



CAN position paper on HFC-23 abatement projects

Prepared for 34th Session SBSTA, Bonn, 6-16 June 2011

Following the request by the Conference of the Parties (COP)¹ the Subsidiary Body for Scientific and Technological Advice (SBSTA), will discuss options to address the implications of the establishment of new HCFC-22 facilities seeking to obtain Certified Emissions Reductions (CERs) for the destruction of HFC-23. CAN strongly urges delegates to adopt **option 1) Making new HCFC-22 facilities ineligible under the CDM.**

The issue had already been considered at the first session of the CMP.² The Parties defined what constitutes “new HCFC-22 facilities” and furthermore recognized that issuing CDM credits for HFC-23 destruction at new HCFC-22 facilities could lead to higher global production of HCFC-22 and/or HFC-23 than would otherwise occur and that such perverse incentives should be avoided.

HFC-23 is an unwanted by-product in the production of HCFC-22, a refrigerant and temporary substitute to CFCs. HCFC-22 is both an ozone depleter and potent greenhouse gas and is being phased out under the Montreal Protocol. While there are only a handful HFC-23 destruction projects in the Clean Development Mechanism (CDM) they account for about half of all the CDM credits that have been issued so far.

The CDM has proven extremely ineffective in addressing HFC-23 emissions. Without delivering any development benefits, credits from this project type have flooded carbon markets. None of the HFC-23 projects are located in Least Developed Countries.³

Even more troubling, these projects are undermining the phase-out of HCFC-22 under the Montreal Protocol and are seriously compromising climate mitigation goals: Estimates show that the destruction of HFC-23 costs as little as €0.17 per tonne of CO₂-eq⁴ but the resulting credits can be sold for up to €12, some 70 times more than it costs to destroy the gas. In addition, the current HFC-23 destruction methodology (AM0001) has major loopholes that enable plants to over-produce HCFC-22 and HFC-23. The resulting exorbitant profit margins of these projects create a strong disincentive to shut down plants in the course of the planned HCFC-22 phase out under the Montreal Protocol. Moreover, HCFC-22 produced for feedstock purposes is not controlled under the Montreal Protocol and therefore the production of HCFC-22 for feedstock purposes can be increased for the purpose of increasing CER generation, undermining both climate and ozone protection goals.

These risks were confirmed by an investigation launched by the CDM Executive Board⁵. Last week at its 61st meeting, the CDM Executive Board postponed the discussion of a new revision of the methodology that was meant to address all the loopholes. However, the revisions do neither sufficiently safeguard the Montreal Protocol goals nor address the risk of ‘carbon leakage’, leaving little hope that enormous perverse incentives will ever be removed.

A proposal to address new HCFC-22 facilities not covered by the CDM

A promising solution would be to simply pay for the costs of HFC-23 incineration in all HCFC-22 production plants in developing countries. The ideal implementing body for this action would be the Montreal Protocol on Substances that Deplete the Ozone Layer, which currently regulates the production of HCFCs. Its long history of successful technology transfer within this field means that it could simply use its existing compliance network to effect this transition.

Alternatively project operators in developing countries could voluntarily abate HFC-23 emissions as is done by operators in developed countries. Such measures could also be implemented as unilateral or supported Nationally Appropriate Mitigation Actions (NAMAs).

¹ Decision 12/CP.10

² Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (8/CMP.1)

³ Of 19 HFC-23 destruction projects registered, 11 are in China, five in India, and one each in Argentina, Mexico and the Republic of Korea.

⁴ IPCC & TEAP, IPCC/TEAP Special Report on Safeguarding the Ozone Layer and the Global Climate System: Issues Related To Hydrofluorocarbons And Perfluorocarbons (2005)

⁵ cdm.unfccc.int/Reference/Notes/meth_note02.pdf