



Press Release: For immediate release

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Offsetting buying patterns undermine industry's claims that carbon regulations put their competitiveness at risk

European companies, whilst claiming tougher emissions targets would be 'impossible to meet'¹ and are damaging their competitiveness, are making extensive use of offsetting to meet their targets and even using it to directly subsidising their international competitors by for example purchasing offset credits originating in Chinese and Indian steel works.

A new report by climate campaign group Sandbag into the use of international carbon offsets to meet legally binding caps in Europe in 2009 reveals for the first time direct evidence of how Europe is subsidising its competitors and calls for reforms.

In 2009, European companies used 78 million international offsets, with an estimated value of €860 million, from developing countries (CERs) to comply with their caps under the EU emissions trading system (ETS). This represents 4.2% of total emissions from capped sectors, which include all power generators and many heavy industry sectors such as iron and steel works.

The vast majority of offsets used in 2009 (84%) originated from industrial gas projects in China, India and South Korea. These provide healthy profits to chemical companies in these countries and in China provided a source of tax income for the Government. However, a significant number have also been sourced from more directly competing sectors, For example over 2 million steel CERs worth approximately €22 million were used for compliance in 2009.

EU steel companies have been very vocal in pointing out that they compete in a global market and that caps on emissions have to potential to force them to move overseas resulting in so-called 'carbon leakage' out of the EU. Sandbag can reveal, however, that iron and steel companies are voluntarily sending cash to their competitors in developing countries – undermining their claims.

The single biggest purchaser of offsets in 2009 was steel company Salzgitter's 'Glock Salzgitter' plant, which offset 99.5% of its emissions in 2009 using CERs. 89% of these CERs used were from HFC and N2O projects but an additional 40,000 were sourced from an Indian steel work CDM project.

¹ EUROFER, EU industry opposes proposal to increase EU climate change target unilaterally to -30%, Available at: <http://www.eurofer.org/index.php/eng/News-Publications/Press-Releases/EU-industry-opposes-proposal-to-increase-EUclimate-change-target-unilaterally-to-30>

The report and interactive map published today which uniquely link the types and locations of offsets with who has used them, recommends the EU reform its rules to phase out the use of credits from industrial projects in rich developing countries in favour of more sustainable projects in least developing countries.

The report's author Sandbag's Rob Elsworth said,

"The EU's policy on offsetting needs updating – it has great potential to harness the flow of capital to deliver big advances in clean technology in developing countries but at the moment it is being used to make industrial companies in rich countries even richer. The EU can and should introduce changes both to protect our own industries and make sure finance flows to the most deserving projects and countries."

Sandbag founder and director, Bryony Worthington said, "Frustratingly, it seems that EU installations seem to have a greater incentive to fund abatement projects amongst their competitors rather than invest in these improvements themselves. While it is perfectly legal and on one level economically rational to do this, it begs the question of why companies would choose to send a direct subsidy to their international competitors if fears of carbon leakage were so pronounced."

For more information contact **Bryony Worthington +447876130352 / bryony@sandbag.org.uk** or **Rob Elsworth +447771871448 / rob@sandbag.org.uk**

Notes to the Editor

Sandbag is a UK based not-for-profit campaigning organisation dedicated to achieving real action to tackle climate change and focused on the issue of emissions trading.

The full report can be accessed at: <http://www.sandbag.org.uk/reports>

Our new and improved interactive maps can be accessed at: <http://www.sandbag.org.uk/offsetmap>

Salzgitter's 'Glock Salzgitter' surrendered 40,000 steel CERs from CDM project (id 696) 'Usha Martin Limited - Waste Heat Recovery Based Captive Power Project activity'.

All value estimations are based on the assumption of an €11 CER price