

**1ST CONSULTATION MEETING ON
THE POST-2020 CARBON LEAKAGE
PROVISIONS UNDER THE EU EMISSIONS
TRADING SYSTEM**

**RULES GOVERNING FREE ALLOCATION AND
CARBON LEAKAGE IN PHASE 2 & 3 AND
ADMINISTRATIVE EFFORT**

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INDUSTRY COMMITTED TO CO₂ REDUCTION

- Early action: emission per tonne of cement reduced from 719 kg in 1990 to 660 kg in 2010;
- 2050 low carbon economy roadmap: 32 % compared to 1990 levels using mostly conventional means;
- Proven track record of heavily contributing to the circular economy;
- Downstream product, concrete, allows new buildings to be built with over 60% less energy use and CO₂ emissions over the life cycle.

IMPROVEMENTS FROM PHASE 2 TO PHASE 3

The theory...

Free allocation = BM x HAL

- Performance based allocation – ambitious benchmark
- Historical activity
- Appropriate M & R rules

IMPROVEMENTS FROM PHASE 2 TO PHASE 3

In Practice

$$\text{Free allocation} = \text{BM} \times \text{HAL} \times \text{CSCF}$$

Free allocation has proven to be effective but allocation process not perfect:

- CSCF
- Past historical production
- Benchmark ambition – sectoral roadmap
- timing of allocation
- Plant Rationalisation rules - capacity threshold
- Non harmonized compensation rules for indirect across sectors and across EU ?

THE CEMENT INDUSTRY NEEDS

- A competitive legal framework
- A global level playing field – carbon price equalization
- An investment enhancing policy climate
- Safeguards against price fluctuations in market based policy instruments;
- An innovation policy which provides clear incentives for breakthrough technologies for CO₂ reduction in a cost-effective way
 - Transitional measures needed until this can be delivered
 - No silo approach



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