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H.E. prof. dr. Roko Žarnić
 Minister of the Environment and Spatial Planning
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OPEN LETTER: Halt artificial CDM carbon credits from coal power projects

23 November, 2011

Dear Minister,

At the upcoming climate change conference in Durban, you will discuss the future of the Kyoto Protocol. An important element of this debate is the future of the Kyoto Protocol's Clean Development Mechanism (CDM).

Recognising the urgency of the climate crisis, the signatories to this letter are deeply concerned about the financial support for coal-fired power plants under the CDM. At a time when Europe is facing major economic and budgetary challenges, coal-fired power plants in China and India receive EU financial support while locking-in billions of tons of CO₂ and causing severe human health and ecosystems damage.

Six coal power projects in India and China have already been registered by the CDM Executive Board despite severe flaws in the rules to calculate emissions reductions. Another forty coal projects are currently applying for CDM support. These 46 projects could generate 450 million artificial carbon credits that could be used for compliance in the EU Emissions Trading Scheme (EU ETS), putting the environmental integrity of Europe's climate goals at risk.

We therefore urge you to:

- **Call for an exclusion of these coal power projects from the CDM** during the upcoming climate negotiations in Durban.
- **Advocate for a ban on the use of international credits from coal power projects in the EU ETS** when you meet with EU Environment Ministers in Brussels on 19 December 2011.
- **Take unilateral action to prohibit the use of international credits from these coal projects** for sectors in your country not covered by the EU ETS.

We hope that you will take these important points into consideration in your upcoming decisions.

For your convenience, we have attached a briefing note with the technical details of the upcoming decisions for you and the experts in your ministry.

Yours sincerely,



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Briefing note

Why CDM Coal Power Projects Undermine the EU's Climate Goals

Coal power projects in the Clean Development Mechanism (CDM) have come under increased scrutiny because of non-additionality, significant over-crediting and coal power's large impact on climate change, human health and ecosystems.

Recent reports by the CDM Methodology Panel¹ and the Stockholm Environment Institute² provide strong evidence that the CDM crediting methodology (ACM0013) used for these projects leads to significant over-crediting of CDM coal power projects. Both studies highlight that:

- The use of outdated information that conceals rapid technological trends in India and China and an overestimation of efficiency benefits from CDM coal power technologies cause over-crediting of CDM coal projects.
- It is highly unlikely that any of these coal power projects under the CDM are additional due to fuel price pressures and national policies in India and China that prescribe the very same technologies used in the CDM.

The Methodology Panel report recommends a number of changes to ACM0013. However, these changes fail to address several of the issues identified in both studies and would still allow both non-additionality and over-crediting. These projects will emit at least 20 times more than they could potentially save. The recommended methodology revisions are therefore not sufficient to ensure that no artificial credits are issued.

The CDM Executive Board is expected to discuss this issue at its upcoming meeting starting on 21 November 2011 and Parties to the Kyoto Protocol are urged to exclude this project type from the CDM during the subsequent climate change negotiations in Durban.

Six coal power projects were already approved on the basis of the flawed methodology and will issue non-additional carbon credits which can be sold on the international carbon market. Another 40 projects are currently under validation. On behalf of civil society and of the organisations listed above, we would like to express our deep concern about the risk artificial carbon credits from these projects pose on the environmental integrity of the EU Emissions Trading Scheme and the emissions reduction obligations under the Effort Sharing Decision. The EU is committed to the objective of reducing greenhouse gases by 80-95 percent by 2050 compared to 1990 levels, in the context of the IPCC's range for greenhouse gas emission reductions for industrialised countries. CDM projects which produce artificial carbon credits to offset emissions and at the same time pose long-known impacts on human populations and ecosystems are particularly counter-productive to achieving this objective.

¹ Methodologies Panel Information note: Report on the analysis of issues concerning the methodology ACM0013

² Stockholm Environment Institute Working Paper, Coal Power in the CDM: Issues and Options, November 2011