The European Cement Association

CEMBUREAU

Eurobrief May 2012

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EDITORIAL

How construction can contribute to EU growth?

The debate, in the EU, about the correct economic policy mix is at the top of the agenda. The advocates of "austerity and nothing but austerity" are facing strong criticism, in many corners, from those who want to re-launch growth.

This is of course high level politics. However, the issue is not indifferent to the cement industry as the construction sector has a clear role to play in generating growth and jobs. The construction sector - the largest single economic activity and it is the biggest industrial employer in Europe -,

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with a relatively high ratio of labour intensity per euro of fixed capital formation, represents a rapid means for generating economic activity, creating jobs and growth while, in the longer term, providing the EU with a better infrastructure that will strengthen the latter's competitiveness.

A report published in the UK1 has estimated that, for every Â£ 1 invested in construction, there is an additional boost to the economic activity of approximately Â£ 3. No doubt the same ratio is valid for Europe as a whole: € 1 leads to € 3. Further to the Aktins Report2, the European Commission itself confirmed that 1 job created in construction creates 2 jobs in related sectors3.

It thus appears that, through the multiplier effect, the construction sector is one in which investment makes economic sense in the short as well as in the long term.

How could such an investment be triggered and implemented at a time of high public debt and scarce money? Creating Eurobonds to fund infrastructure projects (and limited to specifically earmarked projects) is a way forward, particularly if combined with no recourse or limited recourse project finance for self paying projects such as toll bridges or toll motorways (see this month's Eurobrief article). Funding for such projects could possibly be raised, with a little creative imagination, without increasing public indebtedness. Creating a European equivalent to IFC (International Finance Corporation) next to the EIB could be part of this "new deal".

While politicians discuss and still hesitate as to how to proceed, the construction sector, unfortunately, seems to be unable to get its act together. It should be the spearhead of this initiative and make politicians and bankers an offer they cannot refuse.

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1 LEK Consulting report: Construction in the UK Economy: The Benefits of Investment published October 2009

2 European Commission, DG Enterprise, Effects of Regulation and Technical Harmonisation on the Intra-Community Trade in Construction Products, September 2000

3 The Competitiveness of the Construction Industry" - COM(97) 539 final

On 22 May 2012, the European Commission adopted rules in relation to national support for industrial electricity costs within the context of the EU Emissions Trading Scheme (ETS). The â€œGuidelines on certain State aid measures in the context of the greenhouse gas emission allowance trading scheme post 2012â€• cover several special and temporary aid

measures, including investment aid to highly efficient power plants (including Carbon Capture and Storage-ready power plants), aid involved in transitional free allowances for the modernisation of electricity generation, aid to small installations and, more importantly, aid to compensate increases in electricity prices resulting from the EU ETS ("indirect emission costs").

In the latter instance, a number of energy intensive industries are listed as eligible for compensation, including steel and non-ferrous metals. Nevertheless, based on the results of both the qualitative and quantative assessments, cement is not deemed eligible for compensation.

For those that are eligible, they will not receive full compensation. Compensation will be degressive (starting at 85% of eligible costs [2013-2015], 80% [2016-2018] and 75% [2019-2020]), and will be based on efficiency benchmarks. In addition, although the framework has been put in place by the Commission, it will be up to the Member States to decide on what compensation they will provide. For example, certain Member States, such has Germany, have already announced that they will provide State aid but not all Member States may decide to allocate such aids from national budgets. This may lead to market distortion and different CO2 costs for companies and between sectors depending on which Member State they operate in.

More information:

Commission press release

Guidelines

December 2011/January 2012 Eurobrief Editorial

ENERGY

EED - ETS: Parliament defends set aside during trialogue

According to reports, the European Parliament continued to defend its position regarding the setting aside of EU emission allowances (EUAs) during the last Trialogue meeting on the Energy Efficiency Directive (EED) held on 8 May 2012. In this respect, the Danish Presidency hopes that the proposal expected from the European Commission to delay the auctioning of allowances (see article in this month's Eurobrief), and thus leading to an increase in carbon prices, will prove sufficient to convince MEPs to withdraw the set aside measure from the EED.

ENVIRONMENT

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BAT conclusions agreed in Seville

From 14-16 May 2012, the Cement, Lime and Magnesium Oxide (CLM) Technical Working Group (TWG) met in Seville (Spain) to discuss and agree the draft Best Available Techniques (BAT) conclusions for the CLM BAT Reference Document (BREF). This follows the launching of the process for the transformation of relevant parts of the CLM BREF into BAT conclusions under the Industrial Emissions Directive (IED). CEMBUREAU was present during this successful meeting and welcomes the BAT conclusions agreed. In terms of next steps, the European Industrial Pollution Prevention and Control Bureau (EIPPCB) will now prepare the revised version of the BAT conclusions and adapt the CLM BREF to the provisions of the IED. The BREF will then be submitted to the Article 13 Forum for an opinion and the BAT conclusions to the Article 75 Committee for adoption by the European Commission. Formal approval from the European Parliament will also be required. The adopted BAT conclusions are likely to be published in March 2013 and will be translated into all EU Official languages.

More information:

March 2012 Eurobrief

ENVIRONMENT

Air pollution: amendments to Gothenburg Protocol approved

On 4 May 2012, the Parties to the United Nations Economic Commission for Europe (UNECE) Air Pollution Convention approved amendments to the 1999 Gothenburg Protocol to Abate Acidification, Eutrophication and Ground-level Ozone (Gothenburg Protocol). These amendments include national emission reduction commitments for 2020 and beyond, in relation to the main air pollutants. In this respect, the EU is expected to reduce its emissions of sulphur dioxide and nitrogen dioxide by 59% and 42%, respectively, during the period 2005-2020. Although the final text is currently not available, the draft, as seen by CEMBUREAU, proposes NOx emission limit values (ELVs) as well as dust ELVs for the cement industry.

More information:

UNECE

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ENVIRONMENT

IED: start-up and shut-down period implementing decision published

On 9 May 2012, the European Commission's Implementing Decision in relation to the determination of start-up and shut-down periods for the purposes of the Industrial Emissions Directive (IED) was published in the Official Journal. This decision applies only to the combustion plants which are covered under Chapter III of the IED. In particular, it applies to large combustion plants, the total rated thermal input of which is equal to or greater than 50 MWth, irrespective of the type of fuel used.

More information:

Implementing Decision

ENVIRONMENT

Sulphur content of marine fuels provisional agreement

On 15 May 2012, an agreement was reached between the Council and the European Parliament on the revision of the Sulphur Directive (Directive 1999/32/EC) in relation to the sulphur content of marine fuels. Further to this, the Committee of Permanent Representatives (COREPER) endorsed the agreement on 23 May 2012. The aim of this Directive is to reduce emissions from shipping due to the combustion of marine fuels with a high sulphur content. For businesses which use maritime services in certain regions, such as the cement industry, the revision will have a major impact on their competitiveness.

More information:

COREPER press release

HEALTH AND SAFETY

REACH review: Milieu study to assess overlaps published

The European Commission has published the final report of the study conducted by Milieu for DG Enterprise entitled "Technical assistance related to the scope of REACH and other relevant EU legislation to assess overlaps". This report provides an analysis of potential overlaps with other legislation, concluding that the REACH Regulation has largely avoided overlaps. This is thanks to

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the internal mechanisms put in place to prevent such overlaps from occurring. In addition, it contains proposals such as the creation of a publicly available web-based database set up and managed by ECHA or the Commission compiling all substance-specific restrictions or other requirements in order to reduce confusion for stakeholders by clarifying what restrictions apply to a particular substance. This study will feed into the Commission's staff working document on the review of REACH which is due to be published on 1 June 2012 and discussed with stakeholders at an event scheduled for 24 September 2012.

More information:

Milieu study

March 2010 Eurobrief

RESOURCE EFFICIENCY

Resource Efficient Europe report adopted in Parliament

On 24 May 2012 the European Parliament adopted, in plenary, MEP Gerben-Jan Gerbrandy's (Group of the Alliance of Liberals and Democrats for Europe, the Netherlands) draft report on a resource-efficient Europe. This report outlines the Parliament's position in relation to the European Commission's Communication "Roadmap to a Resource Efficient Europe". Although the report is positive for the cement industry in relation to waste issues in general, CEMBUREAU regrets that it remains in favour of shifting taxation from labour to resource use. In addition, the report continues to encourage the use of wood, despite calls that the report should remain product neutral. In addition, the Association does not support the endorsement of a Market Based Indicator for biodiversity as, in the cement sector, rehabilitation remains the best form of ecological offset.

More information:

September 2011 Eurobrief Editorial

RESOURCE EFFICIENCY

Resource Efficiency: impact on employment

On 21 May 2012 the European Commission published the ECORYS Nederland BV study commissioned by DG Environment regarding the number of jobs dependent on the environment and resource efficiency improvements. The aim of this study is to identify how the greening of the economy can boost job creation. In general, the study shows that the number of â€˜green jobs' is

on the increase, with case studies demonstrating that improving resource efficiency can lead to job creation.

As readers may be aware, CEMBUREAU contributed to this study during the summer of 2011 and cement is one of the 6 case studies included in the report. For the cement sector, the report concludes that whilst awareness about sustainability is unlikely to prevent an overall decline in employment, it may slow the rate of decline in the cement industry thanks to the creation of certain new types of jobs.

More information:

ECORYS study

July/August 2011 Eurobrief

RESOURCE EFFICIENCY

Commission launches call for 2012 eco-innovation proposals

On 8 May 2012 the European Commission launched its 2012 call for proposals in relation to eco-innovation. 34.8 million Euros have been allocated to this initiative, with the Commission providing up to 50% in co-funding to around 50 projects. The aim is to help bring novel environmental projects to the market and the call is open to eco-innovative products, techniques, services and processes which prevent or reduce environmental impacts, or which contribute to the optimal use of resources. In this respect, two of the five main priority areas are of potential interest to the cement industry, namely materials recycling and sustainable construction. Applications can be submitted up until 6 September 2012.

More information:

European Commission

CONSTRUCTION

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ECP responds to energy efficiency financial support consultation

On 11 May 2012, the European Concrete Platform (ECP), of which CEMBUREAU is a member, responded to a European Commission consultation in relation to financial support for the energy efficiency of buildings. In its response, the ECP highlighted that the most important barriers include the differences between costs and value, as well as a lack of information on the benefits of energy efficiency. In addition, it noted that there is a clear need to identify more financial support to assist individuals, in particular, in undertaking new projects. In terms of addressing these barriers, the ECP stressed that a life cycle approach should be promoted and rebuilding acknowledged as a solution given that it can be the most cost effective solution for the long-term. On the issue of financial support for projects, the Platform noted that the EU decisions should be based on the building performance in terms of energy used over its whole life cycle. In addition, the EU should remunerate building energy efficient houses by implementing tax benefits for energy efficiency. Although the ECP does not believe that additional regulation is required to stimulate energy efficiency investments in buildings, it noted that the use of public procurement policy should be encouraged to promote energy efficiency, in particular by promoting the use of whole life cycle costing including maintenance and energy costs.

The main outstanding challenge, in this context, is to make the banking sector aware of the key role they will have to play in order to ensure that adequate financial products are available to those who want to invest into deep renovation of their building.

On 15 May 2012, Climate Change Commissioner Connie Hedegaard announced that the review of the EU Emissions Trading Scheme (ETS) will be published before the summer break in 2012 and not, as expected, in 2013. It is important to note that this will not be a legislative proposal, but rather a report produced by the European Commission. The report will propose not only delaying the auctioning of EU emission allowances (EUAs) from the 3rd phase of the ETS, but will also analyse more structural changes, such as the setting aside of EUAs or stricter emissions targets.
Regarding delaying the auctioning of EUAs, in an interview recently published in Point Carbon, Neil Johnson (Head of International Mitigation and Carbon Markets within the UK Department of Energy and Climate) indicated that the European Commissionâ€™s proposal to modify the auctioning regulation in this respect is due to be presented in September 2012.
More information:
Connie Hedegaard Press Briefing
Point Carbon

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CONSTRUCTION

ECJ ruling: Ecolabel cannot be referred to in public tenders

On 10 May 2012 the Court of Justice of the European Union ruled that Ecolabels cannot be imposed in public tenders. Nevertheless, the ruling indicates how a public authority may use sustainability criteria in tender procedures for public contracts by referring to the technical specifications defined by an ecolabel. The case was brought against the Netherlands by the European Commission (Case C-368/10), and relates to the inclusion of a reference to an ecolabel in a public tender contract, rather than the detailed specifications of the ecolabel in question.

More information:

Case C-368/10

CONSTRUCTION

EU Project Bonds: Agreement reached in trialogue

On 22 May 2012, the European Commission, the European Parliament and the Council reached an agreement in â€˜Trialogue' on the proposal for a pilot phase of the Europe 2020 Project Bond Initiative, which was originally adopted in October 2011. This joint initiative between the EU and the European Investment Bank (EIB) will support the financing of commercially viable infrastructure projects in the area of transport, energy and communications infrastructure. The main objective is to attract debt capital market financing at a time when these projects are heavily dependent on bank lending, which is hardly available with long-term maturities.

In addition, on 16 May 2012, European Commission President JosÃ© Manuel Barroso announced plans by the Commission to present an EU "Growth Initiative" to EU Heads of State in May and June. With the aim of stimulating growth, this initiative also includes the EU project bonds proposal and better use of EU structural funds.

More information:

May 2012 Eurobrief Editorial

October 2011 Eurobrief

Project Bond initiative

Q&A

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OTHER NEWS

Consultation on the EU2020 flagship on Industrial Policy launched

On 16 May 2012, the European Commission launched a consultation with the aim of obtaining stakeholders views in preparation for the mid-term review of the industrial policy flagship planned for September 2012. The responses will assist the Commission in identify policy priorities and develop appropriate policy responses in the September 2012 Communication. The industrial policy flagship, which forms part of the Europe 2020 Strategy, was launched in October 2010 and outlined a strategy for industrial competitiveness, sustainable economic growth and job creation. The Communication itself will focus on specific new initiatives which could effectively deliver results to tackle the economic crisis in the short- to medium-term. Stakeholders have until 7 August 2012 to respond to the Consultation.

More information:

Commission Consultation

October 2010 Eurobrief

OTHER NEWS

Revised Transparency Register Guidelines published

In May 2012, the Transparency Register published its revised European Transparency Register Compliance Guidelines. The aim of these complimentary guidelines is to assist registrants in presenting their information in a consistent manner. This should thus ensure comparability and reduce uncertainty regarding the information which is expected. The Guidelines are currently available in English and French, whilst the other language versions will be made available in due course.

More information:

Guidelines

By the end of May 2012, twenty-two Member States had notified their National Implementation Measures (NIMs) to the European Commission. Nevertheless, the European Commission has now launched infringement proceedings against six Member States due to the late submission of their NIMs, including Germany, even though the latterâ€™s NIM has since been notified. The six Member States in question are: Belgium, Bulgaria, Germany, Greece, Italy and Spain.

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On 2 May 2012, the European Commission granted unlimited access to the following via the Community Transaction Log (CITL) website:
The quantity of units surrendered for 2011 per unit type (EU Allowances â€“ EUAs, Certified Emissions Reductions â€“ CERs, and Emission Reduction Units â€“ ERUs)Cumulative compliance data from 2008 to 2011.Analysts from Deutsche Bank have estimated that 14% of offsets (from the UN clean development mechanism and joint implementation projects) were surrendered by the cement sector, compared to 54% by the combustion and power sector and 20% by the iron and steel sector.
According to information provided by Member State registries, emissions from installations participating in the EU Emissions Trading Scheme (ETS) fell by more than 2%, with a record number of international credits being used. In addition, more than 900 million additional allowances were put into circulation than were surrendered for compliance use during the period 2008-2011.
More information:
CITL

On 3 May 2012, the European Commission announced its timetable regarding the activation of the EU Emissions Trading Scheme (ETS) single registry, which will occur in June 2012. The transition will include the migration of over 30 000 EU ETS accounts from national registries. As of 14 May 2012, account holders were no longer able to open, close, or modify accounts. From 3 June until 20 June 2012, both the national registries and the single registry will be suspended. Account holders will be unable to access their existing accounts during this period. As of 20 June 2012, once the single registry is fully activated, users of the national registries will receive their new authentication credentials and thus be able to use the single registry.
More information:
European Commission

On 2 May 2012, the South Korean National Assembly passed a bill relating to the establishment of a CO2 cap-and-trade system on 1 January 2015. It should be noted that, since June 2011, a Target Management System (TMS) has been in place in South Korea. Under this system, companies are allocated a TMS target. In the event that the company fails to reach their allocated target, the Ministry of Environment issues an â€˜improvement orderâ€™. If the target is breached a second time, a fine of 10 million won (equivalent to US$8 880) is imposed upon the company.
In addition, South Korea and New Zealand have launched a study to identify whether the two countries could potentially link up their emission trading schemes. The aim is to make their carbon markets more effective in cutting greenhouse gases. Carbon market links are already being discussed between these two countries and Australia.

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In relation to the reporting of 2011 aviation emissions by international carriers, the European Commission has confirmed that only 10 carriers (8 from China and 2 from India) have not provided the data on time. These 10 carriers have now been given until mid-June to report their carbon emissions. If they do not comply by then, then the Members States where the airlines operate will apply penalties. These penalties differ from one Member State to another and could include denied landing rights.

Sun Cuihua, vice director of the Climate Change Department, National Development and Reform Commission, has indicated that China is due to launch a study in order to identify ways of including aviation in its domestic ETS (to be launched in 2016). In a tweet reacting to the news, Climate Change Commissioner Connie Hedegaard asked whether this could prove to be an interesting new development.

More information:

Euractiv

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According to the International Energy Agency (IEA), 2011 global CO2 emissions from fossil-fuel combustion rose by 3.2% last year to 31.6 gigatonnes. The greatest increases were registered in China (9.3%) and India (8.7%). In Europe, emissions were cut by 1.9% due to a relatively warm winter and sluggish growth.

In addition, the latest version of the Climate Action Tracker is now available. This report (produced by Climate Analytics, Ecofys and the Potsdam Institute for Climate Impact Research) provides updated information on countriesâ€™ reduction proposals.

More information:

IEA

Climate Action Tracker

On 21 May 2012, the European Commission launched a public consultation on adaptation to climate change. The aim of this consultation is to obtain feedback from stakeholders for the preparation of the EU Adaptation Strategy. The consultation covers areas including adaptation to climate change at sectoral level, infrastructure investments and market-based instruments. Stakeholders have until 20 August 2012 to respond. CEMBUREAU plans to answer the consultation.

More information:

Commission Consultation

Adapting to Climate Change by Planning Sustainable Construction

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