New UNFCCC report confirms coal power offset projects will generate millions of artificial carbon credits

10 November 2011, Brussels. A report published today by the UNFCCC's expert panel shows that coal power plants that receive climate finance through the Clean Development Mechanism (CDM) may receive millions of artificial carbon credits under current rules. CDM Watch and Sierra Club call on the CDM Executive Board to exclude this project type from the CDM at the upcoming climate change conference in Durban.

The UNFCCC's Methodologies panel again called for the immediate suspension of the coal methodology (ACM0013) after it published a report today that confirms its earlier warnings that under current rules, coal power projects in the CDM are severely over-credited. The CDM Executive Board had ignored the Panel's recommendation earlier this summer to suspend the methodology and instead had commissioned a new study. The new report more than doubles the Methodologies Panel's prior estimate of the extent of the over-crediting to 51 to 62%. The findings are consistent with the results of an independent study by the Stockholm Environment Institute (SEI) released last week, which found over-crediting on the order of 71%. Both studies highlight that:

- Project developers use outdated information that conceals the rapid technological shift away from subcritical technology occurring in India and China.
- Projects significantly overstate the efficiency benefits of switching from subcritical to supercritical technologies.
- The methodology does not account for variables that can have significantly larger impacts on carbon emissions than the choice of boiler technology. The SEI study points out that this may have the unintended effect of penalizing projects that minimize local air pollution impacts.

While the Methodologies Panel report focused on how emissions reductions are calculated, the SEI study also showed that it is highly unlikely that any of the coal power projects are additional due to fuel price pressures and numerous Indian and Chinese government policies that foster or even require super critical and ultra super critical coal design.

The Methodologies Panel report suggests a number of changes to ACM0013 yet these changes do not address several of the issues identified in both studies, including the small efficiency gains and the large project emissions, the impact of other variables on plant efficiency and the lack of data quality.

"The suggested revisions also do not address the systematic deficiencies in the additionality analysis or broader issues regarding the climate impacts of these projects. These projects will emit at least 20 times more than they could potentially save," explains Justin Guay from Sierra Club. *"The recommended methodology revisions are insufficient to ensure that no artificial credits are issued."*

Recommendations

"The study results show unequivocally that coal projects do not belong in the CDM," says Eva Filzmoser from CDM Watch. *"We are now calling on all decision makers to act swiftly and decisively to stop these harmful projects from receiving revenue from the CDM, a mechanism whose aim is to deliver 'clean development'."*

CDM Watch and Sierra Club call to:

- **Immediately suspend methodology ACM0013 and stop registering** new coal projects. Given that a methodology revision would not be sufficient to address all of the identified flaws, the Board should move to **exclude coal projects from the CDM**.
- **Exclude coal plants** as a project type from the CDM **at the next climate change conference in Durban** in December
- **Ban the use of carbon credits from coal projects** in the EU-ETS and all other emissions trading schemes using CDM credits

Additional Information

Under the Clean Development Mechanism (CDM), the United Nations' carbon offsetting mechanism, new coal fired power plants in developing countries can receive carbon credits if they can show that without the CDM subsidy a less efficient plant would have been built.

Currently 45 coal projects located in India (32 projects) and China (13 projects) have been approved for or are applying for CDM support. Six of these projects are already registered and could generate 89 million carbon credits (CERs) worth over Euro 600 million. If all projects seeking approval under the current rules are successful, they will generate 451 million CERs worth billions of Euros of public and private climate finance. These CERs can be bought meet emission reduction obligations under the Kyoto Protocol or the European Emissions Trading Scheme (EU-ETS).

Investors in the coal power projects include Germany´s electricity provider RWE, EcoSecurities, Carbon Resource Management, Japan´s Mitsui & Co, the Bunge Emissions Group, Climate Bridge, the Nordic Carbon Fund and Merrill Lynch.

- Download the Methodologies Panel report
- Download the SEI study and executive summary
- Download CDM Watch Policy Brief on Coal
- More information about CDM coal projects

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