

# UN board could rein in \$2.7 billion carbon market

August 21 2010, By JOHN HEILPRIN , Associated Press Writer

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(AP) -- An obscure U.N. board that oversees a \$2.7 billion market intended to cut heat-trapping gases has agreed to take steps that could lead to it eventually reining in what European and U.S. environmentalists are calling a huge scam.

At a meeting this week that ended Friday, the executive board of the U.N.'s Clean Development Mechanism said that five chemical plants in China would no longer qualify for funding as so-called carbon offset credits until the environmentalists' claims can be further investigated.

The "CDM" credits have been widely used in the carbon trading markets of the European Union, Japan and other nations that signed onto the 1997 Kyoto Protocol requiring mandatory cuts in [greenhouse gases](#).

Rather than cut their own [carbon emissions](#), industrialized nations can buy the credits which then pay developing countries to cut their greenhouse gases instead.

But [environmentalists](#) say rich nations could be wasting billions of dollars on what some are calling "perverse financial incentives," because some of the largest projects funded by the U.N.-managed CDM are a golden goose for chemical makers without making meaningful cuts in emissions.

The CDM executive board, based in Bonn, Germany, has asked for a decades' worth of data on the gases from those five plants in China to

study whether the system was manipulated.

The controversy revolves around the apparent conflict between the Kyoto climate treaty and another U.N. treaty, the 1987 Montreal Protocol for repairing the Earth's fragile [ozone layer](#).

The money from the CDM-authorized fund goes to pay the carbon offset credits claimed by more than 20 chemical makers mostly in China and India, but also in nations such as South Korea, Argentina and Mexico.

The chemical makers are paid as much as \$100,000 or more for every ton they destroy of a potent greenhouse gas, HFC-23. The price for destroying it is based on its being 11,700 times more powerful as a climate-warming gas than [carbon dioxide](#).

But that gas is a byproduct of an ozone-friendly refrigerant, HCFC-22, which those chemical makers also are paid to produce under the U.N.'s ozone treaty. Environmentalists say there is so much money in getting rid of HFC-23 that the chemical makers are overproducing HCFC-22 to have more of the byproduct to destroy.

"The evidence is overwhelming that manufacturers are creating excess HFC-23 simply to destroy it and earn carbon credits," said Mark Roberts of the Environmental Investigation Agency, a research and advocacy group. "This is the biggest environmental scandal in history and makes an absolute mockery of international efforts to combat climate change.

HCFC-22 is widely used in hair sprays, air conditioners and some refrigerators because it less damaging to the seasonal ozone hole over Antarctica than previous coolants. It has been promoted under the ozone treaty, often considered one of the world's most successful environmental treaties, as a replacement for chloroflourocarbons, or CFCs.

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