



CDM Watch
Rue d'Edimbourg 26
B-1050
Brussels
Belgium

Ludwig Kons
Managing Director Climate Protection
RWE
Opernplatz 1.
Essen 45128
Germany

OPEN LETTER: Civil society concerns about HFC-23 projects under the CDM

COPIED TO: Antonio Aguilera Lagos, Head of Carbon Credit Purchasing, Operations and Portfolio Management

1 November 2010

Dear Mr Kons,

We write with reference to our letter of 22 September regarding RWE's position on HFC-23 abatement projects under the CDM. We received a response to this letter from you at the beginning of October in which you informed us that you had no comments to make until the submission of the World Bank's response to the request for review (at UN level) of the HFC-23 projects that RWE is participating in. However, as the European Commission intends to take action with regards to industrial gas offset projects at EU level we would be grateful if you would consider the following and provide clear answers to the questions set out below.

As you are no doubt aware, HFC-23 projects under the CDM have come under increasing focus, in the media and at UN level, over their lack of environmental integrity.

An analysis of data of all registered HFC-23 projects clearly shows that some manufacturers are gaming the CDM system and that many of the carbon credits generated by HFC-23 projects do not represent real emission reductions.

Our key concerns are as follows: the current system effectively rewards those projects which produce the highest levels of HFC-23 by failing to punish the use of suboptimal waste gas production ratios. This has prevented the application of more efficient technology, resulting in the generation of millions of phony credits. The prospect of earning vast revenues from HFC-23 destruction also incentivizes and subsidizes the production of HCFC-22, of which HFC-23 is a by-product, and which is a potent ozone depleting substance and greenhouse gas in its own right.

As a result of these serious concerns, the CDM Executive Board has launched an official investigation into this matter, and has suspended the issuance of CERs for several HFC-23 projects. In addition, the European Commission is about to finalise a proposal to introduce quality restrictions on the use of credits from industrial gas projects in the post-2012 EU ETS.

As you yourself note, RWE is involved in two HFC-23 abatement projects in China. On behalf of civil society and of the organisations listed above, we would like to address our concerns to you regarding your involvement in these projects. In particular, we would like clear answers to the following questions:

- Does RWE share our concerns regarding multiple problems with the HFC-23 CDM methodology? In particular, are you aware of the allegations of fraud regarding a large number of these projects?
- Based on these concerns, do you intend to investigate these issues with respect to the projects that your company is involved in, and potentially reassess your participation in said projects?
- Do you support a change in the CDM methodology to eliminate the perverse incentives inherent in the current system?
- Do you support calls for this type of CDM project to be excluded from current and future use within the EU ETS?
- Given that these credits have the potential to seriously undermine the EU ETS, do you support our call for a strict ban on banking these credits into Phase 3 of the EU ETS, regardless of the project's approved crediting period?

RWE recently received the dubious honour of being nominated for the Worst EU Lobbying Award 2010 for "claiming to be green while lobbying to keep its dirty coal-and oil-fired power plants open." We hope that you will prove your critics wrong by making a genuine stand in favour of the climate.

We look forward to hearing from you. Please note that this is an open letter which will be shared with the media and other interested parties. We also plan to publish the contents of your response on our respective websites.

Yours sincerely,



Eva Filzmoser
Programme Director
CDM Watch



Fionnuala Walravens
Global Environment Campaigner
Environmental Investigation Agency



Chaim Nissim
Secretary-General
Noe21



Jürgen Maier
Director
Forum Environment & Development