PRESS RELEASE

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CHINA THREATENS MASSIVE VENTING OF SUPER GREENHOUSE GASES

Climate May Be Held Hostage in Attempt To Extort Billions

CANCÚN, Mexico: China has responded to efforts to ban credits from industrial gas projects in the European carbon market by threatening to release huge amounts of potent industrial chemicals - unless developed nations pay what amounts to a climate ransom.

Despite having already received nearly a billion dollars to destroy waste gas produced during the manufacture of HCFC-22 refrigerant, China is insisting on continued payments far in excess of the actual cost of destroying HFC-23.

On November 26, the UN's CDM Executive Board decided to revise the rules governing HFC-23 destruction on the basis that the current methodology could lead to over-issuance of carbon credits. The Board's decision came just days after the publication of a European Commission proposal to ban the use of HFC-23 and N_2O from adipic acid credits in the EU Emissions Trading Scheme as of January 2013. Since then, a number of industry players with a stake in these projects have mounted an aggressive campaign to discredit the Board's decision and sabotage the EU's proposal.

Last week the Deputy Director of the China CDM Fund, Chen Huan, joined the ranks of IETA and other European carbon traders in lashing out at the EU's move, claiming developed countries were pushing for emission reductions without offering aid. In reality, China recently rejected attempts to help developing countries abate HFC-23 emissions through the Montreal Protocol.

Just three weeks ago at the November 2010 Montreal Protocol Meeting of the Parties, China and India refused to even allow discussion of a proposal to use the Montreal Protocol's Multilateral Fund to pay for destroying HFC-23 emissions not currently covered by the CDM (which accounts for over half of HFC-23 emissions). This intransigence suggests that from China and India's point of view, funding the destruction of HFC-23 is not nearly as important as preserving the enormous CDM revenues that are a lucrative source of income for China's CDM Fund and their respective domestic industries.

"The insistence that developed countries must continue to squander billions on fake offsets that actually increase production of greenhouse gases is irrational," said Fionnuala Walravens, Senior Campaigner with the London-based Environmental Investigation Agency (EIA). "China is not the victim here, and it's unlikely that a world order that is responsive to climate change can be predicated on the basis of unrepentant greed."

Mr Huan also warned that in the absence of the CDM, Chinese HCFC-22 manufacturers

might start releasing HFC-23 into the atmosphere again. In fact, despite the vast sums earned for HFC-23 destruction through the CDM, China has never stopped venting HFC-23.

Annually, more HFC-23 is vented into the atmosphere than is destroyed through CDM projects. Almost 90 per cent of these rogue HFC-23 emissions are estimated to come from China, which has failed to use any of its CDM windfall to destroy HFC-23 at its non-CDM facilities despite the modest cost of doing so.

With a 65 per cent tax on CDM projects, the Chinese government has already received enough money to fund all HFC-23 destruction for decades. By 2012, China's CDM Fund will have received over $1.7 billion from HFC-23 taxation – or enough to fund the actual cost of HFC-23 destruction in China for almost 40 years. The estimated annual cost of directly mitigating all global HFC-23 production is just $60 million.

"The principal aim of the CDM is to boost clean development, not to create exorbitant profits for industry," said Eva Filzmoser of CDM Watch. "Like a number of corporate investors, China seems to be operating under the delusion that carbon markets are simply an innovative tool to make money."

Even with the 65 per cent tax on CDM projects, Chinese companies can still earn almost as much from destroying HFC-23 as from producing and selling HCFC-22. Because CDM revenues encourage and effectively subsidize HCFC-22 production, climate-friendly alternatives that might otherwise replace HCFC-22 are at an extreme competitive disadvantage.

Indian companies, which do not pay tax on their HFC-23 credits, record even greater profits. SRF Chemicals in India reported that carbon credit revenues comprised 63 per cent and 66 per cent of its entire fluorochemical revenues in 2008 and 2009, respectively. Similarly, India's Gujurat Fluoro Chemical project reported that carbon credits accounted for 88 per cent of corporate revenues in 2007.

More than 70 per cent of all CERs issued to date have come from HFC-23 and N_2O from adipic acid projects, mostly in China and India, depriving other nations of the benefit of CDM and the EU ETS of legitimate carbon offsets. This flood of cheap credits has devalued carbon prices, discouraging domestic mitigation efforts and investment in Least Developed Countries.

To view related materials on HFC-23 and the CDM, go to: www.eia-international.org or www.cdm-watch.org.

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