The European Cement Association
CEMBUREAU

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EU EMISSIONS TRADING SCHEME

Environment Committee debates list of vulnerable sectors

An exchange of views on a draft European Commission measure on sectors deemed to be exposed to a significant risk of carbon leakage took place in the European Parliament's Environment Committee earlier this month. This was the Committee's first debate on the Commission's proposed list of sectors at risk. The cement industry qualifies as a sector vulnerable to carbon leakage, with an increased cost of induced directly by the Emission Trading Scheme (ETS) of 55.06% (see May 2009 Eurobrief).

On 4 November a motion opposing the list was rejected by a substantial majority in ENVI thus ending the debate in the European Parliament. There is virtually no doubt that the Council will

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approve the list in time before 23 December 2009.

The list of exempted sectors would apply for the period 2015-2019, but could be revisited if an agreement during the forthcoming international climate change summit in Copenhagen in December is reached. The number of free allowances to be given to businesses deemed to be at risk of carbon leakage will be determined in 2011 based on best performance benchmarks. While the Commission emphasised that new sectors can be added to the list on a yearly basis, they cannot be taken off the list.

EU EMISSIONS TRADING SCHEME

Commission publishes results of carbon auctioning consultation

The European Commission recently presented the results of a stakeholder consultation on a proposed new carbon allowance auctioning regulation. The consultation period ran from 3 June and 3 August 2009. CEMBUREAU's contribution was in line with the general outcome of the consultation. While weekly auctions are the unanimous minimum frequency desired, the vast majority of businesses stated that they will need early auctions in order to help them estimate their costs in advance. Although most respondents want to see a centralised EU approach to auctioning, some Member States, such as the UK and Germany, want to maintain their own systems and favour a hybrid design instead. Doubts remain as to whether a centralised system can be delivered in time.

ETS installations need access to allowances. The primary role of auctions, therefore, should be to make allowances available to compliance buyers.

Responses to the consultation on auctioning emission allowances can be found here:

http://ec.europa.eu/environment/climat/emission/pdf/090928consultation.pdf

CEMBUREAU's response can be found here:

https://quickplace.icfconsulting.com/QuickPlace/eu-ets-auctions-consultation/Main.nsf/$defaultview/026F17265A82CC5E852575ED0047FF38/$File/CEMBUREAU.pdf?OpenElement

EU EMISSIONS TRADING SCHEME

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Commission proposes VAT overhaul to fight carbon market fraud

The European Commission has announced plans to overhaul the EU's VAT system in a bid to prevent fraudulent practices connected with the EU ETS. There have been alleged cases where carbon traders kept the VAT instead of notifying it to tax authorities. The prevalence of these so-called VAT "carousel "fraudsters could make it difficult for the EU to promote cap and trade systems at the forthcoming climate change talks in Copenhagen. The Commission intends to harmonise policy between EU Member States and introduce a so-called "reverse charge" mechanism, which would remove the need for VAT to change hands between carbon traders every time carbon credits are sold.

The Commission proposal can be found here:

http://ec.europa.eu/taxation_customs/resources/documents/common/legislation/proposals/taxation/COM%282009%29511_en.pdf

EU EMISSIONS TRADING SCHEME

Commission to allocate funds for CCS projects

Commission proposals to allocate €1.05 billion to seven carbon capture and storage (CCS) projects in Europe were presented recently to Member States. The projects in Germany, the Netherlands, Poland, Spain, the UK, Italy and France would each receive up to €180 million in EU funds. (See June Eurobrief).

The Draft Regulation establishing a programme to aid economic recovery by granting financial assistance to projects in the field of energy is available here:

http://ec.europa.eu/energy/grants/docs/eepr/eepr_call_for_proposals_annex1.pdf

CEMBUREAU fully supports the project being developed by ecra, the European Cement Research Academy based in DÃ¼sseldorf.

EU EMISSIONS TRADING SCHEME

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No turbulence in carbon market following ECJ ruling

The eight countries that sued the European Commission over its decision to tighten their emission caps have not experienced a dramatic fluctuation in the number of carbon allowances, according to industry analyst Point Carbon. The Court of First Instance last month ruled that the Commission had exceeded its powers when formulating National Allocation Plans (NAPs) with Estonia and Poland (see September 2009 Eurobrief). The Court subsequently annulled Commission decisions limiting the number of EU allowances the two countries receive between 2008 and 2012.

Point Carbon predicts that the number of carbon allowances in the eight countries might be revised slightly upwards following negotiations between the Commission and the Member States. The cases of the six other Eastern European Member States - Bulgaria, Romania, Lithuania, Latvia, Hungary and the Czech Republic - have not yet reached their conclusion.

An ECJ press release on the judgement can be found here:

http://curia.europa.eu/jcms/upload/docs/application/pdf/2009-09/cp090076en.pdf

EU EMISSIONS TRADING SCHEME

Environment Committee debates marine CCS proposal

A debate on the Draft Report on the convention for the protection of the marine environment: relating to the storage of carbon dioxide streams in geological formations took place in Parliament's Environment Committee earlier this month. The Committee's Rapporteur Anna Rosbach (Europe of Freedom and Democracy group, Denmark) said that questions still remain over the damage a leak could cause to the marine environment, and the measures that still need to be taken in case of accidents. Ms Rosbach suggested that more money should be given to researchers to try to tackle the CO2 problem in a different way. Chris Davies (Alliance of Liberal Democrats in Europe, United Kingdom), who was the Rapporteur on last year's Carbon Capture and Storage (CCS) Directive, said that, while CCS is not a long term solution, it is better to inject CO2 into the ground than to allow it to escape into the atmosphere. The vote in Environment Committee is due to take place in November.

The Draft Report is available here:

http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-428.171+01+DOC+PDF+V0//EN&language=EN

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ENVIRONMENT

IEA revises emissions predictions following economic downturn

Global CO2 emissions from the energy sector could decline by up to 3% this year because of economic contraction, says the International Energy Agency (IEA). The new IEA report says that such a decrease would be the sharpest in 40 years. As a consequence, the IEA has revised its baseline emission projections for 2020 at 5% lower than it predicted last year.

The IEA's World Energy Outlook will officially be launched on 10 November, and will contain a substantial climate analysis.

A press release from the International Energy Agency can be found here:

http://www.iea.org/press/pressdetail.asp?PRESS_REL_ID=290

ENVIRONMENT

Finance Ministers discuss energy taxes

Delegates attending the informal meeting of finance ministers in Gothenburg, Sweden, discussed a review of Directive 2003/96/EC, which would restructure the Community framework for the taxation of energy products. LÃ¡szlÃ³ KovÃ¡cs, Commissioner for Taxation and Customs Union, declared at the meeting that the Commission intends to propose a CO2 tax to reduce emissions from sectors outside the EU Emission Trading Scheme.

This proposal was welcomed by a number of ministers. The harmonisation of taxation, however, is a sensitive issue for some Member States and any proposal would require unanimity. Commissioner KovÃ¡cs announced that the Commission would therefore try and prepare a proposal that was acceptable to all Member States in order to reach an agreement quickly in the European Council.

Energy efficiency is a major priority for the Swedish Presidency and they have been pushing for the taxation of CO2 at EU level. The Swedes aim for a finished proposal by December 2009, however any amendments to Directive 2003/96/EC will most likely have to wait until early 2010. The proposal will, therefore, fall under the mandate of the new Commission, which might decide to delay restructuring the Community framework for the taxation of energy products.

CEMBUREAU has commented to the European Commission on the proposal to revise the Taxation of Energy Products Directive and include CO2 related taxation.

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ENVIRONMENT

13 Member States likely to exceed pollutant ceiling

According to the European Environment Agency, 13 EU Member States are set to exceed national limits set by the NEC Directive on at least one of four major pollutants in 2010. While this is an improvement on last year, when it was predicted that 16 states would fail to meet their air pollution standards, the number of Member States that will exceed their ceilings represents just under half of all the European Union's members. Of the four pollutants measured in the report (sulphur dioxide (SO2), nitrogen oxides (NOx), non-methane volatile organic compounds (NMVOCs) and ammonia (NH3), nitrogen oxides (NOx) are proving to be the most difficult to control, with Ireland, Austria and Belgium predicted to exceed their caps by up to 60%. In total, 12 Member States are expected to miss the NOx ceiling.

The country which is experiencing the greatest difficulty in controlling its emissions is Spain, which anticipates missing three emissions ceilings - those for NOx, NMVOC and NH3. France, Germany, the Netherlands and Poland are all set to miss two ceilings. Few Member States have yet to fully incorporated the effects of the recession into their findings and, as a result, more Member States might meet their ceilings than the current data suggests.

ENVIRONMENT

G77 claims that EU and US 'undermining climate talks'

The G77 group of developing nations has claimed that the developed world is trying to avoid new binding commitments to cut emissions, accusing them of trying to undermine the Kyoto protocol. This claim stems from EU and US efforts to argue for equal and shared responsibility for climate change, which the G77 claims undermines Kyoto's clear distinctions between binding emissions reductions expected from developed nations and non-binding measures expected from developing nations.

The G77's accusations came during the UN Climate Change Talks held in Bangkok between Monday 28 September and Friday 9 October, which served as preliminary talks for the Copenhagen Climate Conference, to be held in December. These talks have suggested that the Copenhagen Conference will be the scene of tough negotiations between the developed and developing world over their respective responsibilities for fighting climate change.

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Coalition demands end to energy waste in buildings

A coalition of environmental NGOs has launched a new manifesto by the name of â€˜Cool Products, Warm Homes' in the European Parliament. The manifesto demands an end to energy waste in buildings and urges MEPs to see through a much stricter Energy Performance of Buildings Directive (EPBD) that would require all new buildings to be net zero energy. The manifesto also calls on European institutions to enhance the role of the Energy Performance Certificate in order to improve and speed up the renovation of buildings. The group is supported by across party group of MEPs.

The manifesto can be found here:

http://www.coolproducts.eu/manifesto/

BUILDINGS & BUILDING MATERIALS

Energy efficiency of buildings proposal discussed in Council

The Council Working Party on Energy met earlier this month to examine the proposal to amend Directive 2002/91/EC on energy performance of buildings. A major issue remains the establishment of a deadline by which all new buildings would have to produce more renewable energy on-site than they consume ("zero-energy buildings"). It is likely that any deadline will be set at some time after 2019. Parliament's rapporteur on this issue, Silvia-Adriana ÃžicÃ£u (Group of the Progressive Alliance of Socialists and Democrats, Romania), insisted at an informal trialogue meeting earlier this month that the revised Directive should also include new financial incentives to drive energy efficiency investments. Member States have so far refused to agree to binding requirements on financing, arguing buildings legislation should not involve funding and tax incentives.

The Swedish presidency hopes to achieve a political agreement before the Energy Council in December.

HEALTH AND SAFETY

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Exchange of views on REACH implementation held in Environment Committee

An exchange of views with the Commission on the implementation of REACH was held in Parliament's Environment Committee earlier this month. Richard Seeber (Group of the European People's Party, Austria) wanted the Commission to explain why the number of animal tests is much higher than foreseen, and what the Commission is planning to do to tackle this. Jo Leinen (Socialists and Democrats, Germany) inquired into what preparations ECHA will make for the first registration phase, due to end on 1 December 2010. He also asked whether the ECHA funding model (from fees paid by businesses) was sustainable. Carl Schlyter (Group of the Greens, Sweden) asked the Commission why it had not come forward with amendments to Annex XIII on persistent, bioaccumulative and toxic (PBT) or very persistent and very bioaccumulative (vPvB) substances, even though a review found numerous deficiencies in the provision. MEPs also expressed concern about overlaps between REACH and other EU legislation, such as the Restriction of Hazardous Substances Directive.

A list of oral questions put to the Commission on the implementation of REACH can be found here:

http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-428.294+01+DOC+PDF+V0//EN&language=EN

HEALTH AND SAFETY

REACH - ECHA updates information for registering notified substances

The European Chemicals Agency (ECHA) has updated the Questions and Answers for the registrants of previously notified substances. It has also updated Data Submission Manual 5: How to complete a technical dossier for registrations and PPORD notifications.

The new sections provide additional information on when to update a registration that is based on a previous notification, how to claim a registration number for a substance previously notified under Directive 67/548/EEC, how to update confidentiality claims and on minimum data required in IUCLID 5.

The updated Questions and Answers for the registrants of previously notified substances can be found here:

http://echa.europa.eu/reachit/nons_en.asp

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HEALTH AND SAFETY

ECHA published list of chemical registered under REACH

A list of the 156 chemicals registered so far under the EU's REACH chemicals regulation has been published by the European Chemicals Agency (ECHA). The Helsinki-based agency says that it is still finalising its EUCLID-5 and REACH-IT systems, however, and that the full database will not be ready until the end of 2009. ECHA has recently been urged to provide better support to help companies register chemical substances under the EU's REACH regulation (see September 2009 Eurobrief).

The ECHA list of registered substances is available here:

http://echa.europa.eu/chem_data/registered_substances_en.asp

WASTE

Conference on implementing Waste Framework Directive held

A two-day conference entitled â€˜The New Waste Framework Directive: Towards Transposition' brought together over 100 participants from the European Institutions, national ministries, industry representations and private companies to discuss the challenges posed by the Waste Framework Directive. The Directive is mid-way through its transposition process. The deadline for transposition is December 2010.

The conference, organised by the Academy of European Law, placed a high emphasis on energy efficiency and better promotion of waste prevention programmes. It also provided an opportunity for comparison between the differing approaches taken by Member States. On the second day of the conference, the Commission emphasised that improving waste management rules must be a priority for Member States and announced that it may consider establishing a body responsible for the implementation of EU waste legislation.

The conference programme can be found here:

http://www.era.int/upload/dokumente/10325.pdf

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WASTE

Draft guidance on REACH annex V published

New draft guidance from ECHA on Annex V of REACH (exemptions from registration) has been made available, together with an assessment of comments raised on the previous version released in June 2009. Of significance to the cement industry is the fact that the new draft guidance states that the exemption granted to "minerals which occurs in nature, if not chemically modified" will only apply to minerals that fulfil both conditions: (i) occurring in nature and (ii) not chemically modified. No changes have been made to the text with regards to cement clinker. Instead, the mineral phases of "Cement, portland, chemicals" and "Cement, alumina, chemicals" have been put in a table.

Petroleum coke used by cement plants is exempt from registration, along with the other two types of petcoke, coal tar and coal. However, if this latest draft version of the guidance is adopted, some minerals could lose their exemption from registration. The REACH Alliance is therefore preparing comments to this latest version and plans to initiate some lobbying actions towards the Commission and ECHA. CEMBUREAU is supporting the actions of the REACH Alliance.

The Draft Guidance can be found here:

http://ec.europa.eu/environment/chemicals/reach/pdf/com_rev_anx_V_guidance_en.pdf

CEMBUREAU

CEMBUREAU gives presentation at cement manufacturing gathering

CEMBUREAU gave a presentation at the 6th International VDZ Congress on Process Technology of Cement Manufacturing in DÃ¼sseldorf, Germany earlier this month. The presentation discussed Best Available Techniques (BAT) in the European cement industry and the outcome of the BREF revision. CEMBUREAU concluded that it is rather satisfied with the BAT conclusions, which are to be seen as ambitious. CEMBUREAU also pointed out that the cement and lime BREF was the pioneer for the review of the first series of BREFs (see September *Eurobrief).*

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Debate held on alternative fuels in the cement industry

CEMBUREAU gave a presentation on the co-processing of alternative fuels in the cement industry at a dinner debate organised by the European Energy Forum this month. The focus of the dinner debate, which took place in the European Parliament, was the key environmental benefits linked to the co-processing of alternative fuels and raw materials in the cement industry. CEMBUREAU pointed out that co-processing in the cement industry offers an environmentally sound solution by substituting non-renewable resources with societal waste under strictly controlled conditions. Furthermore, co-processing provides a significant contribution as it reduces, interalia, CO2 emissions and fossil fuel consumption. The benefits for the cement industry, said CEMBUREAU chief executive Dr Jean-Marie Chandelle, were long term viability in an era of fewer and fewer fossil natural resources, and a transition from cement's image of being a polluter to being a supplier of safewaste solutions.

CEMBUREAU

WIKI sustainable construction project seeks expert input

A joint project between the Architects Council of Europe (ACE) and the Europe Concrete Platform (ECP), to create a common language for sustainable construction, has entered its consultation phase. To ensure that the glossary of terms is as up-to-date as possible, the developers have launched a consultation so that experts can contribute to the project.

The project is unusual in that it uses a â€˜wiki' format, which essentially means it is a collaborative website where current working knowledge can be placed, and where users and contributors have easy access (a well known example of this is of course wikipedia.org). The purpose of this particular tool is to develop a common understanding of the terminology used within the framework of sustainable construction. The finalised version will be used by the construction sector and policy-makers at both the national and European level.

The wiki can be accessed here:

www.sccommonlanguage.eu

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CEMBUREAU

CEMBUREAU to chair European minerals forum session

CEMBUREAU is chairing a session on Meeting the Climate Change Challenge at the European Minerals Forum on 25 November 2009. The session will look at the importance of investment in operational efficiency and upgrading buildings for greater CO2/energy efficiency. The forum, which takes place at the Renaissance Hotel in Brussels, will feature four such break-out sessions, all focused on the current European strategy of turning recession into opportunities.

EDITORIAL

Climate change: benchmarking. A daunting task everywhere

October 2009 - In Europe, a clinker benchmark is the appropriate and only workable solution when it comes to the cement industry (in relation to the benchmark for free allocation of CO2 allowances in the EU Emissions Trading Scheme [ETS]). In early November, this was confirmed by the publication of the ECOFYS report entitled "Methodology for the free allocation of emissions allowances in the EU-ETS post 2012". The report was commissioned by the European Commission and is the result of collaborative work by ECOFYS, Fraunhofer and Ã–ko-Institut.

ith the forthcoming COP 15 meeting of UNCCC in Copenhagen on 7 - 18 December, where the post Kyoto future is to be built, it is not without interest to look at some other countries outside the EU where CO2 reduction schemes are being considered or put in place, and identify which benchmark - clinker or cement - is likely to prevail.

Japan and its industry are now confronted with a new, very ambitious target of -25% in 2020 compared to 1990. The target imposed by the newly formed Democratic Party government is to be compared with the previously announced -8% and has raised protest from Keidanren In this context, the benchmark that will be applied to the cement industry would be based on an energy efficiency target, i.e., imposed, in the case of cement manufacturing installations, upon the efficiency of clinker production. CEMBUREAU also takes the view, in Europe, that a clinker benchmark should indeed be based on energy efficiency.

In Australia, under the CPRS (Carbon Pollution Reduction Scheme) still under discussion in the Senate, it is the installations producing clinker which have been identified for free permits. 94.5% of the permits would be allocated for free starting in 2011. Free allocation is conceived as a form of aid to Australian industry sectors that are energy intensive and which would otherwise be wiped out by carbon leakage. Those sectors are:

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» aluminium refining and smelting

» ammonia production

» carbon black production

» newsprint, printing paper, cardboard and carton board manufacturing

» lime, caustic soda and chlorine gas and soda ash production

» *cement clinker and coke production*

» *copper, magnesia, zinc, synthetic rutile, titanium oxide, silicon and pig iron refining and smelting/production*

» *ethanol and methanol production*

Benchmarking cement, rather than clinker, seems to be preferred in Canada and in the USA where cap and trade schemes comparable to the EU-ETS are being considered. In the USA, at federal level, the version of the Waxman-Markey Bill adopted by the House on 26 June 2009 expressly excludes the possibility to use a clinker benchmark in the allocation method. The US Senate is currently discussing the Bill. Some Democratic Senators are trying to force approval even though it has become clear that the legislative process cannot be completed in time for Copenhagen. If the proposal is not adopted, the EPA would probably have to take action on the basis of the Clean Air Act further to a decision of the Supreme Court [Massachusetts v. Environmental Protection Agency, 549 U.S. 497 (2007)].

The position regarding the benchmark in the Bill is not that recommended by the American cement industry. By a majority vote in the Portland Cement Association, the industry had opted for a clinker benchmark. As in Europe, it is difficult to find a position shared by all producers even though a common position would help, at this critical moment, before the Senate.

The European cement industry is following with much attention what is happening in other jurisdictions as, at the end of the day, some convergence will have to emerge. As shown by the above information, however incomplete, deciding which benchmark to select for allocating free allowances to the industry is a daunting task which, unfortunately, acts a divisive force in different parts of the world precisely at the time the industry must be united.

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