



*******Press Release*******
*******For Immediate Release*******

Influx of carbon offset credits adds to pressure on EU's faltering emissions trading scheme.

The European Commission today released [1] the number of international carbon offsets used for compliance in the EU emissions trading scheme (ETS) during 2011. Sandbag's initial analysis shows that in 2011 a total of 254million offsets were surrendered worth an estimated €2.6bn [2].

As in previous years, credits originating from clean development mechanism (CERs) projects from developing countries dominated, accounting for 178million of the total. The remaining credits came from joint implementation (JI) projects.

2011 usage of offsets is an 85% increase on 2010 and brings the total number of offsets used by European Companies for EU ETS compliance to 555million from 2008 – 2011. The new data takes the value of EU spend on international offsets within the EU ETS to an estimated €5.9bn.

The sharp increase in offset usage, despite the fact that emissions remain below the overall level of the cap, can be attributed to companies looking to maximise use of their offsetting allowances before the end of the current trading period in 2012. As EU allowances are worth more than offset credits even over-allocated companies use offsets so they can swop the cheaper allowances and either save the more expensive ones for future use or sell them to make a profit. Some international credits from chemical processes (HFC-23 and N₂O (nitrous oxide), will soon be banned [3] from use in the EU ETS and so there is an added incentive to submit these and swop them for EU allowances.

Sandbag Policy Officer Rob Elsworth said:

"International offsets are supposed to be supplementary to reductions made in the EU and to help contain the carbon price when demand is high. But the market is currently massively oversupplied so the offset mechanism is simply kicking the carbon price when it's already down and sending money out of Europe when we need investment here. European decision makers needs to act rapidly to rebalance the EU's carbon market and ensure that it helps us restart economic growth through green investment."

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Notes to editor

The Sandbag Climate Campaign is the NGO leading in research-led campaigning for effective emissions trading. Through expert analysis, hard hitting reports and targeted advocacy we aim to shine a light on what's working and what's not and campaign for changes that could save billions of tonnes of carbon emissions.

[1] http://ec.europa.eu/clima/policies/ets/registries/documentation_en.htm

[2] Average CER and ERU prices used of €11.20 and €8.08 respectively

[3] Emissions trading: Commission welcomes vote to ban certain industrial gas credits
<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/56>