



Environmental Investigation Agency

****FOR IMMEDIATE RELEASE****

Massive Climate Subsidies to Super Greenhouse Gas Industry to Continue – UNFCCC CDM Approves Further Payments to HFC Producers

November 29, 2011 – As UNFCCC climate negotiators meet in Durban, EIA is calling on all Parties to reject HFC-23 carbon credits following widespread evidence and CDM Executive Board acknowledgement that most of the credits do not represent real emission reductions.

Last week the Executive Board of the UN Clean Development Mechanism (CDM) modified the flawed HFC-23 Methodology, cutting the number of Certified Emission Reduction (CER) credits allowed by two-thirds. Despite the downward adjustment, the action by the CDM falls far short of removing the perverse incentive that encourages and subsidizes increased HCFC-22 production in order to produce the HFC-23 by-product.

At the same meeting, the Executive Board approved renewal of an HFC-23 project in Ulsan, dated back to 1st January 2010. As a result, the project will receive as many as 4.3 million CERs from January 2010 to the end of November this year, based on the old methodology. Since the new methodology does not apply to current crediting periods, all other HFC-23 projects will continue to issue millions of fake CERs. Until May 2013, these offsets are eligible in the European Emissions Trading Scheme (ETS).

The ETS ban and revised methodology were a response to evidence of widespread fraud by Chinese and Indian HCFC-22 manufacturers that resulted in hundreds of millions of fake offsets flooding global carbon markets. HCFC-22 producers were found to be intentionally increasing the amount of HFC-23 by-product as well as maximizing HCFC-22 production to generate more carbon credits.

HCFC-22 is a super greenhouse gas (GHG) with a global warming potential (GWP) of 1810, and is being phased out globally under the Montreal Protocol due to its ozone depleting properties. The enormous revenues paid primarily to Chinese and Indian producers have created a revenue stream for carbon credits that is more lucrative than HCFC-22 sales.

“Indian producers have recently reported revenue from HFC-23 credits to be double the sales of the actual refrigerant HCFC-22”, said Natasha Hurley, Global Environment Campaigner for the Environmental Investigation Agency (EIA). She continued, “The methodology revision does nothing to fix this absurd subsidy which is not only damaging to legitimate climate efforts but also blocking international efforts to deal with all HFCs cost effectively under the Montreal Protocol.”

At present, HCFC-22 manufacturers in Europe and the US voluntarily capture and destroy HFC-23. The cost of this, which is paid by the manufacturers, is around US \$0.20/CO₂-equivalent tonne as opposed to the \$13-\$16 that secondary CERs sell for on average. Even with historic low carbon prices the profits to be made by far outweigh the cost of destroying HFC-23.

Despite CDM revenues of almost US \$1.3 billion, or enough to cover the cost of destroying all its HFC-23 production for decades, China has 7-8 non-CDM HCFC-22 plants that still vent HFC-23 into the atmosphere. China recently threatened to vent all of its HFC-23 unless the ETS overturns its 2013 ban on industrial credits and continues to pay what amounts to a climate ransom. HFC-23 emissions represent about 127 million tonnes CO₂eq. per year (0.25% of global annual GHG emissions), 90% of which is

estimated to come from China.

“HFC-23 crediting has already caused more harm than good for global climate, and clearly the only way to fix the HFC-23 Methodology is to eliminate it” stated Samuel LaBudde, Senior Atmospheric Campaigner for EIA. He continued, “The UNFCCC and CDM need to stop subsidizing greenhouse gas producers”.

Most of the world’s largest and most lucrative chemical companies own or have financial stakes in the CDM’s 19 HFC-23 projects. As of November 2011, these companies have received more than 350 million HFC-23 credits.

For more information, and to download reports on HFC-23, the CDM and related issues:
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