

CEMBUREAU'S VIEWS ON THE COMMISSION COMMUNICATION ON THE 2015 INTERNATIONAL CLIMATE CHANGE AGREEMENT: SHAPING INTERNATIONAL CLIMATE POLICIES BEYOND 2020

CEMBUREAU, the European Cement Association based in Brussels, is the representative organisation of the cement industry in Europe. Currently, its Full Members are the national cement industry associations and cement companies of the European Union (with the exception of Cyprus, Malta and Slovakia) plus Norway, Switzerland and Turkey. Croatia and Serbia are Associate Members of CEMBUREAU.

CEMBUREAU waives the confidentiality and legal privilege of this document and agrees that its comments can be disclosed (EU Transparency Register No.: 93987316076-63)

CEMBUREAU appreciates the opportunity to comment on the 2015 International Climate Change Agreement and will be happy to participate in the stakeholders debates in view of engaging in further dialogue with the Commission's services on this issue.

Executive Summary

The survival of European industry is at stake, not only as a result of the continued financial and economic crisis, but also because of structural and regulatory issues specific to the EU, combined with excessively high energy prices for industrial and private consumers. Renewable energy policies, carbon costs and the structure of the electricity market play a significant role in driving up energy prices and climate costs in Europe.

In essence, industry is confronted with policy and legislative initiatives that fail to take into account that a consistent, predictable and integrated legal framework is needed to do business and that maintain, instead, an uncoordinated approach to legislation.

Industry therefore calls for a long-term, consistent legal framework which allows for future investment planning in Europe. It is our strong belief that Europe is in urgent need of a single project, much like the 1992 single market initiative launched in 1985. Starting from a clean slate, EU policy needs to develop a single industrial growth policy whereby energy, climate, environment and trade legislation is aligned in order to support at least a 20% industrial GDP target, in order to generate 400 000 new jobs a year in manufacturing.

CEMBUREAU also calls for an integrated approach which takes into account climate change, energy, industrial policy and resource efficiency. This approach should be focused in such a way that:

1. Predictability is guaranteed;
2. A level playing field from both a geographical and a sectoral point of view is ensured; and
3. Long-term growth, jobs and investments in Europe are stimulated.

It is within such a context that CEMBUREAU urges the European Commission to streamline all ongoing stakeholders consultations (structural reforms, 2030 Climate and Energy Package, 2015 International agreement and CCS).

1. How can the 2015 Agreement be designed to ensure that countries can pursue sustainable economic development while encouraging them to do their equitable and fair share in reducing global GHG emissions so that global emissions are put on a pathway that allows us to meet the below 2°C objective? How can we avoid a repeat of the current situation where there is a gap between voluntary pledges and the reductions that are required to keep global temperature increase below 2° C?

We understand this question is mainly addressed to governmental actors, i.e. Member State governments but also governments of developing countries. We agree with the Commission's suggestion to present and discuss the Communication in international meetings, as well as to organise outreach events and public debates at Member State level. Encouraging countries to commit to their equitable and fair share of GHG emission reductions is essentially part of the design and enforcement mechanism of an international agreement, to be negotiated by governments.

For industry, however, it is essential that international commitments taken up by countries actually materialise. As outlined below, industry favours a globally equalised climate change policy which delivers carbon emission reductions in a cost-effective and harmonised way.

In addition, Europe must have a competitive industrial base that is sufficiently dynamic to enable it to invest in climate change and maintaining cutting edge technologies. One critical lever for this is access to low cost, low carbon energy. In order to guarantee sustainable economic development and the right investment climate for reducing GHG emissions, industry needs, inter alia, stable and predictable carbon pricing and protection against carbon leakage.

2. How can the 2015 Agreement best ensure the contribution of all major economies and sectors and minimise the potential risk of carbon leakage between highly competitive economies?

While negotiations for a global climate change agreement prove to be slow and delicate, progress is being made with an increasing number of countries currently implementing regulations and taking actions to reduce GHG emissions. However, as long as industrial sectors do not face comparable CO₂ costs (in addition to other parameters which affect competitiveness in the various countries), the risk of carbon leakage will remain a key issue for operational and investment decisions given that it is the cumulative effect that matters.

Assessing the contribution of major economies heavily depends on the comparability of measurement methods for CO₂ reduction as it is essential for global business operations to be able to assess CO₂ costs in an equivalent manner. This can only be achieved if a critical mass of participating economies is covered, if comparable methodologies in assessing GHG emission reductions are imposed and if there are equivalent monitoring and reduction efforts.

If the cost of carbon emission reductions continues to not be comparable in the relevant countries, equalising measures, such as border adjustment measures will be needed. Hence, the Commission should investigate the possibility of applying a carbon levy, equivalent to the magnitude of the carbon price faced by EU manufacturers, on imported goods from countries that are not part of the 2015 Agreement.

3. How can the 2015 Agreement most effectively encourage the mainstreaming of climate change in all relevant policy areas? How can it encourage complementary processes and initiatives, including those carried out by non-state actors?

We strongly believe that any 2015 Agreement must reconcile the challenges of Growth, Sustainable Development, Climate Change and Energy. Climate change targets should not result in conflicting and overlapping policies that would confuse the end goal and create inefficiencies in the political system. The 2015 Agreement must look at the cumulative and synergistic impacts of the suite of energy and carbon measures.

To promote business engagement, priority should be given to measures that facilitate growth, investment and innovation. For sustainable economic development and creating the right investment climate for reducing GHG emissions, industry needs, inter alia, stable and predictable carbon pricing and protection against carbon leakage.

4. What criteria and principles should guide the determination of an equitable distribution of mitigation commitments of Parties to the 2015 Agreement along a spectrum of commitments that reflect national circumstances, are widely perceived as equitable and fair and that are collectively sufficient avoiding any shortfall in ambition? How can the 2015 Agreement capture particular opportunities with respect to specific sectors?

See answer to question 3.

All sectors of the economy should contribute to emission reductions and sectoral roadmaps would prove useful for the development of targets which take into consideration advances in technology. Roadmaps have to be updated from time to time in order to deliver the right outcomes. However, the burden shared between the traded and non-traded sector is unbalanced, with the traded sector bearing a disproportionate burden of the cost.

5. What should be the role of the 2015 Agreement in addressing the adaptation challenge and how should this build on ongoing work under the Convention? How can the 2015 Agreement further incentivise the mainstreaming of adaptation into all relevant policy areas?

Civil protection in the broadest sense, including housing and a workable infrastructure, is highly exposed to the consequences of climate change and should be helped to adapt. Special attention is required to assure the local availability of key products such as cement and concrete, as demand may grow for adaptation as a result of extreme climatic phenomena (rebuilding of houses and roads). Preventive action will also be required in order to mitigate the consequences of climate change (supporting walls for roads, tanks and ducts to store rain water, and seawater retention walls due to an increase in sea levels).

Policies must be put in place to assist or speed-up adaptation to climate change, although such policies should not detract Governments from the main point of focus, which should primarily be technological solutions to climate change mitigation. What is needed are measures to stimulate and increase investment in infrastructure where the technologies are already available on the market place (e.g. flood protection, water management, optimisation of land use - for more information please refer to the CEMBUREAU publication: "Building a Future, with Cement & Concrete - Adapting to Climate Change by Planning Sustainable Construction").

6. What should be the future role of the Convention and specifically the 2015 Agreement in the decade up to 2030 with respect to finance, market-based mechanisms and technology? How can existing experience be built upon and frameworks further improved?

The best policy option would be a global agreement between all major GHG emitting countries (e.g. G8/20 zone), particularly the US and China, with a view to establishing a global carbon market. Bilateral agreements may lead to a piecemeal approach and even contradicting

policies. These should not be the preferred policy option as they may do more harm than good in finding an equitable global solution.

There should be no cap that would limit the conversion of credits from one system into another once equivalence of credits is recognised. Since these credits may reduce the economic burden of domestic emission reductions, no quantitative restriction should be placed on their use. Any limitation, including limitations on the ability of companies to use such credits to meet emission reduction targets, will be yet another blow to the competitiveness of industry. In addition, it would not make environmental sense, is inconsistent with the spirit and the letter of international agreements, would adversely affect the cost-effectiveness of the international market instruments and, furthermore, create a deterrent for parties envisaging such reductions.

Additional crediting systems may prove useful, such as the development, under Article 24a ETD, of domestic projects, as they will trigger further emission reductions. Article 24a of the ETD provides for “implementing measures for issuing allowances or credits in respect of projects administered by Member States that reduce greenhouse gas emissions not covered by the Community scheme ...”. This could apply, for example, to the use of waste as an alternative fuel in the cement industry.

The EU should work closer with the CDM Executive Board in order to guarantee a higher quality of assessment.

7. How could the 2015 Agreement further improve transparency and accountability of countries internationally? To what extent will an accounting system have to be standardised globally? How should countries be held accountable when they fail to meet their commitments?

It is essential, for improved transparency, to ensure stricter comparability of monitoring, reporting and accounting systems.

Also, in order to implement any global system, a database to collect accurate and verified information on CO₂ and energy performance of industrial installations at sector level is needed. On this basis, sectoral performance metrics can be developed, expressed as an improvement objective towards a business-as-usual trajectory. While the performance metrics should ideally be the same globally, the values attributed to performance improvements can be set nationally/regionally, in accordance with the technical and economic capabilities of a country or region.

The cement industry is on record worldwide as a pioneer in establishing a common monitoring and reporting scheme but many sectors are slow to follow the cement industry example.

- In 2005, the Cement Sustainability Initiative (CSI)¹ published its first emissions measurement and reporting protocol to provide a common framework for all CSI members **“The Cement CO₂ and Energy Protocol”**), used today by the majority of the cement industry globally.
- The CSI set up a global database on CO₂ and energy performance for the sector (**“Getting the Numbers Right”**), to allow analysis and benchmarking of industry performance. It

¹ The Cement Sustainability Initiative (CSI) is a global effort by 24 major cement producers with operations in more than 100 countries who believe there is a strong business case for the pursuit of sustainable development. Collectively these companies account for around 30% of the world’s cement production and range in size from very large multinationals to smaller local producers.

represents the world's best data available for any one sector, with close to 80% of data independently verified.

- The CSI released a global **technology roadmap** for the cement sector up until 2050, assessing the technical feasibility of the various levers for emission reductions in cement production. This work was developed together with the IEA and has been replicated in India.

The cement industry is also showing leadership in the development of a GHG monitoring standard within CEN TC 264 WG 33. In this particular case, links with Japan and China have been established.

To be successful, market mechanisms need to be based on a consistent measurement, reporting and verification (MRV) system so that linking it to a global market at a later stage is possible. MRV standards should be globally harmonised, or at the very least be compatible and comparable, as diverging standards would lead to concerns over the environmental quality of credits. The United Nations Framework Convention on Climate Change (UNFCCC) has a role to play in developing this global MRV system.

8. How could the UN climate negotiating process be improved to better support reaching an inclusive, ambitious, effective and fair 2015 Agreement and ensuring its implementation?

Involvement of stakeholders, including expert views from business and non-governmental organisations, should be strengthened.

9. How can the EU best invest in and support processes and initiatives outside the Convention to pave the way for an ambitious and effective 2015 agreement?

It should not be assumed that other countries and regions will follow the EU's example.

Climate change is a global challenge that needs to be answered collectively by all nations. In this quest, the main challenge is to motivate all stakeholders to take action, and the Commission should take legitimate leadership in this debate. The Commission needs to strike the right balance between moving fast enough to respond to the urgency of the issue and granting sufficient time to other nations to start taking action. To effectively facilitate a global deal and maintain leadership on the issue, one critical pre-condition is that the Commission maintains its credibility with policies that are effective in delivering the right price signal for carbon emissions, providing incentives to take action.

Therefore, whilst it is appropriate for the EU to outline what action it might take if others are willing to do the same, further action to effectively establish a level playing field (thus support the EU's economy and the environment as a whole) will have to be taken, as long as there is no firm commitment from all significant nations.
