

PRESS RELEASE

Climate Campaigners applaud Commission for proposal on offset restrictions

25 November 2010, Cancún, Mexico/London, United Kingdom. The European Commission today published its much-anticipated proposal on quality restrictions on the use of offsetting credits from industrial gas projects in the EU Emissions Trading Scheme. The proposal comes in the wake of a series of scandals surrounding fake CDM offset credits. Climate campaigners have welcomed it as a first step towards ensuring that the EU ETS does not turn into a refuse dump for poor quality offset credits which lead to an increase in global greenhouse gas emissions.

The draft Regulation presented today proposes a full ban on the use of credits from HFC-23 and N₂O from adipic acid destruction projects within the EU ETS as of 1 January 2013.

“We congratulate the European Commission on this bold move. Today’s proposal on restrictions of HFC-23 and N₂O from adipic acid credits in the EU ETS is a milestone in terms of removing fake carbon credits from the system and helping to improve the environmental effectiveness of the EU ETS” said Eva Filzmoser, Programme Director of CDM Watch.

No grace period for industry at the expense of the climate

Over recent weeks the proposal has been delayed due to pressure from a small but vocal minority of industry players which have been vehemently lobbying for delays to restrictions on industrial gases. “The Commission has stood firm, placing environmental integrity over industry interests, which is a credit to the EU policy process” said Fionnuala Walravens Campaigner at the Environmental Investigation Agency. Adding “The proposal announced today reflects Commissioner Hedegaard’s intentions when she announced it in August this year.”

Proposal prevents “banking” of credits

Prohibiting the use of industrial gas credits after January 2013 addresses concerns that credits issued during the current phase of the EU ETS (2008-2012) would be carried over to the next phase (2013-2020). Climate campaigners have repeatedly highlighted that restrictions will only be effective if combined with a ban on banking.

“We now look to EU Member States to retain the ambitious language of this proposal” said Eva Filzmoser.

The draft Regulation notes that the measures it contains are in accordance with the opinion of the Climate Change Committee, which is expected to examine the Commission's proposal in December.

Note to editors:

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

The multiple problems associated with industrial gas abatement projects under the CDM have been a long-standing concern for climate campaigners.

A CDM Watch submission to the UN's Executive Board in March this year¹ highlighted the outrageous gaming of the system by the owners of HFC-23 abatement projects in China and India and demonstrated that the perverse incentives inherent in the crediting methodology were leading to the overproduction of HCFC-22 and HFC-23. This led to millions of phantom credits entering the carbon markets that did not result in actual emissions reductions.

A more recent study on N₂O from adipic acid² showed that these types of CDM projects have led to "carbon leakage" – a shift in production that leads to an overall increase in emissions – and the issuance of approximately 13.5 million phantom emissions reductions.

Related documents:

- You can download the draft Regulation and all related documents at http://ec.europa.eu/clima/news/index_en.htm
- For more information, see CDM Watch and EIA's submissions to the European Commission on design aspects of quality restrictions on the use of credits from industrial gas projects here <http://www.eia-international.org/cgi/reports/reports.cgi?t=template&a=211> and here <http://www.cdm-watch.org/?p=1311>
- You can also download our Q&A on industrial gases at <http://www.cdm-watch.org/?p=1387>

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Ends.

¹ <http://cdm.unfccc.int/methodologies/PAMethodologies/revisions/58215>

² <http://sei-us.org/publications/id/353>