New Study Finds CDM Coal Projects Undermine Climate Goals while Receiving Billions in Climate Finance

Brussels, 3 November 2011. A study released today identifies deep systematic flaws in the crediting rules of coal plants under the Clean Development Mechanism (CDM). The research also shows that they do not reduce emissions compared to business as usual but could earn 451 million artificial carbon credits by 2020 and claim billions of Euros in climate finance. CDM Watch calls for the removal of this project type from the CDM.

High Efficient Coal Projects Are Business As Usual

A study by the Stockholm Environment Institute (SEI) shows that efficient supercritical and ultra-supercritical coal technologies are not dependent on CDM financing but are being rapidly adopted due to price pressures and numerous Indian and Chinese government policies that mandate higher efficiency technologies. In other words, the study shows that CDM coal projects are not additional and therefore lead to artificial credits.

"The study makes it plainly obvious that billions of Euros in climate finance for coal projects in India and China are a bad investment, both for a cash-strapped Europe and for the climate because they are business-as-usual" comments Anja Kollmuss from CDM Watch.

Flawed Crediting Rules

Additionality concerns aside the study also identifies numerous flaws that may lead to over-crediting of as much as 250%. Under current rules, the projects will receive 451 million carbon credits. According to SEI, the number should probably be closer to 132 million credits assuming they were additional. The authors also note that for technical reasons it may not be possible to change the crediting rules in a way that would ensure carbon credits from coal projects reflect actual emissions reductions.

Michael Lazarus, the main author of the study comments, *"I was frankly surprised at the extent to which there appear to be deep and systematic flaws in the crediting rules, both in design and practice. These flaws call into question whether the methodology can be made sufficiently robust to address the issues discussed in the report."*

Policy Makers under Pressure

Earlier this year, the CDM's Methodology Panel of technical experts identified flaws in the methodology (ACM0013) used to calculate the number of emissions reductions and called for an immediate suspension of the methodology. The CDM Executive Board dismissed this call, commissioned a new analysis and continued to register new coal projects. The new analysis is expected following this week´s CDM's Methodology Panel meeting in Bonn and will be discussed by the CDM Executive Board at their next meeting starting 21 November 2011.

Meanwhile, officials in the European Union are discussing whether new use restrictions for project types are needed to protect the integrity of the EU's climate mitigation goals.

"With the new irrefutable evidence that these projects will increase global emissions with hundreds of millions of artificial offset credits, we call on European and International decision makers to act swiftly and immediately ban coal projects from receiving CDM revenue" comments Eva Filzmoser from CDM Watch.

Background

Under the Clean Development Mechanism (CDM), the United Nations' carbon offsetting mechanism, new coal fired power plants in developing countries can receive carbon credits if they can show that without the CDM subsidy a less efficient plant would have been built.

Currently 45 coal projects located in India (32 projects) and China (13 projects) have been approved for or are applying for CDM support. Six of these projects are already registered and could generate 89 million carbon credits (CERs) worth over Eur 600 million. If all projects seeking approval under the current rules are successful, they will generate 451 million CERs worth billions of Euros of public and private climate finance. These CERs can be bought meet emission reduction obligations under the Kyoto Protocol or the European Emissions Trading Scheme (EU-ETS).

Investors in the coal power projects include Germany´s electricity provider RWE, EcoSecurities, Carbon Resource Management, Japan´s Mitsui & Co, the Bunge Emissions Group, Climate Bridge, the Nordic Carbon Fund and Merrill Lynch.

Additional information

- Download the study's Executive Summary
- Download the full study
- Download CDM Watch Policy Brief on Coal
- More information about CDM coal projects

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