CDM Watch
Scrutinizing Carbon Offsets

Press Release: International offsets undermine European climate goals – European Commission's Carbon Market Report shows

Brussels, 14 November 2012. Today, the European Commission published "The state of the European carbon market in 2012". The report estimates the EU Emissions Trading Scheme (ETS) is oversupplied by up to 2 billion allowances. International offset credits account for three quarters or more of this surplus. What the report does not propose are measures to restrict offsets before 2020. This, despite new evidence that a large amount of offset credits haven't delivered real reductions and are leading to a net increase of 1.6 billion tonnes of CO_2 by 2020.

The carbon market report states that international offset credits are "a major driver for the build-up of the surplus." Offsets account for three quarters or more of the overall surplus in the EU ETS by 2020. To improve the functioning of the carbon market, the European Commission proposes both immediate and long-term structural measures. Structural measures include no or much more limited access to international credits, but not until after 2020.

A recent report commissioned by the High Level Panel of the Clean Development Mechanism (CDM) Policy Dialogue concludes that up to 3.6 billion offset credits could come from business-as-usual projects. Of these, hydro and wind power projects alone could cause a net emission increase of 1.3 billion tCO_2 each.

Despite the large amount of offset credits allowed in the EU ETS, the Commission's carbon market report does not address the impact of offset credits that don't deliver real CO_2 reductions. Yet recent announcements from New Zealand are proclaiming to ban CDM offset credits from large hydro projects and others from South Korea are pronouncing not to allow CDM offset credits until 2020 altogether.

"There are legitimate questions about these types of international units and the Government wants to maintain the integrity of the ETS," New Zealand Climate Change Minister Tim Groser said in a statement yesterday.

The CDM Policy Dialogue report finds that, to a large extent, the assessment of the net CO_2 mitigation impact of the CDM hinges on judgments regarding the additionality of CDM projects in the power sector - especially wind and hydro, but also natural gas, coal, waste-gas capture and biomass energy power projects. These types of projects are forecasted to be the source of over half of the carbon credits that will be issued by 2020.

"Ample evidence exists that large scale CDM projects from the power sector are not additional and pose an immediate threat to the EU ETS" warned Eva Filzmoser, Director at CDM Watch. *"In addition to this week's proposal by the European Commission to back-load 900 million allowances, it is vital to address the serious quality concerns of international offsets right now and not wait until 2020".*

The United Nations' CDM Executive Board has been unwilling to address these issues. On the contrary, the Board recently confirmed its support for new coal power plants. Such plants can now earn CDM credits by simply claiming that they would have used a less efficient technology without CDM support. Six coal projects have already been registered and will receive about 90 million undeserved carbon credits over the next 10 years. Another 26 projects are currently under validation and can apply for registration any time. Together, they could potentially add another 220 million carbon credits over the next ten years.

"It's shocking that the CDM Executive Board recently reinstated the coal power methodology and rejected proposals to improve additionality rules against the advice of its own expert panel" commented Anja Kollmuss, Carbon Market Expert at CDM Watch. "With the lack of political will at UN level, pressure is on the buyers of offset credits to add quality standards that ensure the environmental integrity".

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Note to journalists:

- Link to the European Commission Carbon Market Report
- Link to the report "Assessing the impact of the Clean Development Mechanism" commissioned by the High-Level Panel on the CDM Policy Dialogue

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