Against own technical advice, UN decides to subsidize, remove safeguards, for dirty coal power plants

Brussels, 13 September 2012. This week the Executive Board of the Clean Development Mechanism (CDM) decided to reward the construction of new coal power plants with carbon credits, overruling recommendations by its own technical experts. Board members also strongly opposed improvements that would reduce the considerable quality problems of CDM carbon credits. These decisions will further undermine the environmental integrity of the CDM and increase the massive oversupply of questionable carbon credits.

Revised rules will allow new heavily polluting coal power plants to receive carbon credits under the CDM, helping to subsidize the construction of new coal power plants. Potentially, hundreds of millions of Euros could flow to more than 40 coal power plants in India and China currently seeking approval. The CDM is supposed to help reduce greenhouse gas emissions by supporting investments in clean, sustainable projects in developing countries. Support for new coal plants is not consistent with this objective.

"*CDM finance for non-additional dirty carbon credits support the lock-in of emissions-intensive coal power for decades at the expense of the climate"* says CDM Watch Director Eva Filzmoser. "*This is the worst Board decision in years.*"

In an unprecedented move, the Board decided to remove safeguards from the standard that were recommended by its technical body, the Methodologies Panel. The standard adopted by the Board is considerably weaker than the version recommended by the Board's technical experts.

The standard enables new coal power plants to claim carbon credits even if the carbon credits have no impact on the efficiency of the implemented technology. The decision also allows coal power plants to be registered under simplified rules called programmes of activities which were originally introduced to boost projects with higher sustainable development benefits, such as household energy efficiency programmes.

"*The use of scarce climate finance to subsidize dirty coal is a scandal."* says Justin Guay Washington Representative at the Sierra Club. *"The board made a nakedly political decision to ignore facts and prop up power sources that will ensure climate change increases rapidly."*

Board refuses to revise rules to eliminate business-as-usual projects

Just three days ago, the High Level panel of the CDM Policy Dialogue called upon the Board to strengthen the requirements for proving additionality, in order to ensure that projects that would go forward without CDM support cannot claim carbon credits. Ignoring this recommendation, the Board declined to adopt effective ways to address the fundamental flaws in the way how additionality is demonstrated.

The High-Level Panel had also pointed out that the serious oversupply of CDM credits could lead to the collapse of the whole CDM market. Yet, decisions taken by the Board this week will spur the over-supply of credits in the market and keep prices low for years.

"Lifting the suspension of coal projects and at the same time refusing to strengthen additionality rules, the Board may have accelerated the end of the CDM" says carbon market expert Anja Kollmuss.

EU Relevance

Six coal plants claiming about 9 million carbon credits per year were registered before the crediting methodology was suspended last year. Last week, the Mundra power plant, owned by Indian power company Adani, received 155.000 carbon credits. It can potentially earn almost 2 million credits per year. UK-based EDF Trading is expected to buy the carbon credits. 40 other new coal power plants under validation may try to seek now registration before a deadline by the EU applies by the end of the year. (Projects that aren't located in least developed countries must be registered by the end of this year to supply the EU ETS.)

"With already weak climate targets and over-supplied carbon markets, the EU cannot afford to further undermine its EU ETS. We expect legislators to act and immediately ban carbon credits from coal power and other project types that are clearly business-as-usual," commented CDM Watch Director Eva Filzmoser.

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