreements. I wish to extend my sincere thanks and appreciation to the Technical Secretariat for briefing delegations on this technical issue that the Council will consider this week. Several delegations had requested that such briefings take place within the industry cluster when technical issues are included on the Council's agenda.

Mr Chairman,

The cluster also addressed the issue of the procedure for handling cases of Schedule 1 activities not yet declared and discovered during an Article VI inspection under Part VI of the Verification Annex. The Secretariat explained to delegations its intended procedure for addressing such cases in the future. The industry cluster is a forum to achieving outcomes to technical questions, but also serves as a place for the Secretariat to inform delegations on industry verification, and receive feedback. In the coming weeks bilateral discussions will take place with delegations that have expressed concerns, involving also the Secretariat.

I also wish to inform the Council that I have nominated two facilitators in the industry cluster: Ambassador Robert Mikulak of the United States as facilitator for issues relating to the improvement of implementation of the industry verification regime, and Mr Aladdin Al Hmedawi, Embassy of Iraq, as facilitator for the new Technical Secretariat initiative concerning the Secure Information Exchange.

For the record, I would like to request that this report be considered an official document of this session of the Council. Thank you.