The European Cement Association

CEMBUREAU

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EDITORIAL

EU ETS â€“ A Clinker Benchmark but ...

In September, with just over 3 months to go if the end of year deadline is to be met, DG CLIMA revealed its intention in relation to the ETS benchmarks and allocation rules. On 8 September, a draft proposal went into interservices consultation, triggering an epic fight between DG CLIMA and DG ENTR.

Up to then the process through which the benchmark to be applied to the cement industry for free allocation of allowances was developed had been fairly open with industry being able to state its case. The result was a European clinker benchmark for grey cement clinker and a distinct benchmark for white cement clinker, the latter being the result of an obvious product differentiation. So far, so good...

The main remaining point of debate between the European cement industry and DG CLIMA is the value to be retained for the benchmark. The application, foreseen by the ETD, of the average emissions of the 10% best performing installations in 2007 and 2008 leads to a benchmark of 766

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kg CO2 per tonne of grey cement clinker. This is an already demanding target as, in those years, the average specific emission of the cement industry in the EU was 865 kg CO2 per tonne of clinker. The value of 766 kg CO2 per tonne of clinker is reached by taking into account all plants, including those with a very high use of biomass of up to 30% when the average use of biomass in the EU cement industry is 7%. If we discard process emissions (539 kg CO2 per tonne of clinker), this value is attained through the application of the most efficient techniques, including the use of biomass, in the installations forming part of the best decile.

DG CLIMA considers that the 1st decile is only the starting point, as referred to in the Directive, and, from that point, purports to lower the benchmark down to a value of 689.5 kg CO2 per tonne of grey cement clinker with a theoretical possibility to lift the value up to either 702 kg CO2 per tonne of clinker or 716 kg CO2 per tonne of clinker by additions such as slag and fly ash in the period of reference (respectively a clinker content either between 0.75 and 0.70 or below 0.70).

The European cement industry is prepared to meet the tough challenge of either operating its installations at a benchmark level of 766 kg CO2 per tonne of clinker - by so-doing it would operate virtually at BAT level - or to purchase the necessary allowances. But, it will not be possible, in the long run, to run European kilns with free allowances based on so low a benchmark. Imposing a lower benchmark, as proposed by DG CLIMA, would in fact render useless free allowances as the tool to address carbon leakage. If that were to be the way then inclusion of importers in the ETS would become preferable.

Now that the chips are down, the European Commission will have to decide collegially, in the very near future, which way to go and, after that, the vote in the Climate Change Committee by the Member States will determine to a significant extent the future of the cement industry in the EU.

Note: the Allocation Rules which form part of the package proposed by DG CLIMA are equally important. They are summarised hereinafter and will be commented in more detail in the next edition of *Eurobrief.*

EU EMISSIONS TRADING SCHEME

Allocation Rules in interservice consultation

As part of the package proposed by DG CLIMA regarding the ETS (see this month's Edito) the Allocation Rules went into interservices consultation on 8 September. Below is a brief summary of what is proposed.

The ***Activity Reference Period*** *proposed is the Median for 2005-2010. For* ***new entrants****, either standard or installation specific capacity utilisation will apply. In addition, the document (Article 21.3 and 22) proposes a reduction of 1.74% for new entrants and capacity increases. Regarding*

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***capacity**, the proposal gives the following definition â€˜production capability of installation or sub-installation including the import of measurable heat, with its equipment and configuration if it is operated at full load 24 hours per day for 365 days a year'. Nevertheless, the proposal recommends that the standard capacity utilisation factor (SCUF) shall be determined and published by the European Commission on the basis of data collection carried out by the Member States. It is CEMBUREAU's view that the SCUF for the cement industry should be 85% (based on 365 days and 24 hours).*

*The distinction between division into sub-installations does not apply to the cement sector (it would only apply when there is a white and a grey clinker production on the same site). In relation to the **partial cessation** of operations of an installation, the declining scale will still apply based on a several tier approach, per calendar year.*

A more in depth analysis of the Allocation Rules will be provided in next month's Eurobrief.

EU EMISSIONS TRADING SCHEME

Proposal for EU ETS registries system unopposed

The Council and European Parliament have not opposed the Draft Commission Regulation for a standardised and secured system of registries pursuant the EU Emission Trading Scheme (EU ETS). The Council and European Parliament had until 20 August to change the draft. The Regulation will bring the aviation sector into the EU ETS as of 2012 and transfer allowances from national registries to the new EU registry.

Most of the revision will apply from 1 January 2012, in time for the third trading period of the EU Emission Trading Scheme (EU ETS), which is scheduled to run between 2013 and 2020.

The Commission will most likely adopt the Regulation in the second semester of 2010.

The draft Commission Regulation can be found here:
http://ec.europa.eu/environment/climat/emission/pdf/regreg_iv_final_consolid_100416.pdf

EU EMISSIONS TRADING SCHEME

Commission Communication on 30% GHG Emissions reduction target discussed in Council Working Party

The Council Working Party on the Environment met earlier this month to discuss the Commission Communication on moving towards a 30% greenhouse gas emissions reduction target.

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The working group held an exchange of views on a draft presidency report, with a view to preparing for the Cancun climate change conference. The European Parliament is still considering whether it will formally respond to this Communication on the options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage.

The Commission Communication presents several options for meeting the 30% target within the EU ETS and in the other sectors. These include:

» Reducing the number of auctioned allowances under the EU ETS;

» Promoting greater energy efficiency;

» The Smart use of fiscal instruments;

» Directing EU cohesion policy funding towards green investments; and

» Improving the environmental integrity of the international carbon credits recognised in the EU ETS.

The Climate Change Commissioner Connie Hedergaard has indicated that the EU is ready to move to 30% greenhouse gas emission reductions at the UNFCCC Cancun meeting in December 2010. (See July/August 2010 *Eurobrief Editorial for CEMBUREAU's view).*

The Commission Communication can be found here:
http://ec.europa.eu/environment/climat/pdf/2010-05-26communication.pdf

ENVIRONMENT

Is NOx and SO2 trading smart policy?

On 30 September, BUSINESSEUROPE (the Confederation of European Business, organised a seminar entitled "Is NOx and SO2 trading smart policy?". Interventions by representatives from industry, the European Environment Bureau, the European Parliament and the German Ministry for the Environment made it clear that they do not believe it is.

The European Parliament's Rapporteur on the Industrial Emissions Directive, Holger Krahmer (EPP, Germany), highlighted that significant reductions in air pollution emissions had been achieved since the 1990's, indicating that good and successful legislation had been introduced in the Member States. He was thus sceptical about the possibility of achieving further reductions

with an NOx and SO2 trading scheme, as he doubted such a system would be beneficial to improving air quality, reducing the cost burden on industry or creating a level playing field. In his view, the best way to further reduce air pollution emissions is by correctly implementing existing legislation. Pieter de Pous, from the European Environment Bureau, stressed that as the impact of NOx emissions was local, they should be dealt with locally. He therefore encouraged publication of the revised NEC directive, revising existing NOx standards and setting tighter ceilings.

Marianne Wenning, from the European Commission (Head of Unit DG Environment), indicated that ENTEC was currently finalising its second study, with the results due to be published during the week of 4 October. This study takes a broader view, looking at, for example, the benefits and costs for industry of such a trading scheme, as well its impact on jobs, competitiveness and price rises.

CEMBUREAU Chief Executive then provided participants with an overview of the reduction potential in the cement industry, based on the results of an independent study by Ecofys/Emission Care (commissioned by CEMBUREAU). This report concludes that the window of opportunity for the introduction of an ETS for NOx and SO2 is small and therefore risky as the ETS for NOx and SO2 would be introduced at a relatively late stage by which emissions will have already been substantially reduced through existing instruments. In addition, CEMBUREAU stressed the fact that indirect costs must also be taken into account, highlighting the increase in electricity prices resulting from the scheme, as well as the costs relating to monitoring and reporting. CEMBUREAU is therefore not in favour of the introduction of legislation that would contribute little to NOx and SO2 emission reductions, at a disproportionate cost, compared to the enforcement of existing legislation.

Norbert Salmon, from the German Ministry for the Environment, Nature Conservation and Nuclear Safety (Deputy Director General), shared the view that NOx and SO2 emissions have direct and indirect impacts at local and regional level, and thus these local pollutants should not be reduced at European level.

He also added that it is no longer industry which is responsible for the problems in meeting air quality requirements, but rather transport and households. Thus, he did not believe that an NOx and SO2 trading scheme was the solution.

Karl Falkenberg, Director General of DG Environment, closed the seminar stressing that the European Commission had not yet taken any view on whether or not to establish an NOx and SO2 trading system. He indicated that the Commission was awaiting the results of the second ENTEC study before taking any decision on the matter.

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Second Energy Products Taxation Directive impact assessment in preparation

The Commission is working on the second impact assessment on the proposal to review the energy products taxation Directive. The adoption of the proposal by the Commission has been postponed until the end of the year 2010, and the exact timetable remains uncertain.

The launch of a second impact assessment was the outcome of the orientation debate on the future proposal held in the college of Commissioners on 23 June 2010. Commissioners agreed that the initial impact assessment, carried out in 2008, needed to be updated to reflect the economic realities of 2010, in particular the impact of the crisis on the EU economy. During the debate, Commissioners also agreed on the principle of revising Directive 2003/96/EC and on introducing a minimum harmonised carbon tax on energy.

The aim of the review is to cover all energy sources but avoid overlap with the Emissions Trading Scheme (ETS). The proposal would cover all sources of greenhouse gases not currently covered by ETS, e.g. small capacity installations that are currently not covered by ETS. The proposal would introduce an exemption for CO2 taxation of energy products that fall under the ETS scheme to avoid cumulative costs for CO2 reductions. The exemption of biomass from CO2 taxation has also been discussed. As the proposal is still under discussion and some elements may change. The proposal would be a Council Directive. It would require unanimity among Member States. The cement industry would be included for CO2 - not for energy - taking into account that sectors falling within the scope of the ETS are excluded. This therefore means that, for the cement industry, only small installations (which are not covered by the ETS) and grinding plants would be covered by the Taxation of Energy Products Directive.

The existing Directive can be found here:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32003L0096:en:HTML

ENVIRONMENT

Common methodology for setting binding energy targets demanded

The EU needs investment in grid infrastructure and a common methodology for setting binding targets for energy efficiency, according to the European Parliament's rapporteur on the energy strategy for Europe, Lena Kolarska-BobiÃ±ska. Ms Kolarska-BobiÃ±ska was presenting her draft report to the Parliament's industry committee in response to a Commission Consultation on the ten-year energy strategy launched in May.

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The Draft Parliamentary Report on a new Energy Strategy for Europe 2011-2020 can be found here:
http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-445.675+01+DOC+PDF+V0//EN&language=EN

ENVIRONMENT

Green Energy funding backed by Parliament's Industry Committee

Projects designed to improve energy efficiency could get up to €115 million in EU funds that would otherwise go unspent following the European Parliament's approval of European Commission proposals for further funding under the European Energy Recovery Programme (EERP). The EERP, which began in 2009 with a budget of €3.98 billion, provides support to projects including carbon capture and storage projects, wind farms and electricity interconnectors. Out of €3.98 billion planned for 2010, €115 million has yet to be committed, and a change in the rules is required to re-allocate the unspent money by the end of 2010.

A European Parliament press release can be found here:
http://www.europarl.europa.eu/news/expert/infopress_page/051-80658-242-08-36-909-20100830IPR80657-30-08-2010-2010-false/default_en.htm

ENVIRONMENT

Parliament urges EU Strategy to promote green jobs

The European Parliament has asked the Commission to develop a strategy to encourage the creation of green jobs in Europe by 2011. A non-legislative resolution was adopted earlier this month, in which MEPs demanded greater support for research into future job creation. They argue that the EU 2020 strategy, although focusing on growth and employment, missed the opportunity to develop the job-creating potential of a new, sustainable economy, stresses the resolution.

The European Parliament resolution can be found here:
http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0299+0+DOC+XML+V0//EN&language=EN

A European Parliament press release can be found here:

http://www.europarl.europa.eu/news/expert/infopress_page/048-81593-249-09-37-908-20100907IPR81592-06-09-2010-2010-false/default_en.htm

ENVIRONMENT

Parliament presents Energy Efficiency Study at workshop

A study commissioned by the European Parliament on measures and actions to be undertaken in energy efficiency policy was presented at a workshop earlier this month. The study, which will be finalised in October 2010, will serve as a basis for the own-initiative report on the revision of the Energy Efficiency Action Plan that the European Parliament plans to adopt on 22 November 2010.

The preliminary results of the study reveal that the current policies are insufficient to reach the EU's energy efficiency targets (20% by 2020) but that there is significant potential to reach the targets. Consequently, according to the study, strong and sufficient policy incentives are necessary. Among the several policy options presented by the study, the most efficient would be a binding target. The study also advocates harmonised energy efficiency obligations and an EU-wide harmonised white certificate system (tradable certificates that guarantee a reduction of energy consumption).

MEPs of the Industry Research and Energy Committee have indicated their intention to call on the Commission to propose binding targets for energy efficiency and a common measurement methodology for energy efficiency in the Parliament Own-initiative Report.

The Commission is currently drafting the impact assessment and the Strategic Energy Efficiency Action Plan. The Action Plan is planned to be adopted in February 2011.

ENVIRONMENT

Belgian Presidency and European Commission tackle Biodiversity Post-2010

The Belgian presidency of the European Union held a conference on Biodiversity in a changing world earlier this month in Ghent, Belgium. The event was attended by the European Minerals Day partners, including CEMBUREAU, who were present with a stand, highlighting the positive contribution of the non-energy extractive industries to biodiversity.

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Following the event, the presidency issued a message highlighting the fact that this year marks the failure to meet 2010 biodiversity targets at both the EU and the global level. The conference nonetheless identified six opportunities to halt biodiversity, including improving integration and mainstreaming of biodiversity at all levels, building strong and sustainable partnerships and increasing financial resources and optimising the use of current resources for biodiversity. The other three opportunities identified were providing strong science for strong policy, communicating and raising awareness to encourage citizen involvement and lastly, accepting EU responsibility for global biodiversity.

The Presidency's message from Ghent for biodiversity post-2010 can be found here: *http://www.lne.be/en/2010-eu-presidency/events/bio-diversity-post-2010/message-from-ghent-for-biodiversity-post-2010-en.pdf*

In addition, the European Commission has launched a web-based consultation to gather input from a wide range of stakeholders on policy options for the European Union's post-2010 EU biodiversity strategy. Opinions are sought from citizens, stakeholders, public administrations, business and civil society on issues including the shortcomings of the existing biodiversity policy, the new approach that the Commission is proposing, farming and biodiversity, the economics of biodiversity, and biodiversity governance inside and outside the EU. The results will feed into the new strategy which is under development. The consultation runs until 22 October 2010.

The Commission consultation on biodiversity can be found here: http://ec.europa.eu/environment/consultations/biodecline.htm

In the European Parliament, the Report by Esther de Lange MEP (European People's Party, Netherlands) on EU legislation aimed at the conservation of biodiversity was debated in plenary on 20 September. The European Parliament heard that almost half of all mammals in Europe are threatened with extinction and that the situation is similar with birds. "We have a moral responsibility to leave the Earth to our children and grandchildren in such a state that they can still do something with it," said Ms De Lange.

The EU Financial Instrument for the Environment (LIFE) is crucial in funding biodiversity conservation within the EU. Ms de Lange however believes that alternative funding should also be considered. She would like to see EU agriculture and fisheries policy to play a greater role in the fight to save biodiversity. In addition regional development and research policies, such as the 7th framework programme, can also play an important role.

Esther de Lange's report can be found here: http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2010-0241&language=EN&mode=XML

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ENVIRONMENT

2020 Energy Efficiency goal not being met, says ECF

The European Climate Foundation (ECF) has warned that the EU's 2006 energy efficiency action plan is failing to meet Europe's 20% goal for 2020. In a recently published report, the foundation says that the shortfall can be filled by strengthening energy efficiency efforts in end-use sectors. Further savings can also be achieved by improving the energy efficiency of power generation and refineries.

BUILDINGS & BUILDING MATERIALS

Financial incentives for Energy Efficiency in Buildings most cost effective

Financial incentives for efficiency improvements in buildings are much more cost-effective than other non-traded carbon abatement measures, according to a new report from the European Alliance of Companies for Energy Efficiency in Buildings (EuroACE). The alliance estimates costs at about €20-25 per tonne of CO2 emission abated. The lack of appropriate financial mechanisms is often cited as one of the barriers to increased energy efficiency renovations in Europe's buildings.

The EuroACE report can be found here:
http://www.euroace.org/MakingMoneyWorkForBuildings/September%202010%20EuroACE%20Press%20Release%20-%20Making%20Money%20Work%20for%20Buildings.pdf

BUILDINGS & BUILDING MATERIALS

Council adopts first reading position on Construction Products Dirctive

The European Council adopted its position at first reading on the Construction Products regulation by qualified majority on 13 September 2010. The Bulgarian and Polish delegations voted against.

The Construction Products Directive currently regulates the safety and technical requirements of all products used in construction works in the EU. The Directive is being recast as a Regulation with simplified procedures and clearer definitions introduced to make it easier to apply in practice. The draft regulation aims to update the conditions for the marketing of construction products. (See April 2010 and May 2010 *Eurobriefs)*

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The Commission adopted a Communication on the Council's position on 20 September and does not oppose it. The text will now be forwarded to the European Parliament for a second reading, which is due to take place in Internal Market Committee in November. Parliament's plenary sitting, 2nd reading is provisionally scheduled for 17 January 2011.

The Commission proposal for a regulation can be found here:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0311:FIN:EN:PDF

The position of the Council at first reading can be found here:
http://register.consilium.europa.eu/pdf/en/10/st10/st10753.en10.pdf

HEALTH AND SAFETY

REACH: Implementation of the CLP Regulation: CEMBUREAU produces C&L and SDS Package

This package, produced by CEMBUREAU, contains a proposal, as approved by the CEMBUREAU board on 28 September, for the classification and labelling of Portland cement clinker and common cements under the new Regulation on classification, labelling and packaging of substances and mixtures (CLP, Regulation 1272/2008). This classification will now be used by all CEMBUREAU members as of 1 December 2010 for Portland cement clinker and 1 December 2012 for common cements. In this regard, the following hazard class categories apply:

» Skin irritation: 2

» Serious eye damage: 1

» Skin sensitisation: 1

» Specific target organ toxicity single exposure respiratory tract irritation: 3

In addition, the following two voluntary warning phrases for cement have been agreed:

» Skin contact with wet cement, fresh concrete or mortar may cause irritation, dermatitis or burns

» May cause damage to products made of aluminium or other non-noble metals

Notification of the classification of Portland cement clinker will be sent by CEMBUREAU (on

behalf of its members) to the European Chemicals Agency (ECHA) before the deadline of 3 January 2011.

In addition, the CEMBUREAU Board has also approved the templates for the revised Safety Data Sheets (SDS) for both "Portland cement clinker" and "Common cements".

HEALTH AND SAFETY

CEMBUREAU paper on REACH and recovered substances

CEMBUREAU has prepared a paper which explains how companies manufacturing a recovered substance should go about using the exemption from registration for recovered substances (Art 2.7 (d)). The document is based on a legal opinion, ECHA's guidance documents and input from members. It explains which information companies need in order to use the exemption from registration and where they can find the information.

In addition to this general text, the CEMBUREAU Secretariat will prepare an Annex which will provide the specific information which cement companies need to use the exemption from registration for the most important recovered substance for cement manufacturers: gypsum, fly ash and blast furnace slag.

The Secretariat will also investigate whether it is possible to also include iron sulfate. The Annex is not available yet, as not all the information from the consortia which are preparing the registration dossiers for these substances is available.

HEALTH AND SAFETY

News from Cimeurope: flue dust successfully registered under REACH

The Lead Registrant for Flue dust from production of cement clinker, Italcementi S.p.A. has successfully registered this substance under REACH. The dossier was submitted to ECHA (European Chemicals Agency) on 17 September 2010 and on 4 October news was received from ECHA that the dossier passed all the tests and that a registration number was issued. All companies which are member of the *Cimeurope REACH Consortium for flue dust can now submit their own registration dossier for flue dust.*

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OTHER NEWS

Committee draft report on standardisation published

The European Parliament's Internal Market (IMCO) Committee adopted the draft report on the future of European standardisation on 29 September 2010. The report makes a number of changes, the most important being that the revision should be relatively low key in order not to undermine the core values of the current system. The report also states that the recommendations of the EXPRESS report and participation of societal stakeholders at the European level are important and emphasises that standardisation is not the same as legislation. The vote in plenary should take place on 10 November 2010.

The Draft Report can be found here:
http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-442.975+01+DOC+PDF+V0//EN&language=EN

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