

Guest Commentary

Why the EU is wrong to single out ERUs for special treatment

By Michael Yulkin, Head of the Climate Change Working Group of RSPP Committee for environmental, industrial and technological safety

The EC's recent initiative to next year ban companies from using newly issued ERUs to JI projects in countries that don't sign up to a second round of targets under Kyoto has caused concern among the business community, experts and carbon project owners, especially in Russia.

This new restriction would hurt Russia first after its government last year refused to take on a hard emission reduction cap under the Kyoto protocol, declaring instead that it would focus on building a new international climate treaty encompassing all emitters.

It's unclear whether this is a good reason to punish Russia and its companies from using ERUs in the EU carbon market, the world's biggest demand centre. Russia's refusal to sign up to KP-2 does not mean it has refused to reduce GHG emissions. It is well known that Russia has adopted a climate doctrine and an action plan that includes domestic policy and measures aimed at climate change mitigation and adaptation.

These days a serious discussion is going on in Russia about setting up a legally-binding domestic emission reduction target. Government officials, experts, business and NGOs have already expressed their views and, although some sound cautious, none of them are negative.

Big business represented by the Russian Union of Industrialists and Entrepreneurs (RSPP) and other business associations (eg. Delovaya Rossiya) have also called upon the government to sign up to Kyoto 2 and make its pledge to cut emissions an international goal rather than a national one. From this prospective Russia is doing well and does not deserve to be singled out.

Another reason often referred to is the fear that Russia can potentially spoil the EU ETS market by issuing billions of false ERUs using its huge surplus of AAUs. This is simply not true. ERUs come from JI projects, not just from surplus AAUs, and are based on actual emission reductions achieved. So what really matters is not the surplus but the quality of ERUs and the quality of underlying projects.

So far Russia has approved 108 JI projects with the total potential to cut 312 million tonnes of carbon dioxide equivalent over the period from 2008 till 2012 (see the figure below). Hence, 312 million AAUs have been so far allocated for JI projects that can be further converted into ERUs based on project monitoring and verification results.

Of this amount, 79 million ERUs have been actually issued which counts for only 7 percent of the total number of credits, both CERs and ERUs, so far. China alone has already issued more than 600 million CERs and yet Chinese CERs are not facing any special restrictions in the EU ETS. Despite the fact that the EU has banned CERs and ERUs coming from HFC-23 and N2O projects in the EU ETS phase 3, these credits are still valid in the EU ETS phase 2 until 30 April 2013.

All Russian JI projects (even those under Track 1) have been validated and verified by independent entities. If there are doubts about the quality of particular projects it is better to deal with the projects in question instead of penalizing the host country. If the host country does not have emissions cap in KP-2 it might not be allowed to issue ERUs for emission reductions achieved in the non-capped period anyway.

Or other countries can decide not to use such ERUs. Any other decision would most likely mean that the real reason behind the decision is different and that someone, somewhere is trying to lay their own troubles at someone else's door. Russia's in this case.

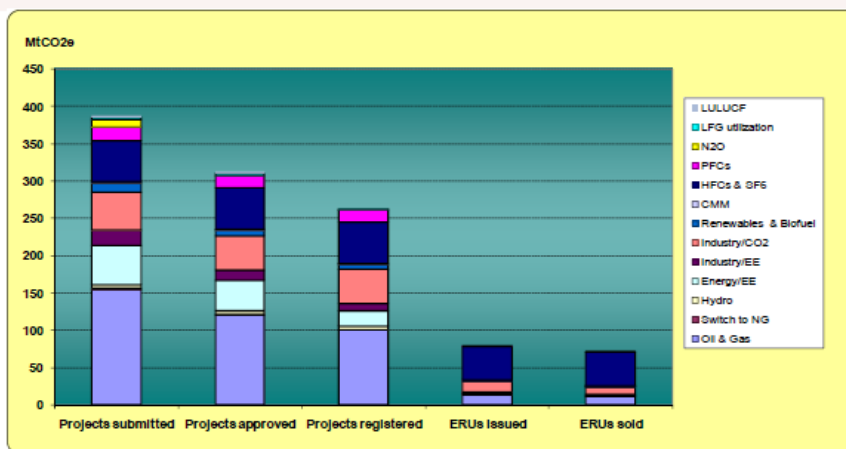


Fig. 1. Russian JI projects pipeline (as of 24.08.2012)