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Russia Foments Carbon Credit Glut

By The Moscow Times

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Russia could issue all 300 million Emission Reduction Units it was granted under a United Nations carbon offset program this year, adding to an oversupply that helped push prices down by 70 percent in the last year.

"It's realistic that all 300 million ERUs will be issued if companies take a proactive position," Vsevolod Gavrilov, head of carbon projects at Sberbank, said in an interview. Sberbank is authorized by the government to sell carbon offsets under the Kyoto Protocol.

The price of ERUs for December has plunged as the volume of new offsets surged, expanding an oversupply created as the region's debt crisis stalled factories and trimmed energy demand. Under the Kyoto Protocol's Joint Implementation process, projects earn ERU credits by reducing emissions in former Soviet economies. The offsets can be used by rich nations to meet their carbon-cutting targets under the Kyoto treaty.

Russia has issued about 50 million ERUs since the beginning of the UN's Joint Implementation program, which is the second-biggest greenhouse gas offset program overseen by the UN

after the Clean Development Mechanism, Gavrilov said. An additional 90 million ERUs could be sold on the European market from JI projects already approved by the government, he said.

Sixty-five JI projects have been approved since the start of the program, including 31 in March, Gavrilov said. Emissions reduced by JI projects are awarded ERUs, which can be sold to countries with a shortfall of carbon permits. Each ERU corresponds to one metric ton of carbon dioxide.

Low prices on the European carbon market may limit interest among companies with carbon reduction projects to submit the necessary paperwork needed for approval, according to Gavrilov.

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