Lafarge answer to the public consultation on the 2015 international climate change agreement Shaping international climate policies beyond 2020

Question 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 ?

Answer

Convincing emerging economies to sign for climate constraints is by no means an easy task. In this context, we strongly believe that an international deal can be reached in 2015 only if the preparation of negotiations explores bargaining tools going far beyond climate issues, for instance:

- the relevant issues at stake within trade agreements, especially between the EU and the USA currently under discussion (intellectual property rights, technical regulations, standards and certification…);
- the question of the market-economy status (MES)[1] at international level and at European level of new nations, such as China: the MES is one of the major offensive interests for China vis-à-vis the EU. So far, China has only fulfilled one out of the five criteria required by the EU's system to grant MES to a former state-controlled economy. Should China not progress in the field of climate change, this could be taken into account in the annual EU report, just one year before the deadline set up by Chinese authorities to get the status at WTO level;
- the opportunity to set up complementary commitments in terms of energy efficiency: energy efficiency implies reductions of energy costs; it thus could be a more positive bargaining tool for reluctant parties in the negotiation. However, the correlation between the energy efficiency and emission reductions targets should be assessed and a strong MRV system should be considered.

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

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

Answer

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 CO_2 costs (in addition to other parameters which affect competitiveness in the various countries), the risk of

[1] The 'market-economy status' is a technical classification to be used in Trade Defense Instrument proceedings to determine whether local prices could be used for calculations. The criteria are: "absence of barter trade" and "absence of State-induced distortions in the operations of enterprises linked to privatization", the degree of government influence, including through tax discrimination; adequate corporate governance, especially regarding accounting European standards; transparent rule of law to ensure property rights and operation of a bankruptcy regime; and a financial sector that operates independently of the state.

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 CO_2 reduction as it is essential for global business operations to be able to assess CO_2 costs in an equivalent manner. This can only be achieved if a critical mass of participating economies is covered, if comparable methodology in assessing GHG emission reductions is 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.
EU “leadership by example” must not mean leading by being isolated from the rest of the world. It is of utmost importance that any future agreement be binding, include major emitters and represent the major part of global emissions.

Question 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?

Answer
We strongly believe that any 2015 Agreement must reconcile the challenges of competitive 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.

The UNFCCC legitimacy mainly relies on its ability to build agreements based on a formally valid multilateral process and consistent with the international law. Thus it must remain the endorsement process of agreements, even if those agreements are built upon other platforms. The UN process gathering 195 parties is indeed too wide to initiate projects and build strategic coalitions.
In order to reach a global agreement, Lafarge believes that prior negotiations between political leaders are essential under G8, G20 and the Major Economies Forum on energy and climate. We also support UN Secretary General’s will to develop negotiation opportunities through non-UNFCCC processes, such as the world leaders climate summit during the 2014 General Assembly meeting.

Question 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?

Answer
See 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.

Question 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 incentivize the mainstreaming of adaptation into all relevant policy areas?

Answer
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).

Question 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?

Answer
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.

Project-based mechanisms must be maintained as it succeeded in driving investments all over the world. The use of Clean Development Mechanisms (CDMs) should be allowed not only for Least Developed Countries (LDCs), but also for low emitting developing countries. If the continuation of CDMs can undermine the will of developing countries to commit themselves to quantitative reductions in the context of a global agreement, it has to be reminded indeed that a global agreement on quantitative global and national targets should be reached in priority by gathering the major emitters, not only the small emitters. In this context, carrying on CDMs for LDCs and low emitting developing countries appears a pragmatic and efficient measure to curb emissions.

The European Union is the largest contributor of climate finance to developing countries. The Green Climate Fund ($100 billion a year by 2020 from developed countries) should be used as a bargaining tool for negotiation with these countries.

Question 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?

Answer

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 CO_2 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)[2] 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 CO_2 and energy performance for the sector (**"Getting the Numbers Right"**), to allow analysis and benchmarking of industry performance. It 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.

Question 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?

Answer

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

The European Union has made substantial efforts to lead international negotiations. However, these efforts were not rewarded by major emitters, which have sometimes put the EU aside at the end of the process. In this regard, lessons need to be taken from the Copenhagen negotiations, where the essential points of the deal were brokered by the USA with representatives of China, India, Brazil and South Africa.

[2] 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.

Consequently, the EU should use all available instruments to build, in view of such an agreement, a stronger and more comprehensive climate diplomacy, especially through the European External Action Service (EEAS). Current tools (for instance, the EU Green Diplomacy Network) must not only work towards a better integration of the EU environment policies into external relation practices, but also support the Commission strategy within the UNFCCC process and other negotiation platforms on climate change.

Question 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?

Answer

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.

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A world leader in building materials, Lafarge employs 65,000 people in 64 countries, and posted sales of €15.8 billion in 2012. As a top-ranking player in its Cement, Aggregates and Concrete businesses, it contributes to the construction of cities around the world, through its innovative solutions providing them with more housing and making them more compact, more durable, more beautiful, and better connected. With the world's leading building materials research facility, Lafarge places innovation at the heart of its priorities in order to contribute to more sustainable construction and to better serve architectural creativity. Since 2010, the Lafarge Group has been part of the Dow Jones Sustainability World Index, the first global sustainability benchmark in recognition of its sustainable development actions.