
The Carbon Markets and Investors Association (CMIA) calls on all European Member States that are committed to addressing climate change to refrain from selling Certified Emission Reductions (CERs) that have been surrendered to them by installations under the European Union's Emissions Trading Scheme (EU ETS) for compliance.

The association points out that there is a fundamental environmental contradiction in Member States insisting that installations under the EU ETS only be allowed to use CERs or Emission Reduction Units (ERUs) due to environmental concerns surrounding Assigned Amount Units (AAUs), and selling the very CERs and ERUs that were handed to them in good faith to replace them with AAUs for the purpose of national compliance under the Kyoto Protocol.

Miles Austin, Director of CMIA said: "Any country engaging in this activity can have no credible claim to leadership in action on climate change. The environmental integrity of the EU ETS and of Member States' compliance with the Kyoto Protocol is being put at risk."

Beyond damaging the credibility of Member States engaging in this activity, the recycling of CERs will artificially increase its supply. This will exert downward pressure on CER and EUA prices, at a time when both are already under pressure due to the economic crisis.

EU ETS operators' confidence in CERs as compliance means will also be damaged if they risk purchasing CERs that are no longer usable for compliance. The European Commission (EC) has clarified that CERs or ERUs already surrendered may not be surrendered again nor transferred to an operator account in the EU ETS. However, currently there are no mechanisms in place through which buyers can check the status of purchased CERs and ERUs, beyond an excel spreadsheet listing CERs and ERUs used for compliance that will be apparently updated once a week. It is inappropriate in this scenario that the liability for such used credits lies with the buyer.

CMIA strongly urges the EC's Directorate-General for Climate Action to police this matter in a more thorough manner and to remove liability from buyers and sellers who have acted in good faith. Otherwise there is a real risk that the terms of every contract for CER sales within the EU will have to be revisited, to take this extra layer of new and unnecessary risk into account.

CMIA therefore calls on Member States to refrain from selling used CERs and ERUs and to demonstrate full compliance with the spirit of the EU ETS by retiring them. The association further requests that as a matter of urgency the registry regulations be updated to mandate the retirement of CERs handed to them for compliance under the EU ETS.

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For further information, please contact: Miles Austin, miles.austin@cmia.net +44 7889 344 642

About the CMIA:

CMIA is an international trade association representing close to 50 companies that finance, invest in, and provide enabling support to activities that reduce emissions. CMIA's membership accounts for an estimated 75 per cent of the global carbon market, valued at USD 130 billion in 2009. Solely representing organizations that provide services to and invest in the environmental sector, membership does not include any entities with compliance obligations under cap-and-trade schemes. This results in a unique advocacy platform with emphasis on the environmental integrity of market mechanisms and climate change policies.