

UN Issues Millions of Carbon Credits Despite Finding That Emission Reductions Could Be Overestimated

Cancun, Mexico. Climate Campaigners welcomed yesterday's decision by the United Nations' CDM Executive Board to suspend the crediting methodology for HFC-23 projects because it could lead to over-issuance of carbon credits. Revised rules will be presented in June 2011 but retro-active changes were not ruled out. CDM Watch called a separate decision to issue almost 20 million carbon credits to HFC-23 projects incoherent. The meeting also approved a 1,320 MW Coal Plant which CDM Watch called a black mark on the credibility of the carbon market.

Earlier this year, overwhelming evidence that manufacturers are gaming the CDM system and undermining carbon markets by producing more HFC-23 just so they can get paid to destroy it was submitted to the UN in a request to revise the methodology to measure emission reductions. Subsequently, the UN launched a thorough investigation into this issue and released the findings for the first time at last week's CDM Executive Board meeting that concluded yesterday in Cancun, Mexico.

Flaws Detected in Crediting Methodology

The results of the investigation were presented yesterday and concluded inter alia that (1) it is likely that emission reductions could be overestimated (2) destroying HFC-23 under the CDM is more attractive than production of HCFC-22, but unlikely (3) after reaching its economic lifetime, the plant without the CDM would have been replaced by a newer plant with potentially lower HFC-23 emissions (4) the Montreal Protocol in combination with rules in place may lead to an overestimation of baseline emissions and (5) that CDM plants are likely to have displaced production of non-CDM plants.

Consequently the Executive Board put the crediting methodology on hold with immediate effect and asked its Methodology Panel to prepare revised rules that should address the detected flaws. The revision is expected to be presented in June 2011.

But a new crediting methodology would only apply to projects after their current crediting period expires. In order for changes to take immediate effect, the Board would need to clarify the interpretation of the existing rules.

"We very much welcome that the Board has finally taken action. Suspending the crediting methodology and launching a revision was imminent" said Eva Filzmoser Programme Director of CDM Watch. *"However, we must not sit back and tolerate inflated carbon credits for the next couple of years. The existing rules should be clarified in line with the findings of the investigation and applied to all projects currently registered. There is no need for a grace period."* she added.

Retro-Active Action on HFC-23 Abatement Projects Pending

CDM Executive Board Member Pedro Martins Barata commented during the meeting *"We have to discuss to what extent these flaws can be amended within a reasonable interpretation of the current methodology. If some of these can, we should"*.

In a related move, CDM Watch submitted a request to clarify current rules of the crediting methodology for HFC-23 projects in August 2010 which was discussed by the Methodology Panel for the first time in its October meeting.

This new submission seeks to clarify how the waste generation rate should be calculated for HCFC-22 production plants where key components have been replaced or retrofitted. The introduction of more efficient production techniques would logically lead to the reduction of the baseline waste generation rate

but the wording of the methodology is unclear on this point. The submission is currently pending at the Methodology Panel and will be discussed at their next meeting in 2011.

Incoherent Issuance of Carbon Credits for HFC-23 Abatement Projects

At the same meeting, the Board issued almost 20 million carbon credits to 12 HFC-23 projects that were suspended while the investigation was ongoing.

“This move is totally incoherent” said Natasha Hurley, Policy Advisor at CDM Watch *“It doesn’t make sense for the Board to suspend issuance of credits while the investigation is ongoing and then lift the suspension the very moment it finds that there is a problem”*.

Implicit Decision on Ulsan

The Board did neither reject nor accept the renewal of the crediting period of the Ulsan project in South Korea but postponed its decision on this first HFC 23 destruction project to seek renewal until February 2011.

“Postponing this decision could indicate that Ulsan will not be able to apply the flawed crediting methodology” interprets Eva Filzmoser. *“We don’t see another reason to avoid a decision at this stage. If Ulsan will ever generate carbon credits again, it is very likely to do so only under revised rules”*.

Indian 1,320 MW Coal Plant Approved Despite Additionality Doubts

Further to the rejection of the Tata Mundra Ultra Mega Power Project that sought approval under the CDM in September this year, the Board accepted an application from Adani Power Maharashtra Ltd, developers of the 1,320 MW super critical coal fired power project in Tirora, India.

“This decision places a black mark on the credibility of the carbon market” said Natasha Hurley. *“There is clear evidence that the Tirora project did not depend on CDM financing to be built. As a result, 12 million carbon credits up to 2020 will replace emission reductions that are needed to prevent global warming. Decisions like this must prompt buyers of carbon credits, such as the European Union, to apply stricter rules for additionality testing”*.

Environmental Integrity Not a Priority

As part of its work to improve crediting methodologies, the Board rejected a suggestion by the UNFCCC Secretariat to prioritize methodology improvements where environmental integrity issues are detected.

Longstanding Board member José Domingos Miguez commented *“I don’t like to include the priority environmental integrity because it would give a subjective mandate to the Methodology Panel”*.

Earlier this year CDM Watch made a submission that highlighted the flaws of HFC-23 projects which ultimately lead to yesterday’s decision to suspend the crediting methodology for HFC-23-projects. CDM Watch has also issued a recent report that urges the revision of the crediting methodology for the destruction of N₂O from adipic acid production because the current version results in the issuance of millions of credits which do not represent any real emission reductions.

In addition, an additional formal submission that highlights flaws in the crediting methodology for coal fired power plants was made. But the UNFCCC Secretariat rejected the submission without neither mandate nor decision by the Board, arguing that it was not clear whether CDM Watch is qualified to file proposals under the procedural requirements.

“The credibility of the CDM is already severely damaged. If the Board will continue with this type of inaction this will be the end of this mechanism” commented Eva Filzmoser.

New Rules for CDM Waste Projects on the Horizon

But the Board has decided to revisit crediting methodologies that calculate emission reductions for the waste sector, including for waste-to-energy technologies.

“The revision of this methodology that did so far neglect biogenic CO2 emissions is overdue” commented Mariel Vilella from the Global Alliance for Incinerator Alternatives *“we are glad to see that the Board will address this source of potential non-additional carbon credits”*.

ENDS.

Notes to Journalists:

- The meeting report of the CDM Executive Board can be found at: <http://cdm.unfccc.int/Meetings/MeetingInfo/DB/K592CXOW1YI3F4U/view>
- The clarification request (AM_CLA_0191) “Use of historical data if the key components of a HCFC-22 plants have been retrofitted or replaced” can be found at <http://cdm.unfccc.int/methodologies/PAmethodologies/clarifications/39765>
- The request to revise crediting methodology for coal fired power plants can be found at <http://www.cdm-watch.org/?p=1232>
- The report by the Stockholm Environment Institute on destruction of N2O from adipic acid production under the CDM can be found at <http://www.cdm-watch.org/?p=1241>

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