China Hits Out at U.N. Carbon Office

By SHAI OSTER

BEIJING -- China lashed out at the United Nations and warned clean energy investment could be hurt after the U.N. denied 10 Chinese wind farm carbon credits earlier this month and accused China of fudging the numbers to make the projects eligible for international subsidies.

China has been the chief beneficiary of the U.N.'s Clean Development Mechanism, or CDM, under which rich countries can invest in carbon-abatement projects in poor countries and get carbon credits that can be traded. But China has been accused by critics of gaming the system and the U.N. CDM board earlier this month said that China deliberately set electricity tariffs so that the 10 wind farms, with a combined investment of some six billion yuan (about $879 million), couldn't be profitable without the subsidies.

The rejection of the 10 projects has sparked an unusually public response for China's biggest wind power developers, who banded together to issue a public letter Monday protesting the U.N. decision. The Chinese government and companies called the U.N.'s decision-making process arbitrary, opaque and unfair.

"If you reject wind power, what else is there?" said Sun Cuihua, an official at the National Reform and Development Commission which oversees CDM projects in China.

"They say that we made up the electricity prices; that is an irresponsible thing to say," Ms. Sun told reporters.

The rejection "is sending a strongly wrong signal which will seriously damage the enthusiasm and confidence of investors to continue their investment in wind power industry," said a statement by nine companies including the wind power units of some of China's biggest state-owned companies including such as utility China Datang Corp., and coal miner Shenhua Group Corp. The companies said Monday they planned to present their letter at the climate-change summit in Copenhagen.

The fight over a handful of projects illustrates the much bigger battle being waged in Copenhagen over how and who will pay for reducing global warming and which countries will benefit from the developments of new technologies.

The spat has called into question the legitimacy of the entire U.N. process created as a way to help poor countries pay for the costly upgrades needed to reduce greenhouse gas emissions. In theory, the credits are a way for rich countries to meet their domestic greenhouse gas commitment by paying for a carbon abatement project in a poor country
that wouldn't have been built otherwise. But critics say the system has been distorted and abused, saying that China has sought to unfairly get investments for projects that fail to meet the U.N.'s standards because they would have been profitable to build anyway.

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