

New Study Adds Urgency to Reform UN Offsetting Scheme in Durban

Durban, 25 November 2011. A study released today confirms that over 20% of all carbon credits under the UN's offsetting scheme could come from business-as-usual large hydro projects. The study also points out the significant social and environmental impacts of these projects and calls for an overhaul of the project evaluation process. Civil society groups call on Environment Ministers to address shortcomings at the upcoming climate change negotiations in Durban.

Large Hydropower Projects Are Business-As Usual

A study released by the University of California at Berkeley shows that large hydro projects under the UN's Clean Development Mechanism (CDM) do not comply with the mechanism's essential additionality requirements because they are being built regardless of the climate financing. CDM carbon credits from such business-as-usual projects increase global emissions because they can be bought by industrialised countries to meet climate targets.

The rules that define how projects have to prove that they are only viable because of the CDM have long been criticised as ineffective. The study shows that these projects are not being built because of CDM support but because of non-financial or strategic decisions by governments, such as energy security.

"Project developers can choose input values strategically in order to show that their projects are less financially viable than they really are," comments Barbara Haya, co-author of the study. *"CDM revenues make up too small a fraction of large infrastructure projects such as large hydropower to be able to influence their viability."*

At the meeting of the CDM Executive Board that concluded today, longstanding member Lex de Jonge commented *"Additionality testing – are there flaws? I'm afraid the answer is: yes. Experience shows that this concept is too simplified and invites creativity and free riders. We all know it: IRR calculations are still relatively easy to manipulate. Let's face it that's how it reality looks."*

Hydropower is heavily supported and subsidised in many countries. This is especially so in China and India who host well over two-thirds of the total capacity of hydropower in the CDM. Over 500 large hydro projects have already been registered under the CDM and an additional 590 are applying. Large hydro projects are projected to generate 2 billion carbon credits by 2020.

Sustainability and Human Rights

The study also looks at social and environmental impacts of hydropower projects and assesses the implementation of the EU's screening process to filter out especially harmful hydropower projects. Recommendations include independent oversight of the validation process by EU Member States and public access to the compliance reports.

Payal Parekh, co-author of the study adds: *"Hydropower projects of all sizes can have substantial negative social impacts, not just large projects but all hydro projects should be required to go through an extra check"*.

Local communities face challenges because there is no requirement to monitor sustainability criteria. In an open letter sent today, civil society groups call on Environment Ministers to address these shortcomings at the upcoming climate change conference in Durban.

“Promising benefits of CDM projects at an early stage of the project is easy. Real benefits will only be realised once project developers are required to ensure the sustainability of a project throughout the project implementation” commented Eva Filzmoser from CDM Watch.

“The future of the CDM does not only depend on ambitious binding emission reduction obligations. The CDM also needs a fundamental reform that excludes large infrastructure projects that harm the climate and instead fosters sustainable projects with clear climate benefits” she added.

Additional information

Download [study and the executive summary](#)

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