

Press Release: EU action required as UN Panel keeps flawed rules of carbon offsetting scheme in place

18 July 2011, Brussels/Washington. The UN's CDM Executive Board has once again failed to address flawed rules of controversial coal and HFC-23 projects. Environmental groups are now calling on the European Union to ban carbon credits from coal projects in the EU's Emissions Trading Scheme. The groups also call for additional safeguards to exclude credits from projects linked to human rights abuses.

Last week the CDM Executive Board went against the recommendations of the UN's own methodology panel that advised suspending crediting rules for coal projects. The Board ignored the warnings of the technical experts that the current rules could lead to significant over-crediting.

Former Chair of the CDM Executive Board Lex de Jonge commented in the discussions *"If assumptions are right there is a potential over-estimation of almost 100 megatonnes [of all projects in the pipeline over 10 years]. This is almost the same level as the dispute we have had on HFC-23. This is serious."*

Several Board members urged the Board to take the methodology panel's advice seriously. A suspension of the current rules was adamantly opposed by the Chinese board member. More than a third of all CDM coal projects are in China. The 37 coal projects currently in the pipeline (11 in China and 26 in India) could generate more than 40 million carbon credits annually.

"The five coal projects already registered under the flawed rules will provide a 680 million Euro windfall to their owners over the next 10 years [at 10 Euros per ton]," said Steve Herz from Sierra Club. *"But this money won't reduce emissions one bit—the projects will be paid for doing exactly what they would have done if there were no CDM. It makes no sense."*

No improvements on HFC-23

Last year the CDM Executive Board suspended rules for CDM projects that destroy the highly potent greenhouse gas HFC-23 amidst serious allegations that the methodology encourages gaming and undermines the ozone protection goals of the Montreal Protocol. Although a revision of the flawed rules had been launched, no improvements were adopted at last week's meeting.

"The fact that the CDM Executive Board failed again to approve any improvement in last week's meeting and continues to issue credits under the rules of the clearly flawed, unrevised methodology is unacceptable" says Anja Kollmuss from CDM Watch. *"The rules need to be considerably more stringent and applied to all projects immediately, to stop the large perverse incentives that currently exist."*

Almost 50% (309 million) of all credits issued so far have come from HFC-23 projects. Over a billion more credits are expected to be generated through 2020.

CDM project accused of Human Rights abuses authorised

Despite concerns raised by environmental and industry organisations, the CDM Executive Board approved a controversial carbon offsetting project in Honduras linked to human rights abuses. Abuses linked to the project include the killings of local residents over land conflicts and insufficient local stakeholder consultation.

"The registration of this project shows once more that decisions by the Board are driven by financial interests and that public participation rules are just a formality." said Eva Filzmoser from CDM Watch. *"The Board had a chance to reject the project and send a signal that effective public participation is*



important and that human rights abuses won't be tolerated in the CDM. But it chose not to do so" she added.

Call for European Union action

Because of the lack of safeguards in the CDM, projects that cause significant harm are being registered regardless. Environmental groups are now calling on the European Union to put in place additional bans of specific project activities and safeguards to prevent carbon credits from projects linked to human rights abuses entering the European carbon market.

The European Commission is expected to address this issue in a response to a question submitted by MEP Bas Eickhout. He has asked the European Commission if it sees the need for additional sustainability criteria for offset projects and if so, when and how these would be addressed.

"Both HFC-23 and coal projects have been criticised for seriously undermining the CDM's dual mandate of achieving climate protection and sustainable development. The EU has already banned HFC-23 and adipic acid project credits. We call on the EU now to ban coal projects and to put strong human rights safeguards in place" added Anja Kollmuss from CDM Watch.

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