

CDM Executive Board

UNFCCC Secretariat
Martin Luther King Strasse 8
P.O. Box 260124
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Germany

Subject: Review of request to renew the crediting period of Ulsan HFC-23 destruction project (Project number 003)

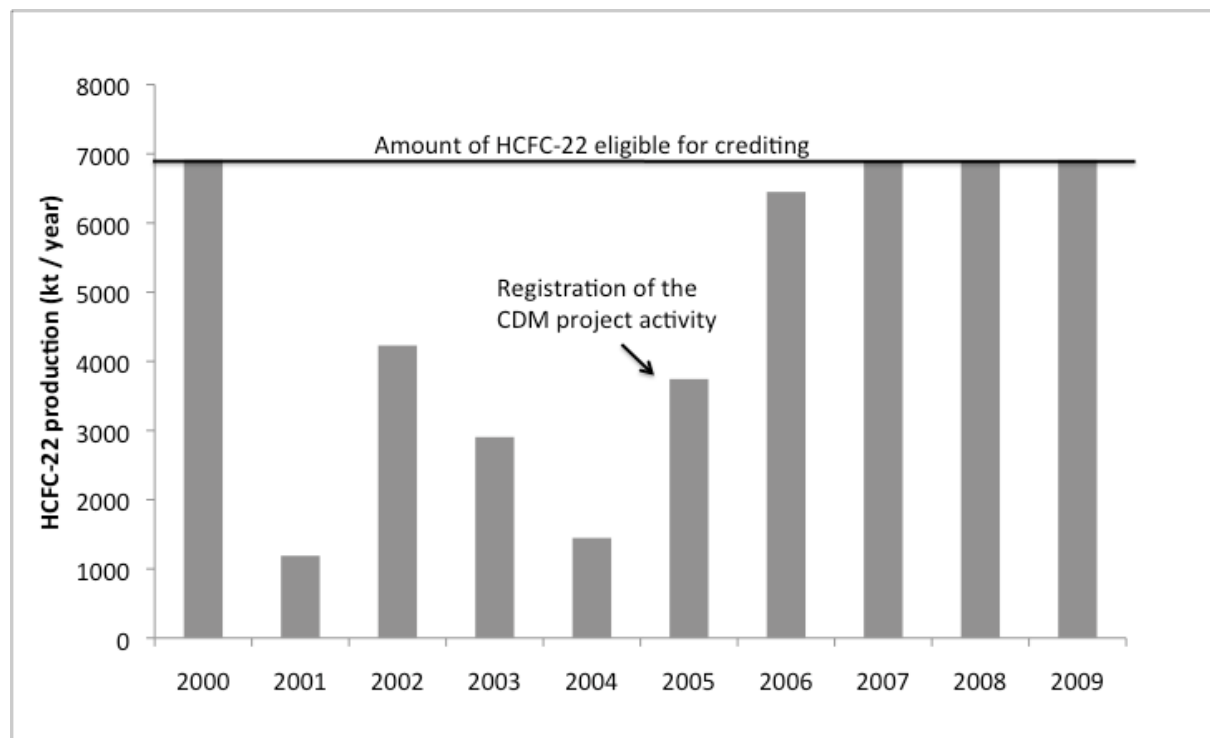
14 May 2010

Dear Mr Mahlung,

I am writing to you on behalf of CDM Watch in relation to the recent request by the Ulsan HFC-23 destruction project (003) to renew the crediting period.

We have strong reason to believe that the CDM has caused significant perverse incentives for HFCF-22 production and therefore urge you to put this request under review. In addition to serious concerns about the environmental integrity of AM0001, we would like to highlight several other issues that need to be addressed in a review of the renewal request.

An evaluation of monitoring data from the plant shows that the HCFC-22 production appears to be mainly driven by the incentives from the CDM – and not by market demand. The figure below illustrates that from 2001 to 2005 the plant produced HCFC-22 in the range from about 1000 – 4000 kt/year. However, as of the registration date of the project in 2005, the annual HCFC-22 productions raised to about 7000 kt/year which is the amount that is eligible for crediting. In sum, this analysis indicates that the amount of HCFC-22 produced is driven by the possibility to generate CERs and not the market demand for HCFC-22.



Source: PDD for request for renewal and monitoring reports published at the UNFCCC website.

Similar to this case, a recent evaluation of all monitoring data from HFC-23 destruction projects currently registered under the CDM revealed that many projects intentionally operate their plants in a manner to maximize the CER credits.

The data even indicates that because of the extra CDM revenue, more HCFC-22 is produced and more HFC-23 generated than would occur without the CDM.

This result causes serious concern that a significant amount of CERs issued from these projects do not represent real emission reductions. The result also means that any safeguards provided in the methodology aimed at preventing such perverse incentives are not effective in practice.

Within this context, we would like to bring to your attention that a request for revision (REV0186) to address these very flaws is currently under consideration by the Methodological Panel.

In light of serious concerns about these fundamental problems, we urge you to consider the renewal of the crediting period of this project only after the Meth Panel and the CDM Executive Board have fully considered revision request REV0186.

In order to guarantee that no renewal of crediting period is taking place before these concerns are thoroughly being addressed, we recommend putting the methodology on hold with immediate effect until this issue is resolved.

In addition to this significant concern, we would like to bring the following issues to your attention that need to be addressed in the request for renewal:

- The information with regard to the historical HCFC-22 production provided in the PDD for renewal of the crediting period appears to be inconsistent with information provided in earlier monitoring reports. The PDD states on page 24 that the HCFC-22 production in 2008 amounted to 5562 kt, whereas the monitoring periods over the same time period suggest that HCFC-22 production amounted to 6884 kt.
- In monitoring reports, the project participants claim that HCFC-22 production data is monitored monthly. However, monthly HCFC-22 production data has only been made available from August 2006 but not for the three preceding years. CDM Watch believes that all relevant monitoring data should be made available prior to consideration of the renewal of the crediting period.

Given the serious concerns about a significant amount of CERs being generated without actually reducing any emissions, I trust that you address these issues at your earliest convenience.

Thank you for your attention.

Sincerely,



Eva Filzmoser