

PRESS RELEASE

NOVEMBER 18, 2010 – FOR IMMEDIATE RELEASE

MASSIVE INVESTMENT IN FAKE HFC CARBON CREDITS SPURS ITALIAN SABOTAGE OF EU ETS REFORM

EFFORTS to reform Europe's Emissions Trading Scheme (ETS) by restricting the use of phoney carbon credits from HFC-23 destruction and other industrial gas offsets are being opposed by Italy.

Huge investments by the Italian Ministry of Economy and Finance and Italian companies have prompted Italy to defend the projects and its financial stake in an aspect of the CDM regarded by environmentalists and most nations as a huge fraud.

Credits from CDM HFC-23 projects have been frozen since early summer when it became clear Chinese and Indian companies were intentionally maximising the amounts of HFC-23 produced just to get paid to destroy it. In an attempt to restore integrity to the ETS, the world's largest carbon market, the European Commission has been discussing plans to eliminate these types of offsets from January 1, 2013, the third phase of the ETS which coincides with the beginning of the third commitment period of the UNFCCC Kyoto Protocol.

Presently, manufacturers of the refrigerant HCFC-22 are being paid 70-80 times what it costs to collect and destroy the HFC-23 waste gas, and are earning far more from carbon credits than from HCFC-22 production.

"With the EU prepared to institute a much-needed reform, Italy seems intent on snatching defeat from the jaws of victory," said Clare Perry, Senior Campaigner with the Environmental Investigation Agency. "HFC-23 projects have a negligible and possibly even negative impact on emissions reductions; their continued inclusion in the ETS would make a mockery of the world's largest carbon market and would mean that European consumers continue to subsidise the manufacture of super greenhouse gases."

Offsets in the EU ETS are currently dominated by HFC-23 projects. According to Sandbag, EU ETS participants in 2009 surrendered 78 million CERs to comply with their caps; 59 percent (46,364,460) of the CERs originated from HFC-23 projects, worth an estimated €552 million.

According to reports, a proposal from the Commission's Climate DG to formally preclude these credits from use in the EU is being strongly opposed by Italian Commissioner for Industry and Entrepreneurship, Antonio Tajani, as well as the by the Italian government. By seeking to allow the continued use of HFC-23 credits well past 2012, Italy is putting its domestic power sector interests before credible EU legislation.

The Italian government holds a stake in two HFC-23 projects, and the Italian company ENEL is financially involved in six others, including one through the almost wholly owned Spanish utility giant ENDESA. The Italian government is also the major shareholder in ENEL, with a controlling share through its Ministry of Economy and Finance (13.88 per cent) and Cassa Depositi e Prestiti (a joint-stock company

controlled by the Ministry of Economy and Finance that owns 17.36 per cent of the shares).

Italy allows up to 15 per cent of its ETS emissions reduction to be met by offsets and relies heavily on HFC-23 credits. In 2009, Italian companies surrendered 8.29 million CERs; 5.70 million of these originated from HFC-23 projects. To date, Italian-financed HFC-23 projects have issued 101,912,000 CERs, worth an estimated €1.4 billion at current secondary CER prices of €13.40.

"Italy is putting self-enrichment ahead of the common good and should not be allowed to dictate EU climate policy on the basis of greed," said Fionnuala Walravens, EIA Campaigner. "The fraud and inefficiency inherent to HFC-23 projects has no place in the ETS – it is imperative that the EU musters enough reason to prevail over Italy's naked avarice."

Of the top 10 CDM projects surrendering CERs into the ETS (accounting for 66.5 per cent of all CERs surrendered in 2009 and representing an estimated value of €510 million), seven were HFC-23 projects. ENEL (including ENDESA) ranked third in the companies surrendering HFC-23 CERs in 2009, using 3.7 million CERs to offset its emissions. ENEL is Italy's largest power company, and Europe's second-listed utility by installed capacity. ENEL's Centrale Termoelettrica di Montalto di Castro installation surrendered just over one million CERs, all from HFC-23 projects, to offset 100 per cent of its emissions.

For more information or for a briefing detailing Italy's investment in HFC-23 projects, contact: Clare Perry at clareperry@eia-international.org or Fionnuala Walravens at fionnualawalravens@eia-international.org, or telephone 0207 354 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. In October, EIA and a coalition of green NGOs including CDM Watch and Noé21 sent open letters to a number of industry players, including ENEL, RWE and E.ON, setting out their concerns about HFC-23 abatement projects under the CDM. The letters called on companies to lend their support to the exclusion of these credits from the EU ETS as of January 1, 2013, including a strict ban on banking the credits into Phase 3 of the EU ETS.

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