The European Cement Association

CEMBUREAU

Eurobrief March 2012

In this issue:

EU-ETS: Does it have a future?
ETS: update on NIMs notifications
7th EAP: latest developments
Biodiversity report adopted in ENVI
6th LIFE+ call for proposals published
Commission green infrastructure webportal updated
Better implementation of environmental legislation communication adopted
NEPSI: 100% reporting achieved in the cement industry!
Revision of Seveso II Directive: informal agreement reached
European Innovation Partnership on raw materials launched
Standardisation regulation: vote in IMCO and ITRE
Financial support for energy efficient buildings consultation launched
ETS: latest developments in aviation and shipping
12th European Forum on Eco-Innovation
World Day for Safety and Health at Work
Concrete Structures for Sustainable Society
ETS: 2011 CO2 emissions published
Alliance calls for no revision of 2020 targets
Roadmap 2050: adopted by parliament, but no council agreement
EEA launches climate adaptation platform
Energy Efficiency Directive: trialogue negotiations to begin
CEMBUREAU submits comments to BAT Conclusions
CEMBUREAU attends Ecodesign of kilns stakeholders meeting

EDITORIAL

EU-ETS: Does it have a future?

At the end of March - early April 2012, the value of EUAs on the carbon market went through a further decline of nearly 14% with prices reaching an all time low of €6.14 per tonne of CO2. At that sort of level, the EU-ETS is not going to play its role. It will not incentivise the structural changes to deliver the emission reductions that were expected.

In fact, the EU-ETS faces many perils. One of those is carbon leakage: if industrial operators leave Europe and export products to the EU, the ETS will of course loose all efficiency. That threat has been temporarily removed by the economic recession but, although dormant, it is still

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there, ready to be revived when and where industrial production picks up.

A second danger is that the EU-ETS will be undermined on the broader international scene as shown by the recent debate on aviation (See February 2012 Eurobrief) and soon similar objections applying the ETS to emissions from shipping, the latter accounting for a much bigger chunk than aviation (Reuters).

The first of those threats could be countered by applying the EU-ETS to importers within the EU jurisdiction. The second, more difficult, would require a more subtle diplomacy than that which the EU is showing at present.

That leaves the fundamental problem associated with the low CO2 prices. Current levels will not achieve a significant change of the order of merit in electricity production when, on 1 January 2013, the power industry has to buy 100% of its CO2 requirements. It is estimated that CO2 prices as high as €70 per tonne of CO2 would be needed in order to support the EU's policy on renewables in the power sector! Meanwhile, the European Commission's own forecast is CO2 prices ranging from €20 per tonne of CO2 until 2025, €35 until 2030 to €50 beyond 2030.

A recent report from Climate Strategies (Strengthening the EU ETS), discussed in March 2012, draws attention to the problem and suggests looking at potential solutions, such as "set-aside" to restore the ETS price, rising reserve price auctions to cap downside risks for investors and to stabilise minimum auction revenue expectations and negotiations towards 2030 goals, first bottom up at sector level then building up to a comprehensive agreement. Others suggest implementing a minimum floor price. BUSINESSEUROPE is also preparing recommendations on how to strengthen the EU-ETS. This shows a growing concern in many quarters for the EU-ETS' future. The concerns are justified: there are many flaws in the ETS design which need to be structurally remedied. Setting aside allowances is not, however, the panacea as the impact it would have would be real, but limited.

By the end of March 2012, the number of Member States which had notified their National Implementation Measures (NIMs) to the European Commission grew to nineteen (Austria, Cyprus, Czech republic, Denmark, Estonia, Finland, France, Ireland, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Sweden and the United Kingdom).

ENVIRONMENT

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7th EAP: latest developments

On 12 March 2012, the European Commission launched a public consultation entitled "EU environment policy priorities for 2020: Towards a 7th EU Environment Action Programme (EAP)". The aim of this consultation is to obtain feedback from stakeholders as to which should be the environmental policy priorities up to 2020. For example, the consultation encourages stakeholders to provide their views on how a new EAP could best add value to EU environment policy. It also asks which policies have the greatest potential in order to meet the EU's climate objectives. Stakeholders have until 1 June 2012 to respond to the consultation.

On 29 February 2012, the Environment, Public Health and Food Safety Committee (ENVI) of the European Parliament adopted Jo Leinen's (Group of the Progressive Alliance of Socialists and Democrats in the European Parliament, Germany) draft report on the review of the 6th Environment Action Programme (EAP) and the setting of priorities for the 7th EAP. In his report, Leinen acknowledges that several individual documents and roadmaps have been recently published by the Commission. Nevertheless, the report calls for a 7th EAP which gives a strong overarching framework, ensuring coherence. In particular, it should guarantee that all existing environment-related 2020 targets for the different policy areas are included and examined in conjunction with each other.

More information: Commission Consultation

ENVIRONMENT

Biodiversity report adopted in ENVI

On 21 March 2012 the Environment, Public Health and Food Safety Committee (ENVI) of the European Parliament adopted Gerben-Jan Gerbrandy's (Group of the Alliance of Liberals and Democrats for Europe, the Netherlands) draft report on the EU's Biodiversity strategy. The adopted report states that more efforts are required to protect biodiversity. In addition, it highlights the need to integrate biodiversity within all relevant policies. On the funding element, the report encourages investment through innovative financing sources, both in the public and private sectors. In a press release issued following adoption of the report, MEP Gerbrandy highlighted that "An important step has been set with the adoption of the so called â€˜no net loss' principle at project level. This will have a huge influence on industry to take biodiversity concerns into account."

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ENVIRONMENT

6th LIFE+ call for proposals published

On 13 March 2012, the European Commission published the 6th LIFE+ call for proposals. LIFE+ is EU's Financial Instrument for the Environment. In this respect, €276 million will be made available for the co-financing of projects under three headings: Nature and biodiversity, Environment policy and governance, and Information and communication. Those wishing to submit a project proposal have until 26 September 2012 to send it to the relevant national authority.

More information: Call for proposals

ENVIRONMENT

Commission green infrastructure webportal updated

The European Commission has updated the section of its website dedicated to green infrastructure (GI). In this respect, the webpage now contains a wide range of relevant background information, including European Environment Agency (EEA) and Joint Research Centre (JRC) reports, as well as the results of public consultations (such as the recommendations of EU Working Group on Green Infrastructure) and conference proceedings.

More information: GI webpage

ENVIRONMENT

Better implementation of environmental legislation communication adopted

On 7 March 2012, the European Commission adopted a communication on "Improving the delivery of benefits from EU environment measures: building confidence through better knowledge and responsiveness". With the aim of improving implementation of environmental legislation at Member State (MS) level, the communication outlines a series of ideas to improve MS performance in this field and stresses the need for stringer surveillance in the MS. In addition, the communication may lead to EU legislative proposals in certain areas, such as access to justice in environmental matters.

More information: Commission Press Release

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HEALTH AND SAFETY

NEPSI: 100% reporting achieved in the cement industry!

In relation to the European Network on Crystalline Silica's (NEPSI) Social Dialogue Agreement's (SDA) 2012 reporting, CEMBUREAU is pleased to announce that 100% reporting has been achieved in the cement industry! Under NEPSI reporting, data is gathered by the sectors involved on the Key Performance Indicators of the Social Dialogue Agreement on the Good Handling & Use of Crystalline Silica and Products Containing It.

More information: February 2012 Eurobrief

HEALTH AND SAFETY

Revision of Seveso II Directive: informal agreement reached

On 28 March 2012, a compromise proposal agreed between the Council and the European Parliament regarding the revision of the directive on control of major-accident hazards involving dangerous substances (Seveso II) was endorsed by the Committee of Permanent Representatives, paving the way towards its formal adoption by the Council. In this respect, the following elements of the compromise agreement are of relevance to the European cement industry:

» Heavy fuel oils, which include petroleum products and alternative fuels: the higher thresholds for heavy fuel oil (2 500t and 25 000t) will apply 18 months after publication of the revised Seveso Directive. These will replace the very low thresholds which would have had to be applied due to the reclassification of heavy fuel oil by the petroleum products producers following the registration of heavy fuel oil under REACH.

» Alternative fuels derived from petroleum products: waste from petroleum products is covered in the same way under the revised Directive as the petroleum products themselves.

» Scope of the Directive: the Directive will not apply to the transportation of dangerous substances by, for example, road or in pipelines, outside the establishments covered by the Directive. However, onshore underground gas storage, which is of importance to carbon capture and storage projects, is covered by the Directive.
The vote in the April 2012 Plenary session of the European Parliament on the Proposal for a

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Directive on control of major-accident hazards involving dangerous substances has been postponed to 11 June 2012.

RESOURCE EFFICIENCY

European Innovation Partnership on raw materials launched

On 1 March 2012, the European Commission launched its European Innovation Partnership (EIP) on raw materials, which covers both industrial and construction materials. The following five work packages have been included in the EIP:

» Developing innovative technologies and solutions for sustainable and safe raw materials supply;

» Developing innovative and sustainable solutions for the appropriate substitution of critical and scarce raw materials;

» Improving the EU's raw materials regulatory framework, knowledge and infrastructure base;

» Improving the regulatory framework conditions, notably by promoting excellence and prevention, preparation for re-use and recycling through public (e.g. procurement) and private initiatives; and

» International framework - horizontal approach.

Member States and all relevant stakeholders can participate in this EIP. The aim is to develop joint strategies, pulling together capital and human resources and ensuring the implementation and dissemination of innovative solutions within Europe.

In addition, CEOs representing major EU industries have the opportunity of taking part in the High Level Steering Group (HLSG) which will develop the strategic direction of the EIP and the Board of CEMBUREAU will press for participation from CEOs of cement companies.

This EIP is the result of the Commission consultation on the same issue to which CEMBUREAU responded in April 2011.

More information: Commission Press Release - Public consultation - CEMBUREAU response

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CONSTRUCTION

Standardisation regulation: vote in IMCO and ITRE

On 20 March 2012, the Committee on the Internal Market and Consumer Protection of the European Parliament (IMCO) voted on Lara Comi's (Group of the European People's Party (Christian Democrats), Italy) draft report on the proposal for a regulation on European Standardisation. In the report, MEPs have called for involving public authorities in the European standardisation, and ensuring that national standardisation organisations make available abstracts of standards for SMEs free of charge on their website. In addition, the report requires that the European Commission consult EU standardisation organisations before requesting the drafting of EU standards.

This follows the vote on 28 February 2012 in the Committee on Industry, Research and Energy (ITRE) of Adam Gierek's (Group of the Progressive Alliance of Socialists and Democrats in the European Parliament, Poland) opinion on this same regulation. In the adopted opinion, ITRE stresses the need to maintain a system which is run by and for stakeholders, and independent from â€˜special' interests. Nevertheless, it also calls for the role of societal stakeholders to be enhanced, noting that this could be achieved with the support of organisations which represent the interests of, for example, consumers. By granting them membership status and voting rights, ITRE believes that the quality of standards will improve.

Next steps: The vote in Plenary is expected on 2 July 2012.

CONSTRUCTION

Financial support for energy efficient buildings consultation launched

The European Commission has recently launched a consultation with the aim of identify how financial support for energy efficiency in buildings could be improved. As highlighted in the consultation paper, the EU is not on track towards achieving a 20% reduction in energy consumption by 2020. In this respect, with buildings accounting for around 40% of the EU's final energy consumption, it is clear that they have an important role to play in order to achieve the 20% reduction target. It is for this reason that financing instruments are required to stimulate investment in improving the energy efficiency of buildings. In addition, although the paper outlines a number of financial support mechanisms, it makes it clear that these are not sufficient. Thus, the aim of this Commission consultation is to identify ways of strengthening financing in this field.

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CEMBUREAU plans to respond to this consultation as a member of the European Concrete Platform (ECP).

More Information: European Commission consultation

Further to the meeting in Moscow on 21 February 2012 (see February 2012 Eurobrief) regarding the inclusion of aviation in the EU-ETS, China is blocking contractors purchasing planes manufactured by Airbus, an EU aircraft manufacturer. This is, according to EADSâ€™ (Airbusâ€™ parent company) chief executive, Louis Gallois, although China has not officially confirmed that this is a retaliatory measure. On 29 March 2012 Airlines for America (A4A), the association of major US carriers dropped its private lawsuit against the inclusion of aviation in the EUâ€™s ETS, relying on the efforts by the US government to overturn the EU policy. The European Commission nevertheless continues to maintain bilateral discussion with non-EU countries opposed to the inclusion of international aviation under the ETS. It is also pressing for progress on a global solution to this issue within the International Civil Aviation Organisation (ICAO).
In the EU, several of Europeâ€™s biggest aviation groups have highlighted the potential damage to their competitiveness as a result of the retaliatory measures. Nevertheless, their call for airlines to be exempt from the EU-ETS have been rejected by the European Commission.
In relation to emissions from shipping, the Marine Environment Protection Committee (MEPC) of the International Maritime Organization (IMO) held its 63rd session at the end of February/beginning of March 2012. Although a number of proposals for market-based measures (MBMs) were considered during the meeting, ranging from a contribution or levy on all CO2 emissions from international shipping via emission trading systems, to schemes based on a shipâ€™s actual efficiency, the committee was unable to make â€œtangible progressâ€•.
The European Commissionâ€™s proposal for the inclusion of shipping under the EU-ETS is scheduled for release at the end of 2012. Shipping emissions represent 3% of global emissions, compared to 2% for aviation.
More information: February 2012 Eurobrief

UPCOMING MEETINGS/EVENTS

12th European Forum on Eco-Innovation

Westerkerk, Amsterdam, The Netherlands
25-26 April 2012

Focus:

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Scaling up sustainable construction through value chain innovation

Organiser:
European Commission (DG Environment)

More information

UPCOMING MEETINGS/EVENTS

World Day for Safety and Health at Work

28 April 2012
Focus:

The promotion of occupational safety and health (OSH) in a green economy

Organiser:

International Labour Organisation

More information

UPCOMING MEETINGS/EVENTS

Concrete Structures for Sustainable Society

Stockholm, Sweden
11-14 June 2012
Focus:

Designing concrete structures for durability & sustainability, Durability, Repair, renovation, and upgrading for improved sustainability, Sustainable concrete materials, and Sustainable concrete structures

Organiser:

Fib - International Federation for Structural Concrete, Svenska BetongfÃ¶reningen (Swedish Concrete Association) and Royal Institute of Technology (KTH)

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More information

According to a recent report by Deutsche Bank, issued ahead of the European Commissionâ€™s publication of verified data for 2011, ETS emissions were estimated to have risen by 1.3% in 2011. Regarding the cement industry, cement production is believed to have increased by 0.02% in 2011 compared to 2010, with emissions increasing by 0.17%.

On 2 April 2012, the European Commission figures were published. According to the Commission, emissions from installations covered by the ETS fell 2.4 percent in 2011 (preliminary installation-level verified emissions data). CO2 emissions from cement, lime, glass, brick and ceramic makers fell 0.1%.

On 7 March 2012, the European Alliance of Energy Intensive Industries (AEII) â€“ of which CEMBUREAU is a member â€“ stressed that the current 2020 emission reduction targets should not be revised. In a press statement, issued ahead of the EU Environment Ministers meeting held on 9 March (see article in this monthâ€™s Eurobrief), the AEII pointed out that no global climate agreement would be implemented before 2020. Therefore, setting unilaterally more ambitious EU emission reduction targets would not help investment in the EU. More specifically, and in relation to the European Commissionâ€™s Roadmap to a low carbon economy by 2050, the AEII highlighted the following points:

Open access to the assumptions, data and models upon which the above-mentioned roadmap was founded, as well as a recognition of the limits for which models can be used, is essential.The Low Carbon Economy, Resource Efficiency, Energy and Transport roadmaps must be examined together.The potential impacts on the EUâ€™s economy, so far only considered on a macro level, must be examined at a more granular level within the EU.Consideration of the EUâ€™s interaction with the rest of the world should be enhanced and measures for competitiveness included in the Roadmap.More information: AEII press statement

On 15 March 2012, the European Parliament adopted, in Plenary, Chris Daviesâ€™ (Group of the Alliance of Liberals and Democrats for Europe, UK) report on a Roadmap for moving to a competitive low carbon economy in 2050. On the issues related to the EU-ETS, the adopted report calls on the European Commission to propose legislation at the earliest appropriate date to modify the present requirement of 1.74% annually. In addition, the Parliament invites the European Commission to consider setting aside some of the surplus carbon allowances.

Nevertheless, the discussions in Council on 9 March resulted in a different outcome. Poland did not accept a number of the provisions, including the setting of milestones for EU domestic emission reductions. Therefore, a consensus was not reached in Council and Council conclusions1 on this issue were not adopted. As a result, they will be presented as

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Presidency Conclusions.
More information: Parliament Resolution

1 Council conclusions are political statements from the Council with no legal value so unanimity is required
On 23 March 2012, the European Commission, together with the European Environment Agency (EEA), launched the European Climate Adaptation Platform (CLIMATE-ADAPT), a website which aims to provide advice to policymakers on preparing and adapting to climate change. Visitors to this web-based platform can access and share information on, for example, current and future vulnerability of regions and sectors, as well as adaptation case studies and potential adaptation options.
More information: CLIMATE-ADAPT

ENERGY

Energy Efficiency Directive: trialogue negotiations to begin

According to the latest information received by CEMBUREAU, the trialogue negotiations between the European Parliament, Council and European Commission are scheduled to begin on 11 April 2012. This is, however, subject to the Council reaching a common position on this issue during the week of 2 April 2012. According to the Parliament's rapporteur Claude Turmes' (Group of the Greens/European Free Alliance, Luxembourg), six rounds of negotiations are expected. CEMBUREAU has also learnt of a proposal from France exempting sectors included under the EU ETS from the Energy Savings Obligation.

ENVIRONMENT

CEMBUREAU submits comments to BAT Conclusions

On 16 March 2012, CEMBUREAU submitted technical comments on the draft Best Available Techniques (BAT) Conclusions for the Cement, Lime and Magnesium Oxide (CLM) BREF to the Institute for Prospective Technological Studies (IPTS). This follows the confirmation received last month that the European Commission has launched the process for transformation of relevant parts of the CLM BREF into BAT Conclusions under the Industrial Emissions Directive (IED).

In this respect, and although the Association has provided these technical comments, CEMBUREAU has no option but to continue to maintain that, as the CLM BREF was adopted under the previously applicable legislation, the Integrated Pollution Prevention and Control Directive (IPPS, 2008/1/EC), BAT Conclusions under the IED should only be adopted once the CLM BREF is revised under the IED.

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***More information**: February 2012 Eurobrief*

ENVIRONMENT

CEMBUREAU attends Ecodesign of kilns stakeholders meeting

On 26 March 2012, CEMBUREAU attended the third and final meeting regarding the ecodesign of industrial and laboratory furnaces and ovens, including cement kilns. As indicated in the February 2012 Eurobrief, the potential application of ecodesign criteria to cement kilns is not appropriate given that they form part of an integrated process. As acknowledged in the final draft of the report produced by BIO Intelligence Service for the European Commission on this issue, a cement kiln forms part of a production line within a complex multi-stage process with other equipment, thus it is impossible to be considered in isolation for energy consumption and efficiency purposes. CEMBUREAU has drawn the consultants' attention to the fact that cement kilns are custom-designed and include a refractory lining in their inner part in order to protect the kiln shell from the extremely high temperatures within the kiln and to bring the release of heat from the surface to a minimum. Regarding the fuel/air ratio, the Association highlighted that this a necessary and unique parameter for the burnability of the raw meal and its transformation into clinker, the main component of cement. CEMBUREAU also stressed that cement kilns are already adequately covered by other existing legislation, including the Industrial Emissions Directive (IED).

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