

## PRESS RELEASE

### UN Under Pressure to Halt Gaming and Abuse of CDM

**The watchdog organisation CDM Watch has confronted the United Nations with new evidence that alleged emissions reductions from HFC-23 destruction projects under the CDM offsetting mechanism are actually increasing global greenhouse gas emissions. The evidence was put forward in an official submission which calls for a benchmark to cut the inflated number of carbon credits generated by these projects by more than 90%.**

HFC-23 is a potent greenhouse gas which is an unwanted byproduct of manufacturing the refrigerant gas HCFC-22. Under the UNFCCC's Clean Development Mechanism (CDM), the destruction of HFC-23 generates emission reduction credits that are used to fulfil commitments to reduce greenhouse gases. While all 2236 currently registered projects are estimated to generate about 1 billion credits by 2012, only 19 registered CDM HFC-23 projects would be accountable for about half of the issued credits under current rules.

Analysis of monitoring data from all registered HFC-23 destruction projects revealed that CDM HCFC-22 plants are intentionally operated in a manner to maximize the production of offset credits. The analysis indicates that because of the extra CDM revenue more HCFC-22 is produced and far more HFC-23 generated than would occur without the CDM.

*"The amount of HCFC-22 production and HFC-23 generation appears to be mainly driven by the possibility to generate offset credits rather than other factors",* summarizes Lambert Schneider who evaluated the data.

The data shows that two plants reduced HFC-23 generation when they were ineligible for crediting and increased HFC-23 generation once they could again claim credits for destruction. One plant even stopped HCFC-22 production when it was not allowed to generate further offset credits and resumed operation when it became again eligible to generate credits. Moreover, the analysis revealed that many plants produce exactly the amount of HCFC-22 and HFC-23 they are allowed to claim credits for, whereas production was lower or varied from year to year before offset credits were rewarded.

*"The exact amount of the environmental damage cannot be determined but the data suggests that millions of credits have been issued which do not present real emission reductions but allow companies and governments to increase their greenhouse gas emissions."* said Chaim Nissim, who is heading Noe21, an environmental NGO that confronted the CDM Executive Board with concerns about flaws in the current crediting methodology already in 2007.

Due to the lack of action by the CDM Executive Board to address these flaws, CDM Watch has now submitted a formal proposal to revise the crediting methodology in line with UN procedures. The suggested revision removes the strong economic incentives to increase HCFC-22 production and HFC-23 generation by introducing an emission benchmark more in line with the actual costs of HFC-23 destruction. The new benchmark would cut the inordinately high and excessive number of credits currently issued for the destruction of HFC-23 by more than 90%. The plant operators would still have sufficient economic incentives to destroy HFC-23 but the revenues from selling credits would not exceed the HCFC-22 production costs as is currently the case.

*"The revision would ensure that the CDM projects achieve actual mitigation because it would remove the current financial incentive that causes plants to produce gas for the sole purpose of getting paid to destroy it. It also determines emission reductions in a conservative manner",* explains Eva Filzmoser, Director of CDM Watch.

Following consideration in a meeting of the UN's Methodology Panel from 21-25 June, the CDM Executive Board will discuss this issue in its next meeting from 26-30 July. An amended methodology would have significant impact on registered HFC-23 projects once they request renewal of their CDM crediting period. Coincident with the revision request, the first such renewal request was recently submitted by the HFC-23 Decomposition Project in Ulsan, South Korea, operated by the Ineos Group. Having generated 10 million credits since 2006, worth more than 100 million Euro, Ineos is now

brazenly seeking to increase its annual permitted credit/CER output to 2.2 million for the next seven-year crediting period.

*“This long overdue discussion is taking place just in time. It's completely unacceptable for the UN to keep issuing an inflated number of bogus credits that create vast profits for carbon trading groups and chemical companies. If the UN wishes to avoid irreparable damage to its reputation and show that is truly serious about climate mitigation, it must take action now. The CDM Executive Board must put the current methodology on hold with immediate effect and halt issuing credits until the methodology is revised.”* so Eva Filzmoser.

The revision request can be found at

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

To view the following underlying documents, see [www.cdm-watch.org](http://www.cdm-watch.org).

- Background Paper
- The Project Design Document accompanying the revision request

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