

The Hindustan Times, New Delhi, 27 May 2008

'UN wastes climate funds'

Offset fund routinely abused by gas, wind, hydro and chemical companies, watchdog groups and experts say

John Vidal
London, May 26

BILLIONS OF pounds are being wasted in paying industries in developing countries to reduce climate change emissions, according to two analyses of the UN's carbon offsetting programme.

Leading academics and watchdog groups allege that the UN's main offset fund is being routinely abused by chemical, wind, gas and hydro companies who are claiming emission reduc-

tion credits for projects that should not qualify. The result is that no genuine pollution cuts are being made, undermining assurances by the UK government and others that carbon markets are dramatically reducing greenhouse gases, the researchers say.

The criticism centres on the UN's clean development mechanism (CDM), an international system established by the Kyoto process that allows rich countries to meet emissions targets by funding clean energy projects in devel-



EVERETT KENNEDY BROWN/AP

An overview of the G-8 Environment Ministers' Meeting in Kobe, western Japan.

oping nations.

Credits from the project are being bought by European companies and governments who are unable to meet their carbon reduction targets.

The market for CDM credits is growing fast. At present it is worth nearly \$20bn a year, but this is expected to grow to over \$100bn within four years. More than 1,000 projects have so far been approved, and 2,000 more are

making their way through the process.

A working paper from two senior Stanford University academics examined more than 3,000 projects applying for or already granted up to \$10bn of credits from the UN's CDM funds over the next four years, and concluded that the majority should not be considered for assistance. "They would be built anyway," says David Victor, law professor at the Californian university. "It

looks like between one and two thirds of all the total CDM offsets do not represent actual emission cuts."

Governments consider that CDM is vital to reducing global emissions under the terms of the Kyoto treaty. To earn credits under the mechanism, emission reductions must be in addition to those that would have taken place without the project. But critics argue this "additionality" is impossible to prove and open to abuse. The Stanford paper, by Victor and his colleague Michael Wara, found that nearly every new hydro, wind and natural gas-fired plant expected to be built in China in the next four years is applying for CDM credits, even though it is Chinese policy to encourage these industries.

"Traders are finding ways of gaining credits that they would never have had before. You will never know accurately, but rich countries are clearly overpaying by a massive amount," said Victor.

A separate study published this week by US watchdog group International Rivers argues that nearly three quarters of all registered CDM projects were complete at the time of approval, suggesting that CDM money was not needed to finance them.

The Guardian