



**ENVIRONMENTAL INVESTIGATION AGENCY
(EIA)**

**An alternative regulatory approach to
tackling HFC-23**

Fionnuala Walravens

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EPP Technical Hearing



Introducing the Environmental Investigation Agency EIA



Established 1984

Offices in London and Washington DC

Combating environmental crime and abuse

Campaigns: Species in Peril, Forests for the World, Global Environment

Investigating illegal trade in ozone depleting substances (ODS) since 1997

Key role raising awareness of effects of ODS phase-outs on both Montreal (ozone) and Kyoto (climate) protocols.

Monitoring perverse incentives of CDM since 2006
Focus on HFC-23





HFC-23: The Facts

Fugitive emission in production of ozone depleting refrigerant HCFC-22

11,700 times more powerful than CO₂

Costs €0.17/tonne CO₂-eq to destroy

HFC-23 CERs sell for €13/tonne CO₂-eq

What's the problem?

- **Subject to cheating, bogus credits**
- **Flood carbon markets**
- **Diverts finance away from domestic action and sustainable projects**
- **Subsidise and incentivise over production of HCFC-22, which is being phased-out of use.**

CDM HFC-23 projects working in opposition to goals of both the UNFCCC and Montreal Protocol HCFC phase-out



Bogus credits



Monitoring report analysis



**Produce HFC-23 at higher than necessary rates,
reducing rate when not in crediting period**

**Over production of HCFC-22, stopping HCFC-22
production when not in crediting period**

**=> CDM Methodology allows for production of bogus
credits**

Flooding the market



HFC-23 represent **60%** CERs surrendered

Phase II (2008-2012) **476 million HFC-23** credits generated

@ **€13/tonne** **€6.2 billion**

By 2020 1 billion HFC-23 credits generated

Surrendered to date:

~97 million HFC-23 credits

ETS End of Phase II **570 million**
excess carbon permits. (Sandbag)



HFC-23 case study



Gujarat Fluorochemicals, India

2007, CDM revenues from 6.5 million CERs (Certified Emission Reductions) **€66 million**, 88% of pre-tax profits

SRF, India

2008, CDM income **\$73 million**, 66% of fluorochemical revenues

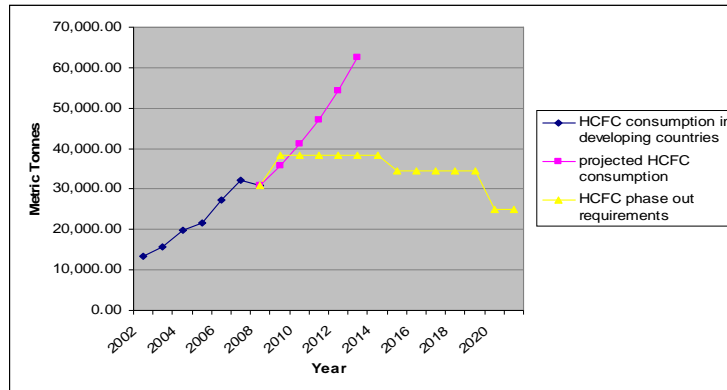
Subsidises production of HCFC-22 Implications

- Global refrigeration and air-conditioning market dependency
- HCFC phase-out even more costly for donor countries (inc EU)
- Prevents the uptake of climate friendly alternatives



Clash of the Conventions

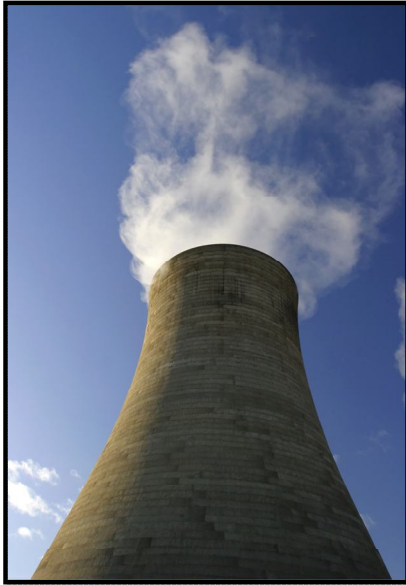
Effects on HCFC phase out



- 2007, accelerated HCFC phase-out agreed
- 2009-2010 baseline for developing countries
- HCFC consumption growth in developing countries 15%

Subsidising HCFC-22 production undermines HCFC phase-out

HFC-23 outside the CDM



CDM Rules: Facilities must have been in operation since end of 2000

2009 study

-Over half of HCFC-22 in developing countries production not covered (*Geophysical Research Letters*)

-Developing country HFC-23 emissions in 2007 were estimated to be 160 million tonnes CO₂-eq.

-More HFC-23 in the atmosphere now than before the CDM started

The Solution

Remove HFC-23 from global carbon markets

Ban HFC from ETS as soon as feasible

Montreal Protocol to take on HFC-23 destruction

June 2010 Draft decision destroy HFC-23 not covered by CDM

REAL and low cost climate mitigation

CDM at best results in zero net emissions gained

Public finance should be used to harvest cheap mitigation leaving more expensive options to carbon markets

Time line



UNFCCC

Aug: HFC-23 CER issuance suspended pending further information

Early Nov: Meth Panel investigation complete

Late Nov: EB 58th Meeting expected to reach a final decision

EU action

European Commission expected to propose quality restriction options

Ban HFC-23?

Action pre-2013?

Why act now to ban HFC on ETS?

-11 of 19 projects will be up for renewal end 2013/early 2014

-Investors reluctant to renew

-Restores integrity of carbon markets

-Gives room for sustainable projects

-Rebalances excess

Thank you



ENVIRONMENTAL INVESTIGATION AGENCY (EIA)
62/63 Upper Street, London N1 0NY, UK
Tel: +44 (0) 20 7354 7960
Fax: +44 (0) 20 7354 7961

Email: fionnualawalravens@eia-international.org

www.eia-international.org