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:

» 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

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» *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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