
The HFC23 probe currently being conducted by the EB meth panel raises two important but separate issues. The first issue is whether or not the meth has been gamed. The meth revision does not contain conclusive evidence on this either way, which is why the meth panel is conducting further research. The second issue is the nature of the proposed change to the ratio of HFC23 to HCFC22 that can be credited, the so called 'w' ratio.

On the first issue if there is evidence of gaming, new investment in the CDM need not be deterred by the EB taking corrective action. Such action needs to be carried out in a fair, transparent manner, that provides investors with the confidence that action has been taken, if and only if, conclusive evidence has been presented and proved irrefutable after the project participants have been granted the right to present their case.

To avoid giving the impression that this issue is being dealt with via "the back door" rather than in an upfront transparent manner, any change needs to be addressed through a revision to the meth.

On the second issue, the nature of the change to the 'w' ratio needs to be characterised openly and honestly. A change to the 'w' ratio that seeks to set it at a level that is technically achievable in line with best practice, would be environmentally arguable for projects that are coming up for renewal and hence in line with the aims and investment rationale of the CDM.

A change to the 'w' ratio that is solely designed to reduce the profitability of HFC projects and bears no relation to what is technically achievable or is a reasonable interpretation of a conservative approach will be seen as a politically motivated change and needs to be honestly characterised as such. The former will not deter investment, the latter will.

If we are to use the carbon markets to scale up investment in emissions abatement to a degree that will allow us to prevent a 2 degrees rise in temperatures we need to normalise abatement investment to the point where it is simply another commodity. Altering a meth in a manner that seeks to reduce profitability rather than address environmental credibility or additionality does the exact opposite of this, this blind spot in much of the dialogue around HFC must be addressed, or it will undermine the investment rationale for current and future project types.

We would therefore urge that the meth panel and EB, allow a full and open dialogue with project participants whose projects have been highlighted, and that any change to the methodology be based solely around concerns with regards to additionality and the environmental credibility of the methodology and not in line with a desire to adversely affect the profitability of projects concerned.

The former will be understood by investors as being in line with the good operation of the market, the latter will further add to concerns about the political commitment to and understanding of the use of carbon as a commodity to address climate change.

ENDS

Notes to Editors:

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

About the CMIA:

The Carbon Markets & Investors Association (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.