

## COMPANIES URGED TO REJECT HFC-23 CREDIT TRADE

### Carbon credit value means greenhouse gas is made just for destruction

THE London-based Environmental Investigation Agency is today calling on 10 major UK businesses to lead the way and take a credible stand against greenhouse gas emissions by ceasing to trade in deeply flawed HFC-23 carbon credits.

*« We strongly urge these 10 companies, and all others dealing in the fundamentally flawed and environmentally detrimental HFC-23 offset credits, to take a stand and simply stop using them. »*

**Clare Perry EIA Senior Campaigner**

HFC-23 is a potent greenhouse gas which is an unwanted byproduct of manufacturing the refrigerant gas HCFC-22. Investment in HFC-23 destruction programmes constitutes the majority of offsets used by European companies to address their emissions reductions.

But evidence shows the high profits to be made through HFC-23 credits under the UN Framework Convention on Climate Change's Clean Development Mechanism (CDM) have effectively created an unwarranted market for the production of the pollutant gas, sometimes to the maximum amount allowed, simply to reap the financial benefits of subsequently destroying it.

HFC-23 destruction projects mostly profit Chinese and Indian chemical companies, and financial backers in the UK and other European countries. The destruction of HFC-23 can be carried out for just €0.17 per tonne of carbon dioxide-equivalent (CO<sub>2</sub>-eq) – but when sold on the EU Emissions Trading Scheme (ETS) market it can easily command as much as €12, 70 times more than it costs to destroy the gas.

The projects are so valuable that they exceed the worth of the primary gas (HCFC-22) being produced by as much as five times, resulting in excessive availability of cheap HCFC-22 and undermining efforts under the Montreal Protocol to phase out this ozone-depleting chemical. At the same time, HFC-23 emissions from developing countries are still increasing, since about half of their HFC-23 production is not covered by CDM projects and is released into the atmosphere.

EIA believes HFC-23 destruction should be addressed outside the CDM through direct payment for HFC-23 incineration; a meeting of the Montreal Protocol from June 15 will discuss a proposal from the US, Canada and Mexico to that effect.

“The CDM has made HFC-23 so valuable that, at least for some manufacturers, it has become the product, not the by-product,” said EIA Senior Campaigner Clare Perry. “Under the Montreal Protocol, all HFC-23 emissions could be addressed for a tiny fraction of the cost.”

UK companies heavily involved in financing HFC-23 destruction projects include Barclays Bank, British Gas, Royal Bank of Scotland, Morgan Stanley and Goldman Sachs, along with many UK-based carbon trading groups such as Climate Change Capital and Natsource. UK companies feature in 15 of the 19 registered HFC-23 projects.

In 2008, British companies surrendered more than 2.3 million offsets originating from HFC-

23 destruction projects, worth an estimated €38.6 million.

Corus UK Ltd used the largest number of HFC-23 offsets in 2008, according to data supplied by carbon market watchdog group Sandbag. Three Corus installations (Port Talbot, Teesside and Scunthorpe iron and steel works) surrendered 695,000 HFC-23 offset permits in 2008, mostly from Chinese but also Indian and Mexican HFC-23 destruction projects.

Others in the 2008 top 10 users of HFC-23 CERs are Scottish Power Ltd (525,000 permits surrendered); Alcan Aluminium UK Ltd (223,000); Shell UK Ltd (145,583); CEMEX UK Cement Ltd (142,199); Teesside Power Ltd (121,711); Spalding Energy Company Ltd (65,687); British Sugar plc (56,000); Centrica, the parent company of British Gas (48,016) and Castle Cement Ltd (44,856).

“EU demand for these flawed credits is creating vast profits for carbon trading groups and Chinese chemical companies without necessarily reducing emissions,” said Perry. “Depending on who your supplier is, your electricity bill could be paying for countries like China and India to destroy greenhouse gases that didn’t need to be made in the first place.

“We strongly urge these 10 companies, and all others dealing in the fundamentally flawed and environmentally detrimental HFC-23 offset credits, to take a stand and simply stop using them.”

Interviews and images are available on request: please contact Clare Perry, EIA Senior Campaigner, at [clareperry@eia-international.org](mailto:clareperry@eia-international.org) or telephone +34 664348821 / 020 7354 7960.

## **EDITORS’ NOTES**

1. The Environmental Investigation Agency (EIA) is a UK-based Non Governmental Organisation and charitable trust (registered charity number 1040615) that investigates and campaigns against a wide range of environmental crimes, including illegal wildlife trade, illegal logging, hazardous waste, and trade in climate and ozone-altering chemicals.

2. The Montreal Protocol’s Open-Ended Working Group meeting next week in Geneva from June 15 will discuss a proposed decision to phase out HFC-23 as a byproduct emission of HCFC-22 production – [http://ozone.unep.org/Meeting\\_Documents/oewg/30oewg/OEWG-30-CRP-1E.pdf](http://ozone.unep.org/Meeting_Documents/oewg/30oewg/OEWG-30-CRP-1E.pdf)

Environmental Investigation Agency  
62-63 Upper Street  
London N1 0NY, UK  
[www.eia-international.org](http://www.eia-international.org)