PRESS RELEASE

Industry lobbying delays European action on carbon market abuse

18 November 2010, Brussels, Belgium. Relentless behind-the-scenes lobbying by European companies, including ENEL, RWE and E.ON is delaying crucial legislation on the use of carbon offsets in the EU Emissions Trading Scheme.

In response to growing concerns about carbon credits from industrial gas destruction projects under the Clean Development Mechanism, EU Commissioner for Climate Action, Connie Hedegaard, announced in August 2010 that the European Commission would draw up a proposal on quality restrictions on the use of offsets from industrial gas projects in the EU ETS to present at the UN Climate Change Conference in Mexico in December.

EU Member State experts were due to vote on the text at a meeting in mid-November. However, multiple delays in the internal consultation process linked to private sector interference have cast doubt over the feasibility of this, raising concerns about the fate of the proposal.

"*Industry is holding the European Commission hostage by playing different departments off against each other. The case for a ban on HFC-23 and N_2O (from adipic acid) credits in the EU ETS is crystal clear"* said Natasha Hurley, Policy Advisor at CDM Watch. "*There is a very real danger that its initiative will be nipped in the bud as a result of cynical manipulation by corporate investors*," she added.

In October, CDM Watch and a coalition of green NGOs including the Environmental Investigation Agency and Noé21 sent open letters to a number of industry players, including ENEL, RWE and E.ON, setting out their concerns about HFC-23 abatement projects under the CDM. The letters called on companies to lend their support to the exclusion of these credits from the EU ETS as of 1 January 2013, including a strict ban on banking the credits into Phase 3 of the EU ETS.

"Commissioner Hedegaard must not give in to greedy industry lobbyists who are trying to push the ban back to 1 May 2013" said Eva Filzmoser, Programme Director of CDM Watch. *"Many investors took the decision to invest in industrial gas projects after the adoption of the EU ETS Directive in 2008 that opened the door to potential restrictions. Investing in these abatement projects was therefore a calculated risk, for which investors have already reaped large financial rewards."*

The stalling of the EU's proposal is compounded by worrying developments at UN level, including the surprising decision to issue more than 800,000 carbon credits to an HFC-23 abatement project located in Rajasthan, India on 12 November. Issuance of credits to HFC-23 projects was suspended in August 2010 following the submission of a revision request highlighting huge methodological flaws by CDM Watch earlier in the year.

The issuance pre-empted the deliberations of the CDM's Methodology Panel on proposed changes to Methodology AM0001 and CER issuance for all 19 HFC-23 abatement projects in the CDM, which took place on 15-16 November. It also contradicted previous assurances from the Executive Board that issuance for HFC-23 projects would remain suspended until the Board had discussed the Methodology Panel's conclusions.

Failure to exclude fake offsets from the EU ETS will result in a rise in global greenhouse gas emissions and cast serious doubt over the European Union's claim to be spearheading international efforts to combat climate change.

"*We cannot let scandals, be it fraud on CERs or overpriced industrial gas credits, tarnish the environmental integrity of the EU's flagship policy measure for reducing emissions*", says Rémi Gruet, Policy Advisor on Climate Change for the European Wind Energy Association. "*The choice of excluding industrial gas project or not from the ETS boils down to whether you'd rather support a strongly growing, job-creating EU green economy or rather stagnating vested interests in polluting technologies. Those companies investing in Renewable Energy and Energy Efficiency need a high carbon price, and well-functioning carbon markets and hence an exclusion of industrial projects as soon as possible*" he added.

CDM Watch has called for an outright ban on offsets from HFC-23 and N_2O (from adipic acid) projects in the EU ETS. To be effective, this ban should apply to all emission reductions that were generated after a certain cut-off date that is no later than 1 January 2013 and must strictly prohibit holders of HFC-23 Certified Emissions Reductions (CERs) to "bank" these credits for use in Phase III of the EU ETS. Restrictions that only applied after the current UN crediting period expires would lead to HFC-23 credits entering the EU ETS until November 2018. The same is true for N_2O (from adipic acid) credits, where failure to implement a comprehensive ban would lead to N_2O credits entering the EU market until March 2015.

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Note to journalists:
You can download the open letters sent to industry at this link: http://www.cdm-watch.org/?p=1403

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