

ACTIVITY REPORT 2010



CEMBUREAU - The European Cement Association based in Brussels is the representative organisation of the cement industry in Europe. Currently, its Full Members are the national cement industry associations and cement companies of the European Union (with the exception of Cyprus, Malta and Slovakia) plus Norway, Switzerland and Turkey. Croatia is an Associate Member of CEMBUREAU.

The Association acts as spokesperson for the cement industry before the European Union institutions and other public authorities, and communicates the industry's views on all issues and policy developments with regard to technical, environmental, energy and promotional issues. Permanent dialogue is maintained with EU institutions, international authorities and other international associations.

Serviced by a multi-national staff in Brussels and with the input from its Members via five Working Groups as well as a number of Task Forces set up on an ad hoc basis and directly reporting to the appropriate Working Group, CEMBUREAU takes action in relation to all developments at European level affecting the cement industry.

CEMBUREAU plays a significant role in the world-wide promotion of cement and the ready-mix and precast concrete industries in co-operation with Member Associations and other relevant organisations. The Association regularly co-hosts conferences on specific issues aimed at improving the market perception of the concrete industry and promoting the use of generic cement and concrete products. In addition, the Association regularly commissions studies to evaluate specific issues of importance to the industry.



Association
Européenne
du Ciment
The European
Cement
Association

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This Activity Report is produced in-house to meet the requirements of Paragraph 6 of the CEMBUREAU Articles

MESSAGE FROM THE CHIEF EXECUTIVE



2010: CEMBUREAU SUCCESSFUL ON ALL FRONTS

In 2010, the CEMBUREAU agenda was, to a large extent, dominated by the implementation of the revised Emissions Trading Directive (ETD, 2009/29/EC of 23 April 2009 – OJ L 140, 5.6.2009). This debate attracted a lot of attention and mobilised a large part of CEMBUREAU's resources, but many other developments also took place which required attention and work. Overall, CEMBUREAU was successful. The competitiveness of the European cement industry will be maintained whilst at the same time reducing its CO₂ emissions.

In the **Emissions Trading Scheme (ETS)**, at the end of 2009, the European cement industry was officially recognised as a sector vulnerable to carbon leakage. As a consequence, it will be entitled to receive EU CO₂ allowances for free in the period of 2013-2020. The amount of free allowances will be measured by 2 key factors: a benchmark (i.e. a CO₂ emission per tonne) and a volume of production to be calculated on the basis of past output.

During all of 2010, **benchmarks** were debated with the European Commission – the newly created DG Climate Action – and the Member States in the Climate

Change Committee Informal Technical Working Group. This “comitology” process led to a proposal in mid December 2010: an EU wide clinker benchmark of 766 kg CO₂ per tonne of clinker was adopted for grey cement clinker and a distinct benchmark of 987 kg CO₂ per tonne of white cement clinker. This is in line with the mandate given to CEMBUREAU by its Board. Nevertheless, this benchmark will impose a very tough reduction of CO₂ emissions upon the European cement industry as a result of the adoption, as a reference, of the CO₂ average emitted by the 10% best performing installations in 2007-2008, a performance very much influenced by a higher than average use of biomass.

CEMBUREAU and other Energy Intensive Industries were helped by DG Enterprise in securing that the recession years – 2009 and 2010 – will not be taken into account when looking at the volume of clinker production to be assessed to determine, ex ante, the number of allowances to be allocated for free. DG Enterprise was instrumental in obtaining a calculation based on the median production from 1 January 2005 to 31 December 2008 or, where higher, 1 January 2009 to 31 December 2010. This was another achievement.

The attention given to the ETS should not conceal other major developments that took place in 2010.

In June, the 2nd cement **BAT (Best Available Techniques) Reference Document (BREF)**, 18 May 2010 – OJ C 166/5, 26.6.2010) was published. It is in full conformity with the mandate given by the CEMBUREAU Board. Later in the year the new **Industrial Emissions Directive (IED)**, 2010/75/EU of 24 November 2010 – OJ L 334/17, 17.12.2010), which replaces the Integrated Pollution Prevention Control (IPPC, 1996/61/EC of 24 September 1996 – OJ L 257/26, 10.10.1996) and the

Incineration of Waste (2000/76/EC of 4 December 2000 – OJ L 332/91, 28.12.2000) Directives, was adopted. Here also fully in line with CEMBUREAU's objectives in terms of competitiveness and emission reductions.

CEMBUREAU played a key role in the debate on whether or not to introduce a **trading scheme for NO_x and SO₂**. In view of the opposition not only from industry but also e-NGOs and key Member States, DG Environment decided to abandon the idea after a contradictory debate in BUSINESSEUROPE which proved decisive and in which CEMBUREAU acted as industry representative.

Through its participation in Alliances – the **Alliance for a Competitive European Industry (ACEI)** and the **Alliance of Energy Intensive Industries (AEII)**, CEMBUREAU argued against the move for a unilateral increase of the EU's CO₂ reduction target from minus 20% to minus 30%, highlighting the risk of carbon leakage.

In 2010, CEMBUREAU also completed the study jointly undertaken with the World Business Council for Sustainable Development Cement Sustainability Initiative (WBCSD-CSI) on **mercury emissions** and was granted NGO accreditation by the United Nations Environment Programme (UNEP) in that field. The **Construction Products Regulation** was finalised in accordance to our hopes and a solution was, after many years of discussion, agreed with the European Commission on **sulphate resisting cements**.

CEMBUREAU continued its work on **sustainable construction** and supported the recasting of the Directive on the Energy Performance of Buildings, thus adding to its contribution to reducing greenhouse gas emissions from buildings.

On the health front, parts of the **Comprehensive Health Risk Study (CHRS)**, were completed in time and within budget, with the exception of the ongoing European Prospective Lung Function Monitoring Study. A number of independent scientific studies have revealed no cause for concern and the prospective monitoring of workers' health will continue.

CEMBUREAU assisted cement companies' inquiries on compliance with **REACH** and the **Regulation (EC) No 1272/2008 of 16 December 2008 on classification, labelling and packaging of substances and mixtures (CLP, OJL 353/1, 31.12.2008)**. In September, CEMBUREAU produced a Classification and Labelling (C&L) and Safety Data Sheet (SDS) Package containing a proposal for the classification and labelling of Portland cement clinker and common cements under the new CLP Regulation. CEMBUREAU successfully submitted the notification of the C&L of Portland cement clinker to the European Chemicals Agency (ECHA) inventory on behalf of 116 companies from its membership in December 2010.

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

Under the consortium established in 2009 by *Cimeurope S.A.R.L.*, in which some 80 legal entities – cement companies – take part, a joint REACH registration dossier for the substance "Flue dust from production of cement clinker" was prepared. *Cimeurope* also continued the third party representation service for cement companies covered by CEMBUREAU membership and started a new service to help cement companies prepare and submit registration dossiers. *Cimeurope* thus successfully submitted 36 registration dossiers for five different substances and on behalf of 25 legal entities.

The overall good results obtained in 2010, however, are no reason to stand idly because there are a number of **concerns looming on the horizon** and CEMBUREAU is already working hard to anticipate some of those new challenges. **Gamma radiations from building materials**, the search for a suitable **indicator for the sustainable use of natural resources** and the **revision of the SEVESO Directive**, are just a few examples. CEMBUREAU has started work on **biodiversity**. European observers estimate that this is probably the next area where the European Commission will propose the use of Market Based Instruments – biodiversity trading – leading to a market which may well dwarf the ETS and directly affect the bottom line in the cement industry and other similar sectors.

Last but not least, when vulnerability to carbon leakage is reviewed in 2014, it may prove more difficult to maintain that our production cost has increased by more than 30% of the GVA as a result of the CO₂ cost if the CO₂ price on the ETS market remains where it is today.

The work conducted by CEMBUREAU over the last few years should make us all confident in our capability to address European and international issues. But it should not make us complacent. It should also – I hope – lead to the conclusion that the money CEMBUREAU Members contribute to the Association is a good investment.

CEMBUREAU must continually adapt itself to changes in European policy and the organisation evolves accordingly. In 2010, CEMBUREAU statistics were outsourced – both the collection of data and the management of the database. This move is already proving an improvement that is essential in allowing CEMBUREAU to take part in European debates as, nowadays, a good technical input – which is essential – is no longer sufficient if not backed up by economic data and analysis.

If, in 2010, CEMBUREAU has been successful this is the result of good teamwork. A team in which the CEMBUREAU personnel in Brussels plays a key role, but no results would be achieved without the active involvement and the dedicated work of colleagues in cement associations and companies, the some 360 persons who provide expertise and give, to work in CEMBUREAU, an essential part of their precious time. This must be maintained, nurtured and developed further in years to come.



THE WORLD

World Production and World Trends

Following the global economic downturn over the last two years, 2010 was a year of recovery for the majority of developing economies. World output was estimated to have expanded by 3.9% in 2010¹, led by strong domestic demand in these countries. In contrast, the recovery of many high-income countries continued to be weighed down by the restructuring of the banking sector, high consumer debt and a right-sizing of economic sectors that had grown unsustainably large during the pre-crisis period.

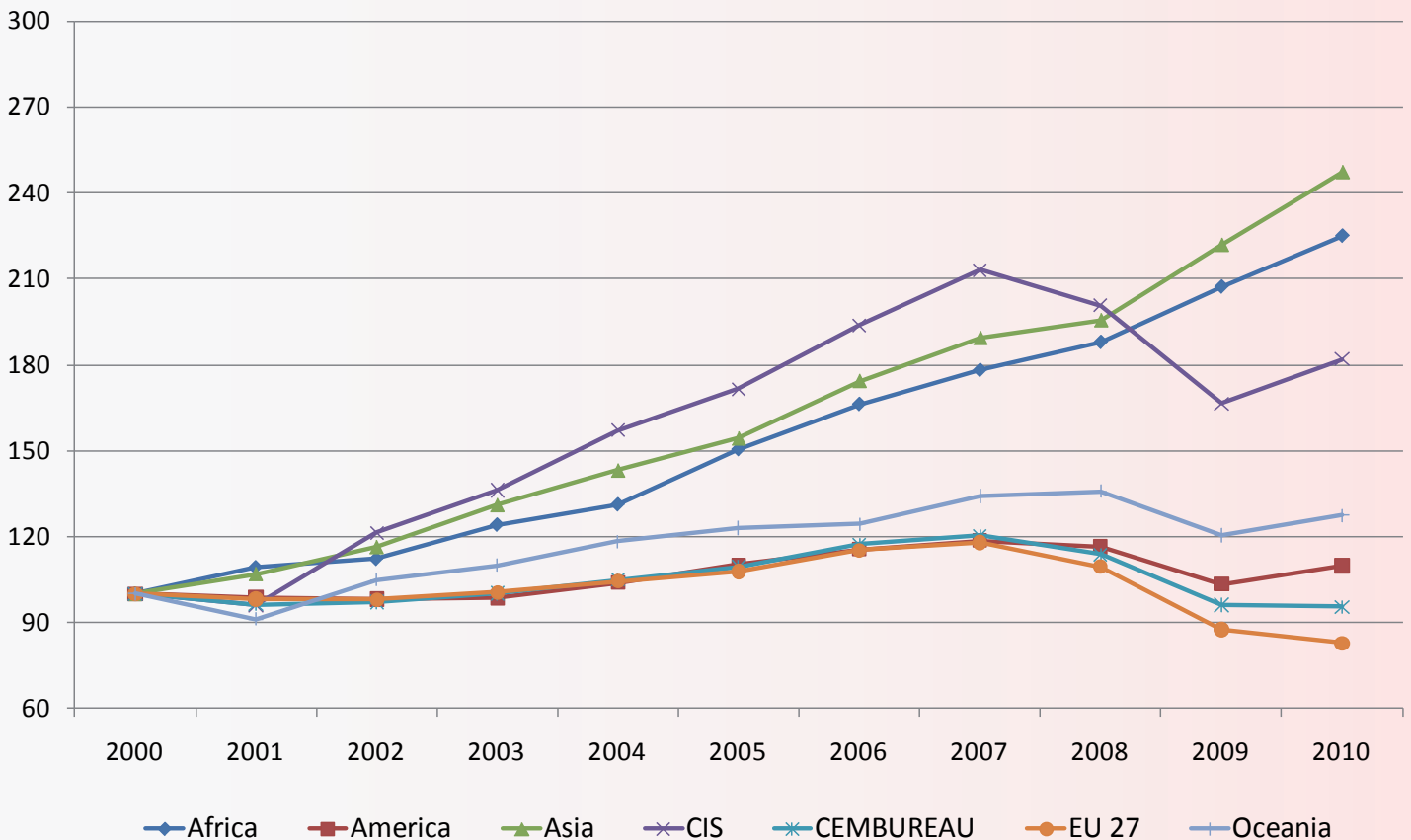
World cement production for 2010 is estimated at 3.3Bt, increasing by 9.2% compared to 2009. China registered an additional increase of 13.2% to 1.9Bt, thus covering 56.1% of the world's total. Excluding China, global production increased by 5.9%, an upturn after a drop of -4.8% in 2009. Among G20 countries, results show a net increase in volumes of emerging economies. In aggregated terms, these countries encountered 9.9% growth year-on-year. In addition to China, the highest increase was in Brazil and the Russian Federation, both of which grew by around 14%. Boosts in production levels were also notable in India, the Middle East and South-East Asia. However, the effects of the economic downturn were still

visible among the majority of advanced economies. G7 countries 2010 data showed sluggish growth in the U.S. (2.5%), while Japan remained negative (-5.9%) following a -12.8% drop in that country in 2009 compared to 2008. Some growth was registered in the UK, Germany and Canada while France and Italy contributed to an overall fall of -1.2% of G7 cement production.

Production in South America, Africa and Asia rose by 5% or more. These regions were responsible for 3%, 5% and 77% of world cement production respectively. CEMBUREAU countries accounted for about 8% of world production whilst, when looking at the EU 27 Member States, these absorbed 6% of global volumes.

World cement production by region - Evolution 2000-2010

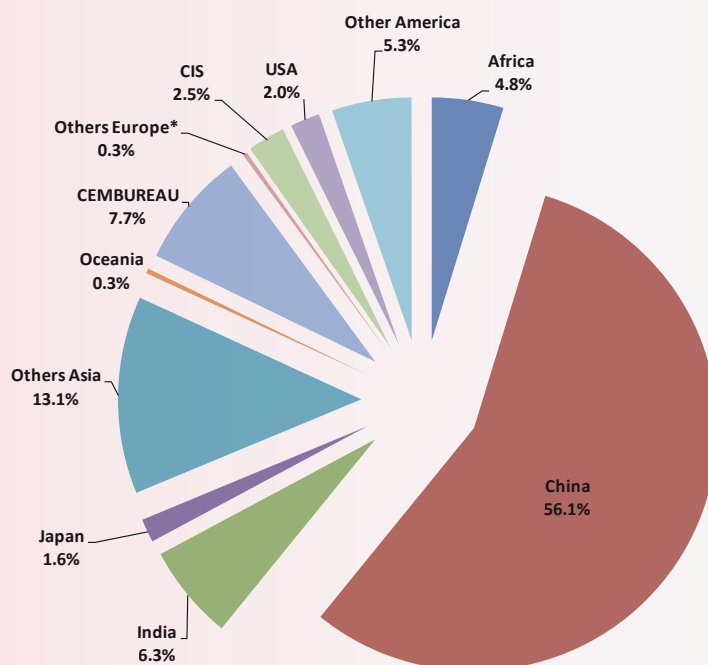
Index 2000 = 100



¹ World Bank, Global Economic Prospect, January 2011

World cement production 2010, by region and main countries

3.3 billion tonnes



* Including EU27 countries not members of CEMBUREAU

Main world producers - The G-20 Group

Country	Cement production° (Million tonnes)						
	2000	2005	2006	2007	2008	2009	2010 ^P
China	597.0	1 068.8	1 236.8	1 361.2	1 388.4	1 650.0	1 868.0
India	102.5	142.7	159.0	170.5	183.3	186.9	210.0 e
European Union	229.9	248.0	264.8	271.0	251.7	201.5	190.4
USA	87.8	99.3	98.2	95.5	86.3	63.9	65.5
Turkey	36.0	42.8	47.4	49.3	51.4	54.0	62.7
Brazil	39.8	38.7	41.4	45.9	51.6	51.4 ^P	58.9 e
Japan	83.3	68.7	69.9	67.8	63.0	54.9	51.7
Russian Federation	32.4	48.7	54.7	59.9	53.5	44.3	50.4
Korea, Rep. of	51.3	47.2	49.2	52.2	51.7	50.1	47.2
Saudi Arabia	18.2	26.1	27.0	30.3	37.4	37.8	41.0 e
Mexico	32.3	36.0	38.8	39.5	38.3	37.1	38.9
Indonesia	27.8	33.9	33.0	35.0	38.5	36.9	37.8
Italy	38.9	46.4	47.8	47.4	43.0	36.3	c
Germany	35.4	31.2	32.9	32.3	32.5	30.0	c
France	19.2	20.9	22.0	22.1	21.2	18.3	c
Canada	12.8	13.5	14.3	15.1	13.7	11.0	12.4
South Africa*	8.2	12.1	13.1	13.7	13.4	12.0	12.0
Argentina	6.1	7.6	8.9	9.6	9.7	9.4	10.4
Australia	7.5	9.1	9.2	9.6	9.7	8.7	9.3 e
United Kingdom	12.5	11.6	12.1	12.6	10.5	7.8	c

Notes: ° Cement production including cement produced with imported clinker

^P: Preliminary - *: Estimation including cementitious - e: Estimation - c: Confidential

EUROPE

Compared to 2009, cement production in the CEMBUREAU countries in 2010 showed a slight decrease of -0.7% to 257.4Mt. This takes into account a boost of volumes in Turkey. Without Turkey, CEMBUREAU countries performed negatively with an overall drop in production of -5.2%. Only eleven out of twenty-eight countries experienced a positive trend, of which only four countries showed double-digit growth in production volumes. In contrast, twelve countries still registered a decline

of more than -5%. If all EU27 countries are taken into consideration, the fall in production was of -5.4%, to 190.4Mt, thus adding to the downward trend of -20.0% from the previous year.

Total 2010 clinker and cement exports from the CEMBUREAU member countries rose by 5.3%, to about 50Mt, whilst imports dropped by -6.7% (to approximately 21Mt). In 2010, clinker represented 19.6% and 20.6% of total export and import flows, respectively.

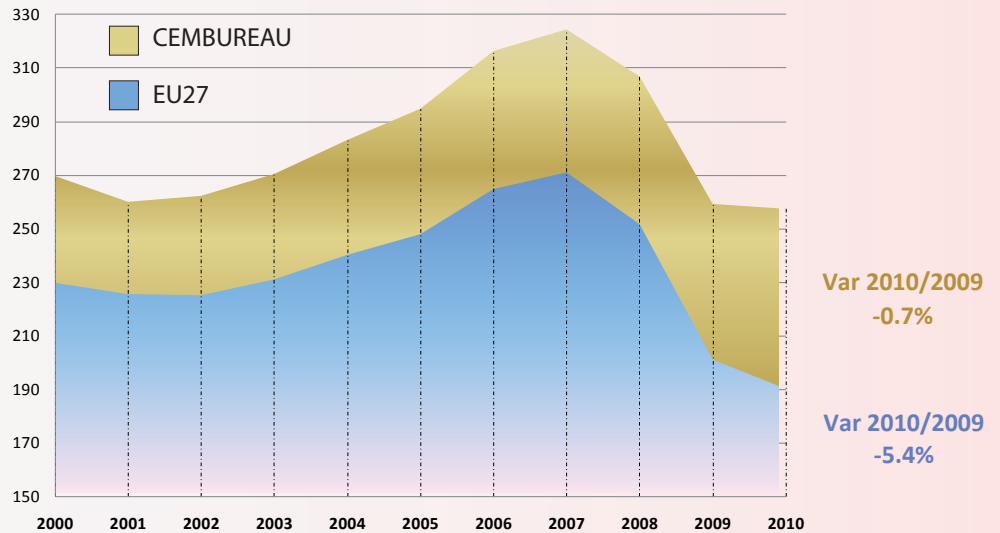
The effects of the economic crisis continued to be felt in the majority of

national markets. Thus, national sales volumes dropped by -3.0% and -7.2% in the CEMBUREAU and EU27 countries respectively.

Domestic demand followed accordingly. As a result of continued worsening of market conditions, cement consumption declined compared to 2009 in the majority of the CEMBUREAU countries, eighteen of which experienced negative growth rates. Eleven countries registered a drop in cement consumption of more than 10% while only four countries experienced double-digit growth in consumption.

Cement production in CEMBUREAU and EU27 countries

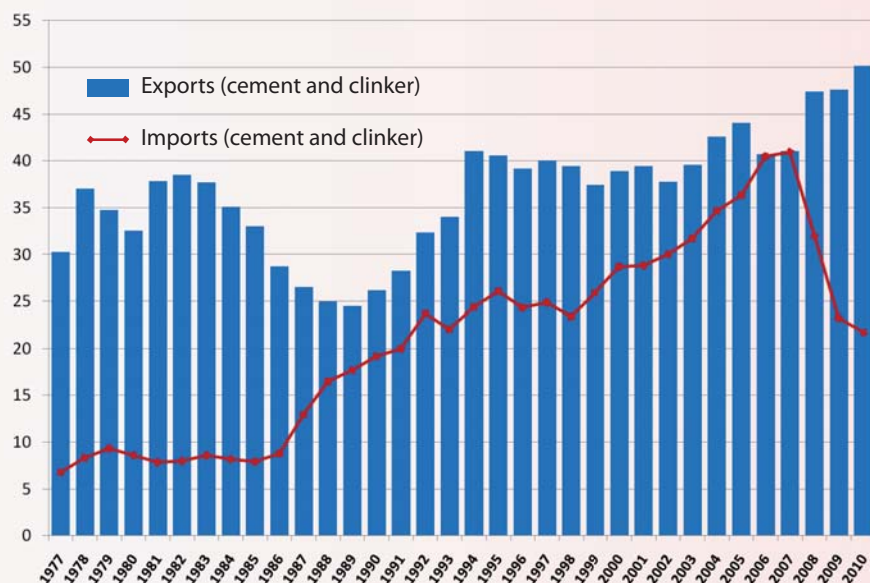
Million tonnes



Note:
Cement production includes cement produced with imported clinker




CEMBUREAU Trade 1977-2010





Million tonnes











Note:
Exports and imports including intra-trade flows between CEMBUREAU countries





Country by country analysis (2010)




Country Cement consumption		
<p>AUSTRIA</p>  <p>-5.4%</p>	<p>Sectors</p>	<p>Cement consumption continued to drop despite international markets starting to recover after the 2009 economic downturn. High orders placed in the building sector before 2009 damped the crisis to a certain extent. However, there was a lack of new investments afterwards. Domestic deliveries dropped by -7.3% to 4.058Mt, although imports rose slightly. Construction output amounted to 13.1 billion Euro, a -4.1% yearly cut. Building and civil engineering decreased by -1.3% and -7.7% respectively, of which residential construction by -0.7%, non-residential construction by -4.7%, and industrial and civil engineering by -3%. Only renovation grew, +2.4%. All civil and underground engineering works were hit (-7.7%), including the bridges and elevated roads (-39.8%), tunnels (-28.4%) and water engineering (-11.8%) sectors. Railway construction was an exception, with an increase of +15.5%.</p> <p>Prospects & external factors</p> <p>The Austrian National Bank expects a slightly improved economic performance from 2011 to 2013 (between +2.1 and +2.3%), as a result of improved inflation rates and income of private households. Nevertheless, consumers will remain cautious. No substantial rise is expected in the building sector due to debt cutting measures by the government and the cautiousness of private investors and consumers. One exception could be the renovation sector due to energy saving measures.</p>
<p>BELGIUM</p>  <p>+4.7%</p>	<p>Sectors</p>	<p>The domestic market increased by some +4.7%. This was mainly due to a rise in imports. This notwithstanding, 2010 was another difficult year for the Belgian building industry due to the economic crisis. Estimations show a fall in overall construction output by -0.6%. Residential construction fell by -1.3% and the commercial sector by -3.3%. Better performance in the renovation sector partly offset the difficulties encountered in the new construction sector. The civil engineering sector was dominated by public contracts and was therefore less subject to economic trends. As a result, positive growth was registered in infrastructure investments (+6.5%).</p> <p>Prospects & external factors</p> <p>2011 is expected to bring with it a recovery in the sector, even if somewhat fragile and dependent on the German economy. Infrastructure programmes scheduled for 2012-2014 might suffer from the current political instability. Cutbacks in public spending for infrastructure are expected in order to limit public debt. A moderate rise in inflation, wages and unemployment is also expected.</p>
<p>BULGARIA</p>  <p>-22.4%</p>	<p>Sectors</p>	<p>A rise in imports resulted in a slump of both volumes and prices. Cement consumption dropped to 2.2Mt whilst the share of imports in national sales increased. A lack of financing by private banks resulted in low levels of private investment in the residential sector. The negative performance of the national economy and high exposure to debt limited public investment.</p> <p>Prospects & external factors</p> <p>In 2011 an improvement of some +6% is expected. Infrastructure projects i.e. the construction of motorways and roads, are perceived to have an impact on demand, which in turn is expected to rise to 2.3Mt. Growing transport costs due to the increase in fuel costs are likely to reduce cement import flows.</p>

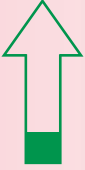



Country Cement consumption		
CROATIA  -21.6%	Sectors Prospects & external factors	<p>Due to a fall in sales (to construction companies, traders and others), total domestic sales slumped by more than 20%. Imports fell by -11% but their market share of total production was even larger than in 2009 (19% compared to 17% in 2009).</p> <p>The forecast is not optimistic in terms of a recovery of the cement market. This is due to the large national external and internal debt, the lack of a consistent programme for economic development, stagnation of GDP, curtailed investments, extremely high and still growing unemployment rate, etc. A fall of -10% in cement consumption could be expected in 2011. The market share of imported cement might further increase.</p>
CZECH REPUBLIC  -9.9%	Sectors Prospects & external factors	<p>In 2010, cement production reached 3.5Mt and cement consumption 3.7Mt resulting, respectively, in a -7.1% and -9.9% yearly drop. Construction output decreased by -8% whilst prices remained constant. Building and civil engineering output fell by -8.4% and -6.7%. A -6.2% decrease was registered in the number of building permits with the value falling to CZK 398.8 billion (-2.2%). The number of dwellings started and completed dwellings dropped by -24.6% and -5.3% respectively. Following a sharp decline by -26.2% in 2009, there was a +5.4% increase in the total value of orders, whilst the number of building orders from construction contractors grew by +15.7%. These were mainly in the fields of transport and energy infrastructure as well as fuel generation and supply.</p> <p>In 2011, cement consumption is expected to slightly grow by +3%.</p>
DENMARK % N/A	Sectors Prospects & external factors	<p>Slowdown of around -18% in 2010 compared to 2009 in all parts of construction and building activity, evenly split between all segments apart from commercial buildings which suffered more than others (-32%). Together with a still sluggish economy, the harsh winter hit the building activity severely in the first quarter.</p> <p>The decline in overall building and construction activity in Denmark is believed to have bottomed out in 2010/2011. 2011 is expected to be still difficult with a flat development. The first signs of positive trends are only expected later on in 2012. New residential and commercial building segments will remain very low, whilst there are slightly positive signs of a recovery in infrastructure projects and maintenance works.</p>
ESTONIA  +6.3%	Sectors Prospects & external factors	<p>The residential and non-residential sectors faced a downturn compared to 2009. At the same time, the renovation and civil engineering sectors performed in line with the previous year. A decline in local markets was compensated, to some extent, by increased exports of construction products, mainly to Scandinavian countries.</p> <p>Total construction output is expected to rise by +10% in 2011, with the civil engineering and residential construction sectors leading the growth. In the non-residential sector, a moderate growth or stabilisation is expected. On 1 January 2011 Estonia joined the eurozone.</p>
FINLAND  +33.3%	Sectors Prospects & external factors	<p>Overall, construction grew by +12.6%. Building and specialised construction activities rose by +17.1% and +14.8% respectively, whereas civil engineering fell by -9.6%.</p> <p>During the 2011/2012 period, a slight growth is expected in the civil engineering and building sectors, whilst there are no new proposals in national legislation that would have either a positive or a negative impact on the sectors.</p>

Country Cement consumption		
FRANCE  -2.9%	Sectors Prospects & external factors	<p>A harsh winter hit the French construction industry, in addition to the last part of the cyclical downturn and weak Q4 volumes. Construction activity declined by -3% in 2010 whilst GDP grew by +1.5%. The building sector declined by -4%, renovation by -1.2% and civil engineering by -1.4%.</p> <p>In 2011, moderate growth is expected for residential construction (+5%) and civil engineering (+2.5%), whilst non-residential and renovation will remain stable (both at 0%). Following the boost in cement consumption in January and February 2011, a gradual recovery in volumes can be foreseen.</p>
GERMANY  -2.6%	Sectors Prospects & external factors	<p>German construction activity in 2010 generally remained at roughly the level of 2009. However, harsh weather conditions in the first and last quarter of 2010 influenced the German construction industry, with negative consequences for cement consumption. The residential sector increased by approximately +7%. The non-residential sector continued to be affected by the results of the economic crisis. Building permits in this sector remained almost at the level of 2009 (-0.7%). Activity in the civil engineering sector remained stable.</p> <p>In 2011, cement consumption is expected to rise by +6%, with the residential construction sector leading the growth. The non-residential sector is expected to profit from the general recovery of the German economy and will have a strong impact on cement consumption. Civil engineering will remain at the level of the previous years with uncertainties regarding its future development.</p>
GREECE % N/A	Sectors Prospects & external factors	<p>According to provisional data from the Statistical Authority, 2010 construction volumes declined by approximately -26% and the private sector by about -25%. Cement consumption is expected to follow the trend.</p> <p>Similarly unfavourable conditions are expected in the immediate future.</p>
HUNGARY  -21.9%	Sectors Prospects & external factors	<p>The declining trend in construction continued in 2010 and the volume of construction activity was 10.1% lower compared to the previous year. Output from both buildings and civil engineering works declined (-5.2% and -15.2% respectively). The building sector was largely influenced by a considerable fall in the construction of residential housing (-35%). Civil engineering works dropped mainly as a result of a drop in output of around a third from contractors dealing with road construction.</p> <p>Cement consumption is expected to remain at its 2010 levels.</p>
IRELAND  -25.8%	Sectors Prospects & external factors	<p>Overall, construction output fell sharply, by -30%. The building sector decreased by -34% as a result of a -39% and -30% fall in residential and non-residential building, respectively. Civil engineering dropped by -21%.</p> <p>Construction output is forecast to fall once again in 2011. This will lead to a further decline in cement consumption, although it is likely to be less than in 2010. Reductions in both government expenditure and private investment will continue to have an impact on total construction output and cement consumption in 2011.</p>

Country Cement consumption		
<p>ITALY</p>  <p>-6.0%</p>	<p>Sectors</p> <p>Prospects & external factors</p>	<p>2010 provisional estimates, by type of construction activity, show a decrease which peaks at -9.7% for non-residential activities, -4.6% for residential construction, and -4.8% for civil engineering.</p> <p>Italian cement consumption forecast for 2011 assumes a substantial stabilisation with regard to 2010. Cement consumption is expected to grow by +0.4%.</p>
<p>LATVIA</p>  <p>-6.2%</p>	<p>Sectors</p> <p>Prospects & external factors</p>	<p>The residential sector declined by -29% compared to 2009 due to delayed economic recovery, high unemployment and low household disposable income. The non-residential sector was heavily hit (-21%) by the worsening business climate, lower demand, excess capacity and business shutdowns. EU funds and governmental projects prevailed in the civil engineering sector which, due to high governmental and local budgetary constraints, dropped by -18%.</p> <p>Cement consumption in 2011 is expected to stabilise and further growth is foreseen in the mid-term future. The residential and civil engineering sectors are expected to grow by +10% and +5% respectively, due to renewed lending by banks, the need for quality housing and activation of delayed governmental projects. The non-residential sector is expected to drop by -8% given the excess capacity in terms of office space, warehouse space and hotels, combined with a drop in demand due to a decline in retail turnover.</p>
<p>LITHUANIA</p>  <p>+10.6%</p>	<p>Sectors</p> <p>Prospects & external factors</p>	<p>The economy showed some relaxation of fiscal tightening, but the risk of inflation is rising. Capital spending remained at 2009 levels (-40% compared to 2008). The retail trade sector performed negatively until the third quarter. The construction sector grew by +7% in the second half, mainly due to investments in infrastructure, whilst the residential construction sector stalled. The number of apartments built fell by -61% compared to 2009. The housing sector started to recover after reaching minimum levels. New large housing projects started up, mainly in Vilnius, whilst the market remained low elsewhere. Housing prices did not change since hitting rock bottom in June 2010.</p> <p>A GDP growth of +4% and +4.5% is forecast for 2011 and 2012 respectively.</p>
<p>LUXEMBOURG</p>  <p>-15.5%</p>	<p>Sectors</p> <p>Prospects & external factors</p>	<p>An overall growth of GDP by +3.5% was recorded in 2010. The construction sector in general performed slightly below the previous year with a negative impact on cement consumption. No reliable data is available regarding sub sectoral performance.</p> <p>GDP growth of +3% is expected in 2011. Important civil engineering projects will be coming to an end that year. The construction sector's activity is therefore expected to remain, at best, at the level of the previous year.</p>

Country Cement consumption		
<p>NETHERLANDS</p>  <p>-11%</p>	<p>Sectors</p> <p>Prospects & external factors</p>	<p>A -10% drop down in overall construction sector output was registered in 2010. The total construction output for new buildings decreased by nearly -15%. The new residential sector dropped by -16%, new non-residential sector by -17% and civil engineering by -8%.</p> <p>2011 cement consumption is expected to increase by a maximum of +2%, mainly due to expected growth in residential construction (+5%). The non-residential sector will not yet benefit from economic growth, whilst transport and storage facilities will improve due to an increase in world exports. The overall economy will slowly benefit from stronger economic growth in Germany.</p>
<p>NORWAY</p>  <p>+4.6%</p>	<p>Sectors</p> <p>Prospects & external factors</p>	<p>Cement consumption in 2010 increased by approximately +5%, influenced by the beginning of an economic recovery. Estimates indicate that the increase in total construction output was +4%. The non-residential construction sector was hard hit by the economic downturn. In 2010, however, it increased approximately by +14%. There was a moderate increase in the residential sector, and activity in the civil engineering sector remained stable.</p> <p>Cement consumption is expected to continue to grow in 2011. A +5% growth in total construction output is forecast. Strong growth is expected within the residential construction sector, a moderate increase within civil engineering and a small decrease is expected in the non-residential sector.</p>
<p>POLAND</p>  <p>+2.0%</p>	<p>Sectors</p> <p>Prospects & external factors</p>	<p>2010 ended with quite good indexes. GDP growth attained 3.8% with the highest tendency in fourth quarter amounting to +4.2%. Unfortunately, a growth in the deficit of public finance was observed. After a small growth in the construction sector in 2010, which led to +2% growth in cement demand, expectations are for a stable, positive trend in 2011.</p> <p>In 2011, growth in GDP is expected to be similar to that of 2010 (+3.7%). Positive demand trends may lead to a growth in cement consumption of +6%. This should be mainly in infrastructure construction, primarily in road construction works related to EURO 2012. Higher expenses destined for the modernisation of the railways are also foreseen. Following a stagnant two years, it appears that there will be slight growth in housing construction. Over recent months the quantity of construction permits for housing rose, as well as the volume of construction works which have been started.</p>
<p>PORTUGAL</p>  <p>-5.9%</p>	<p>Sectors</p> <p>Prospects & external factors</p>	<p>The GDP growth attained an estimated +1.4% in 2010. At the end of the year, a significant slowdown in economic activity (in year-on-year terms) was registered. There is a deceleration in all domestic demand components, especially private consumption, as a result of the revision of the expectations of economic operators after the announcement of the measures for the 2011 State Budget, as well as a continued deterioration of labour market conditions. Overall, the construction sector fell by -6.5%, resulting in a drop in the residential and non-residential building sector (-15% and -4.9% respectively), and civil engineering (-1%).</p> <p>GDP is expected to fall by -1.4% in 2011. Construction activity is expected to fall by -5% in 2011, of which civil engineering by -3%. Public projects in the non-residential sector are expected to remain flat (0%) and a drop of -8% is expected for residential buildings and private projects linked to non-residential buildings. This is due to tighter financial conditions and the additional consolidation measures needed to meet demanding fiscal targets in the years to come. The measures which aim to reduce public spending include the suspension of some public works projects. Cement consumption is expected to fall by approximately -8%.</p>

Country Cement consumption		
<p>ROMANIA</p>  <p>-11.9%</p>	<p>Sectors</p> <p>Prospects & external factors</p>	<p>In 2010, both cement production and consumption decreased by -12%, adding to a drop in 2009 production of -27%. The volume of construction works decreased in residential buildings (-35.7%), non-residential buildings (-13.6%) and civil engineering (-3.1%). A drop in new construction works (-18.9%), capital repair works (-4.1%) and maintenance and repair (-0.4%) was also recorded.</p> <p>The non-implementation of the expected infrastructure investment programme by the government (worth 10 billion Euro) was a major cause of the negative performance in the construction products market. Provided that the expected infrastructure projects start up, it is estimated that the 2011 cement market will remain more or less at 2010 levels. Otherwise, a slight decrease of -2% to -5% is possible.</p>
<p>SLOVENIA</p>  <p>-12.4%</p>	<p>Sectors</p> <p>Prospects & external factors</p>	<p>A +1.2% increase in GDP was recorded in 2010, mainly driven by an increase in exports. GDP growth was, however, lower than the EU average. The construction industry once again showed the worst results with a -17% fall in comparison to the previous year. The major obstacles were the lack of orders, payment delays and high levels of debt. Housing construction registered the highest decline (-36%), although its share of overall construction is just 8%. The lowest fall of -7% was in the non-residential sector, due to a large sports park project. Civil engineering, with a share of more than 50% of construction, decreased by -19%, and was mostly financed by public funds.</p> <p>The economy is expected to grow by +2.2% in 2011. The possibility of faster recovery is, however, hindered by low competitiveness, an aggravated financial environment and a worsening public financial situation. According to the estimates the crisis in the construction sector will continue and a further decrease of -5% to -7% is expected. A -3% drop in cement consumption will follow, due to lack of large infrastructure projects.</p>
<p>SPAIN</p>  <p>-15.2%</p>	<p>Sectors</p> <p>Prospects & external factors</p>	<p>The economic crisis provoked high unemployment rates and credit restrictions, factors that affected both consumers and construction enterprises. A low absorption capacity of housing supply by demand was a result of the high unemployment rate (20.3% i.e. 4.7 million unemployed), decreased occupation rate (-1.3% over 2009) and restricted access to credit. The oversupply resulted in a decrease of both prices and potential profits. The restricted access to credit meant that several enterprises went bankrupt and activity was restricted as demonstrated by the reduction of professional board certifications of buildings (-16% compared to 2009).</p> <p>In the building industry there was a fall in National, Regional and Local public demand and investment in civil works, in addition to a reduction of public civil engineering works put out for tender (-32%) and a delay in the completion of civil engineering works. The Spanish government's special investment plan for building construction ended and no new stimulus plan was developed. The government cut housing subsidies i.e. tax reductions for house purchases and for annual mortgage payments. This resulted in a -12.8% fall in employment in the building sector in 2010.</p> <p>An additional fall in cement consumption is expected for 2011, although to a lesser extent than in 2010.</p>

Country Cement consumption		
<p>SWEDEN</p>  <p>+10.1%</p>	<p>Sectors</p>	<p>Cement consumption increased by some +10%, mainly due to a recovery from the global economic downturn of 2009. Overall, construction output rose by +3% and the residential sector developed positively after several years of negative performance. New residential constructions were up from 16.000 to 25.000 units. Non-residential construction fell by -4% and civil engineering also showed a slightly negative trend.</p> <p>Prospects & external factors</p> <p>In 2011, cement consumption is expected to grow. Total construction output is estimated to improve to +5%, resulting from continued improvements in the residential sector. A growth in both non-residential and civil engineering sectors is foreseen.</p>
<p>SWITZERLAND</p>  <p>+5.9%</p>	<p>Sectors</p>	<p>The total construction volume, of which infrastructure accounts for 22% and housing and office buildings for 78%, increased by some +7% to +8%. A relatively strong increase in the renovation and maintenance sector was registered.</p> <p>Prospects & external factors</p> <p>In 2011, construction volumes will probably remain the same as in 2010, whilst for 2012 a slight decrease is expected.</p>
<p>TURKEY</p>  <p>+16.0%</p>	<p>Sectors</p>	<p>In 2010, the construction industry started to grow and compensate for the losses of 2009. Positive developments were encountered mainly in building construction and partly in infrastructure projects. Overall, the sector grew by +17% and became the sector which registered the highest growth of the economy, accounting for 5.7% of GDP. The Turkish cement industry performed equally well, with an increase in cement production and consumption of +11% (62.7Mt) and +16% (47.7Mt) respectively. 24% of production was exported, 15.06Mt of which was cement and 2.7Mt clinker. A -3.74% drop in exports volumes was due to a shrinking of export markets and intense competition. However, new deals prevented higher falls.</p> <p>Prospects & external factors</p> <p>The cement industry is expected to grow by +6 to +8%, and this growth will be fuelled by the construction industry. Key factors for growth in cement consumption will be ongoing energy and motorway infrastructure investments.</p>
<p>UNITED KINGDOM</p>  <p>+3.7%</p>	<p>Sectors</p>	<p>Total construction output increased by +6.5% in 2010, but this followed a -11.4% fall in 2009 and a -1.1% fall in 2008. The +6.5% increase is comprised of a +13.7% increase in total new works, balanced by a fall of -5.2% in repair, maintenance and improvement. The largest positive new projects came from public non-housing (33%), private infrastructure (20.4%) and housing (19.2%). The private industrial sector rose by +13.2% but the private commercial sector fell by -0.7%.</p> <p>Prospects & external factors</p> <p>Due to national austerity measures, and the consequently large reductions in public spending, total construction output is expected to fall by -2% in 2011, and then a further -0.7% in 2012. Cement volumes are expected to follow the same trend. Looking further ahead, cement sales should be bolstered by the construction of wind farms and, somewhat controversially, nuclear power stations, in order to meet increasing electricity demands.</p>

Evolution of cement consumption in CEMBUREAU countries

% Var 2010/2009



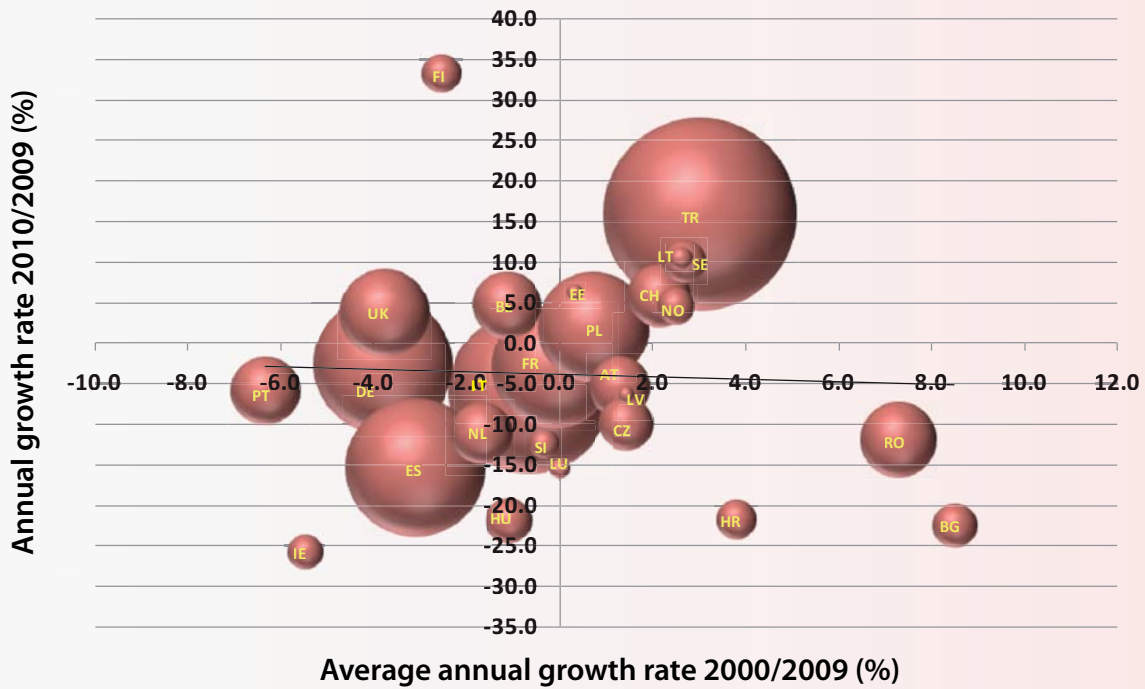
n.a.: not available

Cement consumption (Ktonnes)

Quantities Kt	2010/2009 %	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Austria*	-5.4	4 771	5 042	5 941	5 741	5 583	5 324	4 620	4 536	4 634	4 434	4 495
Belgium	4.7	5 784	5 523	6 027	5 945	6 039	5 795	5 741	5 458	5 515	5 725	6 125
Bulgaria	-22.4	2 364	3 046	4 820	4 252	3 718	3 100	2 400	1 960	1 632	1 453	1 464
Croatia	-21.6	1 883	2 403	3 032	3 063	2 859	2 593	2 676	2 566	2 156	1 840	1 720
Czech Republic	-9.9	3 687	4 092	5 183	5 147	4 812	4 417	4 518	4 047	3 686	3 614	3 610
Denmark	n.a.	n.a.	1 601	1 854	1 861	1 800	1 647	1 596	1 522	1 593	1 500	1 562
Estonia	6.3	269	253	456	659	626	510	420	375	325	263	246
Finland	33.3	1 800	1 350	1 911	2 042	1 890	1 712	1 667	1 595	1 557	1 608	1 704
France	-2.9	19 785	20 381	24 116	24 803	24 092	22 515	21 936	20 678	20 727	20 661	20 633
Germany	-2.6	24 600	25 256	27 591	27 352	28 920	27 042	29 120	29 973	28 921	31 179	35 782
Greece	n.a.	n.a.	7 871	10 239	11 034	11 626	10 090	10 631	11 154	10 642	9 535	9 073
Hungary	-21.9	2 517	3 221	4 008	4 000	4 288	4 152	4 014	4 004	3 836	3 525	3 562
Ireland	-25.8	1 410	1 899	3 535	4 806	4 700	4 596	4 477	3 400	3 080	3 165	3 155
Italy	-6.0	33 926	36 086	41 814	46 368	46 880	46 052	46 358	43 482	41 269	39 469	38 338
Latvia	-6.2	290	309	585	895	769	600	442	348	331	283	272
Lithuania	10.6	597	540	994	1 050	1 004	802	682	592	500	424	429
Luxembourg	-15.5	449	531	594	591	572	538	553	544	552	541	532
Netherlands	-11.0	4 760	5 350	6 185	5 895	5 775	5 376	5 230	5 160	5 400	5 750	6 250
Norway	4.6	1 660	1 587	1 991	2 040	1 807	1 757	1 485	1 283	1 257	1 240	1 272
Poland	2.0	15 632	15 325	17 120	16 762	14 507	12 156	11 479	11 130	11 332	11 483	14 360
Portugal	-5.9	5 803	6 165	7 324	7 823	7 835	8 735	9 200	9 250	10 800	11 330	11 110
Romania	-11.9	7 133	8 100	11 126	9 776	7 916	6 304	5 726	4 926	4 780	4 319	4 304
Slovenia	-12.4	1 050	1 199	1 569	1 613	1 408	1 351	1 260	1 339	1 160	1 177	1 237
Spain	-15.2	24 507	28 913	42 696	55 997	55 896	50 530	48 006	46 223	44 120	42 151	38 439
Sweden	10.1	2 142	1 945	2 505	2 349	2 133	1 894	1 727	1 622	1 571	1 625	1 534
Switzerland	5.9	4 965	4 689	4 629	4 549	4 556	4 563	4 187	3 958	4 013	4 173	3 881
Turkey	16.0	47 720	41 150	40 574	42 456	41 648	35 083	30 671	28 106	26 812	25 082	31 515
United Kingdom	3.7	9 810	9 458	12 428	14 426	13 833	13 711	13 868	13 514	13 240	13 100	13 360
CEMBUREAU		n.a.	243 286	290 846	313 295	307 493	282 945	274 690	262 745	255 441	250 649	259 964
Cyprus	-8.4	1 319	1 440	1 970	1 792	1 629	1 592	1 608	1 305	1 203	1 057	945
Malta	-13.6	285	330	377	359	393	334	280	273	276	261	252
Slovak Republic	5.4	1 897	1 800	2 565	2 502	2 320	2 274	1 913	1 783	1 760	1 671	1 684
EU27		n.a.	197 027	245 532	265 840	260 965	243 149	239 472	230 193	224 442	221 303	224 457

* For Austria, 2005 is not comparable with 2004, due to different calculation methods
n.a.: not available

Dynamics in CEMBUREAU cement consumption

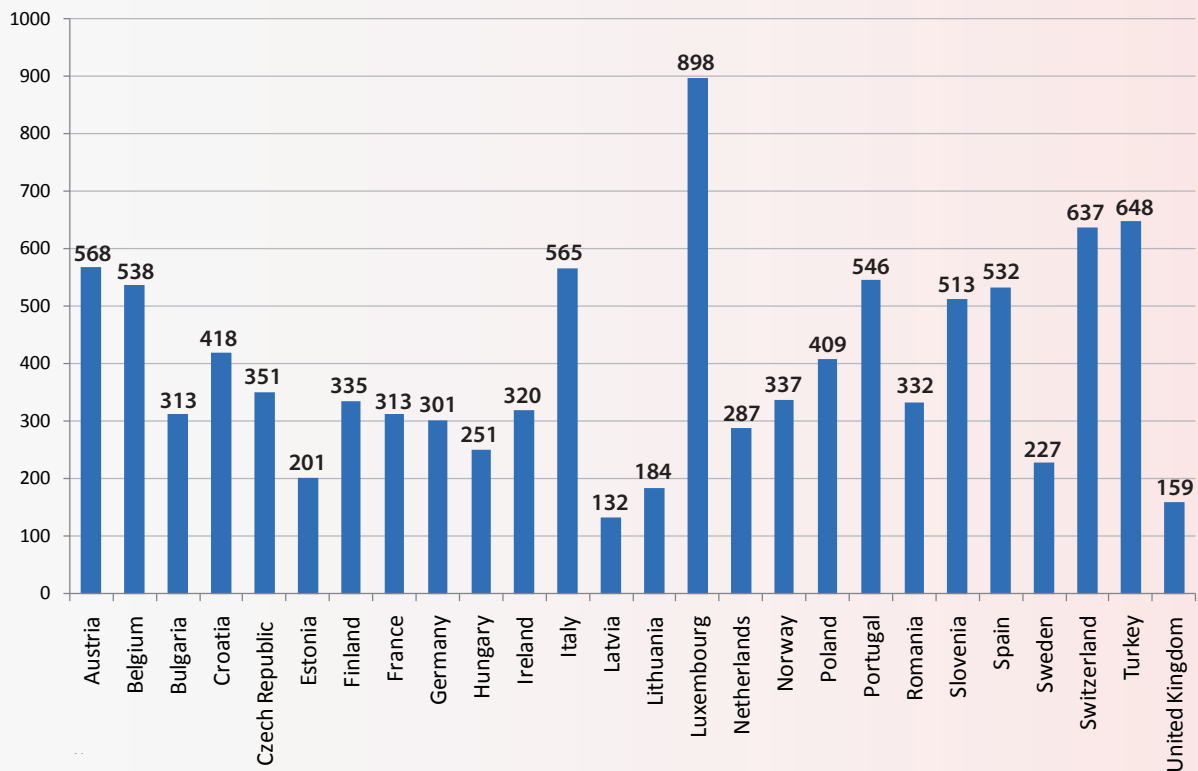


a) Figures 2010 for Denmark & Greece not available

b) Size of bubbles displays the relative weight of countries on total CEMBUREAU consumption in 2010

Per Capita cement consumption in CEMBUREAU countries

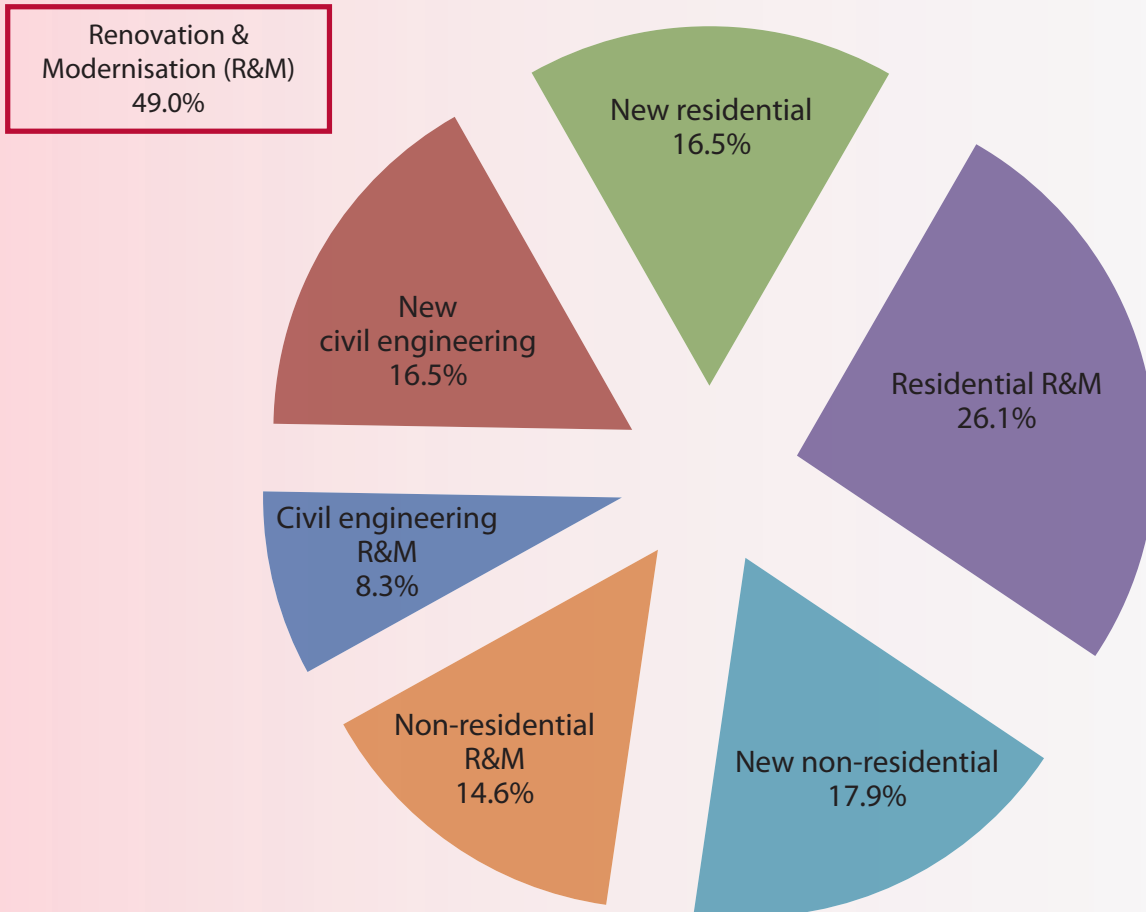
2010 - kg



Note: Denmark & Greece not available

Construction in Europe* - Main activities 2010

Billion euro: 1 312,-



* EU27 countries (excl. CY, GR, LU & MT) plus Norway and Switzerland

Source: EUROCONSTRUCT, VTT, Buildecon

CONTACTS WITH EU INSTITUTIONS

In addition to the regular contacts which form part of CEMBUREAU's advocacy activities – in 2010 especially with DG Climate Action (DG CLIMA) in relation to the Emission Trading Scheme (ETS) implementation - some special contacts took place in 2010 which deserve to be highlighted.

The year 2010 was inaugurated by a meeting, on 5 January with Vicente Leoz Argüelles, Head of the Construction Unit in DG Enterprise (DG ENTR) at which the Dundee University Project on a key indicator for the sustainable use of natural resources was presented and discussed. Throughout the year good contacts were maintained with the Construction Unit in relation to the Construction Products Regulation (CPR) progress before the European institutions as well as on standards.

In June 2010, a very constructive meeting was held with the future Belgian Presidency of the EU, as part of the CEMBUREAU's "Meet the Presidencies Programme". The Belgian Presidency was an unmitigated success.

The same month a contact with the recently appointed Commissioner for DG CLIMA, Connie Hedegaard, took place where the move unilaterally envisaged by the EU from a minus 20% to a minus 30% target for 2020 was discussed by CEMBUREAU and other Members of the Alliance for a Competitive European Industry (ACEI) who expressed their concerns.

In the second half of the year, CEMBUREAU had the opportunity to work closely with Commissioner and Commission Vice President Antonio Tajani's Cabinet and with DG ENTR in relation to the ETS benchmark and allocation rules as well as the Raw Materials Initiative (COM [2011] 25 of 2.2.2011 EC Communication "Tackling the challenge in commodity markets and on raw materials").

In November 2010, CEMBUREAU took part in the launch of the European Construction Forum (ECF) Manifesto "Building Prosperity for the Future of Europe", in the conception and drafting of which CEMBUREAU was involved.

The Manifesto was well received by the numerous Members of the European Parliament (MEPs) who took part in the event, and should open the door for more action in 2011 and beyond.

Throughout the year, CEMBUREAU also participated in several Partner Expert Groups (PEGs) with experts from ECHA (the European Chemicals Agency), the European Commission, Member States and other industry sectors which provide input to ECHA for the REACH Guidance Documents.

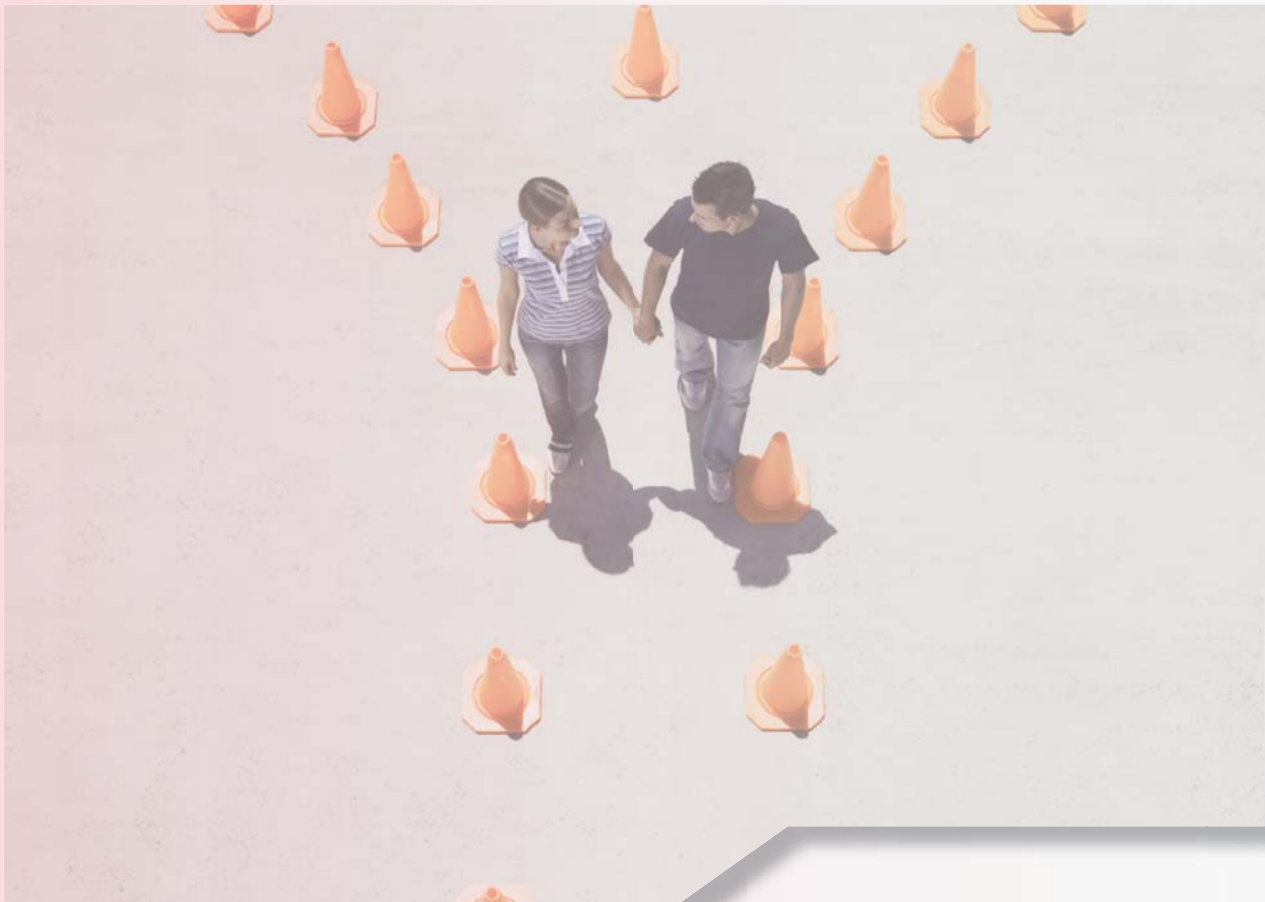


In February 2010, the newly appointed Barroso 2 Commission started its 5 year mandate and this was the occasion to inaugurate the new portfolio for DG CLIMA held by Ms. Connie Hedegaard and the corresponding DG headed by Director General Jos Delbeke.

CEMBUREAU, like its sister associations in other sectors of industry, had to learn to work with the new DG in a context where the boundaries with DG Environment and DG CLIMA were not always clearly drawn.

Meetings were also organised in the context of the bilateral discussions between CEMBUREAU and cement companies, on the one hand, and DG CLIMA, on the other hand, including an exchange with Director General Delbeke. Points of views were sometimes at odds but the discussion was always frank and open. Some common grounds were identified such as, for example, the need for a distinct benchmark for white cement clinker and the historical baseline years.

CEMBUREAU is confident that a fruitful dialogue will be maintained along the long way to full ETS implementation.



WORKING WITH ALLIANCES

CEMBUREAU is a key player in the mostly Brussels based scene of European Trade Associations. CEMBUREAU interacts regularly with a number of these associations, often joining forces in order to achieve a common goal.

The **ECP (European Concrete Platform)** is a European association incorporated as a non-profit association under Belgian law. With its membership comprising BIBM (European Federation for Precast Concrete), CEMBUREAU, EFCA (European Federation of Concrete Admixtures Associations), ERMCO (European Ready Mixed Concrete Organisation) and UEPG (European Aggregates Association), the ECP covers concrete related issues, including the energy performance of buildings (Directive 2010/31/EC of 19 May 2010 – OJ L 153/13, 18.6.2010), fire safety and Eurocodes. In addition, the ECP remained an active member of the European Construction Forum. UEPG suspended its membership at the end of 2010.

There are two task forces set up under ECP. The Task Force Fire Safety focuses on Fire Safety Engineering (FSE) and Eurocodes and the TF HEH (Health Environment and Hygiene) is working on the implementation of the Regulation (EC) No 1272/2008 of 16 December 2008 on Classification, Labelling and Packaging of substances and mixtures (CLP) and REACH, regulated dangerous substances, including the Revision of the Basic Safety Standard Directive, and the Construction Products Regulation.

As a Sustainable Energy Europe Campaign Associate, the ECP devoted a session during the 2010 EU Sustainable Energy Week to launching to the outcomes of the **Common Language for Sustainable Construction** Project. This joint project between the Architects Council of Europe (ACE) and the European Concrete Platform (ECP) aims to ensure a common understanding of the terminology used

within the framework of sustainable construction. The final tool is now available for use by the construction sector, by policy-makers at national and European levels and for communication, educational and training purposes within the sectors directly concerned. In addition, a joint conference entitled “Do you speak sustainable construction?” was held in Brussels in May, bringing together all relevant stakeholders to discuss this important topic. The European Economic and Social Committee (EESC) also recognised the value of this project. Thus, during the second half of the year, translation of this tool into all the official EU languages was undertaken by the EESC.

CEMBUREAU, BUSINESSEUROPE and some sectoral organisations form part of the **ACEI (Alliance for a Competitive European Industry)**. ACEI work concentrates on the Impact Assessment of EU policies and regulations and, more broadly, on better regulation. Actions in these fields continued in 2010, focusing especially on quality of impact assessment and targeting CO₂ reductions at EU level to 2020 and 2050. A meeting in the ACEI context with Commissioner Hedegaard was devoted to the overall reduction target at which industry explained its concerns over a move to minus 30% restriction target for 2020.

BUSINESSEUROPE is the Confederation of National Employers Federations throughout Europe.

CEMBUREAU remained active in several of its working groups throughout the year, including the Climate Change Working Group as well as its Environment Working Group, Integrated Pollution Prevention and Control (IPPC) Working Group, Waste Task Force, REACH Implementation Network, NO_x/SO₂ Trading Schemes Task Force and its task force on Sustainable Consumption and Production.

The **AEII (Alliance of Energy Intensive Industries)**, representing alloys, cement, ceramics, chemical, chlor alkali, expanded clay, glass, iron and steel, lime, non-ferrous metals, paper and refinery industries remained very active in 2010. Efforts continued to focus on the Emissions Trading Directive (ETD) so as to ensure that the voice of the Energy Intensive Industries was heard in relation to allowances allocation (cap setting, linear factor, benchmark and allocations rules, and compensation for indirect effect) and the debate on the EU target for 2020 and 2050.

The **IPPC Alliance**, representing the same sectors as above, worked intensively on air quality issues. The Alliance strongly advocated before the European Parliament and Council to maintain the flexibility as well as the integrated approach for the setting of emission limit values in the Industrial Emissions Directive (IED). The sectors also joined forces in opposing the introduction of an emissions trading scheme for NO_x and SO₂. Both outcomes were successful.

CEMBUREAU's participation in the **NEEIP (Non-Energy Extractive Industry Panel)** was pursued in 2010 in the context of access by European industry to raw materials, the sustainable use of natural resources and biodiversity. As in previous years, NEEIP papers have proved authoritative and proved especially useful in the context of the European Commission's Raw Materials Initiative.

Eucopro (the European Association for Co-processing) is another CEMBUREAU partner on the European scene and cooperation has continued, especially in relation to the work on the IED and preparatory work for revision of the Waste Treatment Best Available Techniques Reference Document (BREF), the Thematic Strategy on Prevention and Recycling of waste, and the implementation of the Waste Framework

Directive (2008/98/EC of 19 November 2008 – OJ L 312/2, 22.11.2008.

CEMBUREAU Technical Director is an advisory Member of the Eucopro Board.

In 2010, the **REACH Alliance**, grouping together several "inorganic sectors" and which was formed in 2005 to address the formidable challenge of REACH (Regulation [EC] 1907/2006 of 18 December 2006 – OJ L 391/1, 30.12.2006), focused mainly on helping to provide solutions for the many issues which companies were facing for the registration of the substances produced and imported in the highest volume band (more than 1,000 tonnes per year) and on the REACH Guidance Documents which were either drafted or updated by the European Chemicals Agency (ECHA).

CEMBUREAU contributed to the work of **Waste Recovery Industry Chain (WRIC)**, an alliance of industry sectors put in place to deal with the specific challenges which the recycling industries face in relation to REACH. WRIC is, amongst others, working on Safety Data Sheet (SDS) for recovered substances by contributing to the ECHA Guidance Document on SDS and the practical implementation of the exemption from registration for recovered substances.

CEMBUREAU is a Member of NEPSI, the multi-sectoral negotiation platform on respirable Crystalline Silica (European Network for Crystalline Silica) which is monitoring the application of the European Social Dialogue Agreement (ESDA) on respirable Crystalline Silica (OJ C 279/2, 17.11.2006). CEMBUREAU is represented on the NEPSI Council where employers and employees have equal representation. In June 2010, the NEPSI Council adopted its second Summary Report on the

status of application of the European Social Dialogue "Agreement on workers' health protection through the good handling and use of crystalline silica and products containing it" within each signatory sector. The data was collected and consolidated for the second time through the online reporting system. CEMBUREAU actively contributed showing a clear progress compared to an already good compliance record in 2008.

In the construction industry, CEMBUREAU remained a faithful participant in the **ECF (European Construction Forum)**, where all the industries operating in the field of construction and the trade union representing workers in the construction sector get together. Energy efficiency in buildings remains an item of priority for the ECF as well as coordination on construction within the European Commission policies and regulations. In November 2010, the ECF launched its **Manifesto entitled "Building Prosperity for the Future of Europe"** at an event in the European Parliament.

The close cooperation with **CEPMC (Council of European Producers of Materials for Construction)** was maintained, especially in the context of contacts with the European Commission's Directorate General

Enterprise Construction Unit and in relation to the revision of the Construction Products Directive (89/106/EC of 21 December 1988 – OJ L 40/12, 11.2.1989) which will now be transformed into the "Construction Products Regulation". In addition, focus was given to the various pieces of legislation under the Sustainable Consumption and Production package, including the Eco-Design Directive (2009/125/EC of 21 October 2009 – OJ L 285/10, 31.10.2009).

CEPMC and CEMBUREAU also continued in 2010 their work together in relation to CEN/TC 350 Sustainable Construction.

Members of the CEMBUREAU staff directly engaged in advocacy with the European Institutions remain Members of **SEAP (Society of European Affairs Professionals)** and are bound by the SEAP Code of Conduct. CEMBUREAU has maintained its cooperation with **FAIB (Federation of European and International Associations, established in Belgium)**, of which CEMBUREAU is a Member.

Momentum on the **EMD (European Minerals Day initiative)** was also maintained. Working together with the industrial minerals sector (IMA-Europe), the European aggregates sector (UEPG), and the European Landowners Organisation (ELO) in the organisation of the European Minerals Day, particular attention was paid to the issue of biodiversity and highlighting the good work which is being undertaken by the members of the various associations. In this regard, an exhibition stand was obtained both during the 2011 Green Week and the high-level conference, under the Belgian Presidency, "Biodiversity post-2010 - biodiversity in a changing world".



CEMBUREAU MAIN ISSUES

CLIMATE CHANGE

Under the Emissions Trading Directive (ETD, 2003/87/EC of 13 October 2003 – OJ L 275/32, 25.10.2003) which was revised in 2009 (2009/29/EC of 23 April 2009 – OJ L 140, 5.6.2009) to address the post 2012 period, sectors which are found to be at a significant risk of carbon leakage are entitled to receive free allocation of CO₂ allowances.

The European cement industry was officially recognised as vulnerable to carbon leakage as the increase of its product cost resulting directly and indirectly – through electricity prices – from the Emissions Trading Scheme (ETS) is estimated at 45.5% of GVA thus meeting the threshold of 30% GVA set by the ETD.

ETD provides that 100% of the allowances will be allocated for free. 100%, however, must be understood in the context of the ETS, not as the total requirement but as a volume of CO₂ emissions calculated on the basis of two factors: a benchmark equal to the average emission of the 10% best performing installations in 2007-2008 and a volume of production to be defined, as the benchmark also is, by comitology.

At the beginning of 2010, the European Commission newly created Climate Action DG (DG CLIMA) warned sectors vulnerable to carbon leakage that the calculations would be based on verified Community Independent Transaction Log (CITL) data. Working in a remarkably short period of time, CEMBUREAU was able to check the CITL data for grey cement clinker and have it verified by independent verifiers. Specific data for white cement clinker were also provided.

On 14-15 December 2010, the Climate Change Committee, composed of the Member States and the European Commission, reached agreement on a decision on benchmarks and allocation rules.

The benchmark for grey cement clinker is set at 766 kg CO₂ per tonne of clinker. This poses a considerable challenge to the European cement industry as, in 2007-2008, the average CO₂ emissions reached 858 kg CO₂ per tonne of grey cement clinker. There was, however, no possible deviation from the purely mathematical average production of the 10% best

In order to calculate the level of free allocation, the benchmark has to be multiplied by a given production volume. A debate took place with the European Commission between DG CLIMA, which wanted to include recession years 2009 and 2010 in the calculation, and DG Enterprise (DG ENTR). The latter was successful and, quite logically, the production that will be taken into account is the median of the production from 1 January 2005 to 31 December 2008 or, where higher, 1 January 2009 to 31 December 2010, thus avoiding placing the industries concerned into a straitjacket.



Last minute changes occurred in the comitology debate regarding other aspects of the allocation rules. Not only do these rules ignore the issue of capacity rationalisation (i.e. transfer of capacity from one installation to a more efficient one) but they may penalise capacity extension coming on stream in the first two periods of the ETS as well as those planned in the future. At the very end of the year, CEMBUREAU was preparing to

performing installations proposed by ETD even though the 10% best performers were clearly installations with a higher than average rate of biomass use. On the positive side, the proposal from DG CLIMA to lower the benchmark below the 766 kg based on an arbitrary substitution potential of clinker in cement was rejected.

Discussions also proved difficult to obtain a distinct benchmark for white cement clinker which was finally recognised, as advocated by CEMBUREAU, as a distinct product to which a benchmark of 987 kg CO₂ per tonne of clinker will apply.

engage into a heated debate on this point in the context of the Guidance Document to be prepared by the European Commission.

CO₂ REDUCTION TARGETS FOR 2020 AND 2050

In spite of the disheartening future at COP(15) in Copenhagen at the end of 2009 and little progress made with other nations in Cancún in December 2010, the European Commission's DG CLIMA maintains that the EU should unilaterally increase its reduction objective from minus 20% – the current target – to minus 30%. In mid 2010, the European

Commission's Communication on 2020 (A European strategy for smart, sustainable and inclusive growth - COM(2010) 2020 final, 3 March 2010) had to water down its ambition in that respect. It was indicated in passing that a border adjustment mechanism (probably the inclusion of importers in the ETS) might then be needed in a limited number of sectors such as steel and cement. The idea of moving to minus 30% was, however, not abandoned, combined with an 80% reduction target in the EU by 2050.

Virtually all industries subject to the ETS opposed changing the target for 2020 as it would upset investment plans already in place to achieve the overall minus 20% goal. CEMBUREAU and most energy intensive industries also oppose setting aside allowances (as proposed in the European Commission Communication "A Roadmap for moving to a competitive low carbon economy in 2050" COM(2011)112 of 8 March 2011) to increase the CO₂ price in the ETS market, as once a market based instrument (MBI) is in place, the market should be left to work without being tampered with.

There was less unanimity regarding the 2050 target. CEMBUREAU, which is well aware of the International Energy Agency's (IEA) roadmap for the cement industry that was presented to the European Parliament in 2010, takes the view that the approach proposed by Commissioner Hedegaard is unrealistic because no sufficient account is taken of technologies available, of the financial resources required and of world competition.

Conditionality must be maintained to a multilateral agreement on climate change in which clear reduction commitments would be made by a critical mass of the world economies.

NO_x & SO₂ TRADING

In spite of the clear opposition of many stakeholders, the European Commission commissioned two studies with ENTEC UK Ltd, one (ENTEC 1, Assessment of the possible development of an EU-wide NO_x and SO₂ trading scheme for IPPC installations, June 2010) dealing with the basic assessment of the main environmental, economic and social impacts of an emission trading system for NO_x & SO₂ applied to Integrated Pollution Prevention and Control (IPPC) installations in the EU, the other (ENTEC 2, Economic analysis to support an Impact Assessment of the possible establishment of EU-wide emissions trading of NO_x and/or SO₂, December 2010) with the macro-economic impact. Both studies were essentially based on modelling and considered a number of possible scenarios ranging from free allocation to full auctioning. The first ENTEC study was presented in February 2010 after a very limited contact between the consultant and industry. CEMBUREAU was surprised to read that the cement industry would be the sector in respect of which a NO_x & SO₂ trading scheme would make sense. The cement industry would, according to ENTEC, benefit from such a scheme

because of a high potential for low cost abatement. This was, unfortunately, too good to be true as a number of assumptions in ENTEC 1 were questionable.

The second ENTEC study was conducted as a pure desk exercise with no consultation whatsoever with industry and its conclusions were quite far-fetched. This study looked at the broader macro-economic implications and was entirely the result of a modelling exercise which was not accessible and not transparent while work was in progress.

CEMBUREAU did its homework. With the help of a study made by Ecofys/Emission Care (Ecofys, The ETS paradox. Emissions trading for industrial NO_x and SO₂ in the EU: consequences for the European cement sector, March 2010), commissioned by CEMBUREAU but independently carried out, it was possible to measure the real potential for NO_x & SO₂ trading within the cement sector. The doubts raised by this study regarding the conclusions reached by ENTEC were brought to the attention of the European Commission by CEMBUREAU and were discussed at a contradictory debate, at which CEMBUREAU represented industry, organised under the aegis of BUSINESSEUROPE in which Member





INDUSTRIAL EMISSIONS DIRECTIVE (IED)

During 2010, work continued on the revision (recasting) of the Industrial Pollution Prevention and Control (IPPC, 1996/61/EC of 24 September 1996 – OJ L 257/26, 10.10.1996) Directive together with six other directives, including the Directive on the Incineration of Waste. This process eventually led to the recasting of these Directives under one single Directive, the Industrial Emissions Directive (IED, 2010/75/EU of 24 November 2010 – OJ L 334/17, 17.12.2010). The Directive was finally adopted by the Council in November 2010 and published in the Official Journal of the European Union on 17 December 2010.

States delegates, Members of the European Parliament and environmentalist NGOs also took part. All were unanimous in concluding that the present legislation, particularly after the revision made with the Industrial Emissions Directive (IED), should be the preferred tool.

CEMBUREAU was thus pleased to learn, in early December 2010, that the European Commission had decided not to continue any further work on the possibility of introducing Emissions Trading Scheme for NO_x & SO₂ from industrial installations. Although the Commission felt that the consultancy studies had shown that emission trading offered a more cost-effective alternative to BAT-based (Best Available Techniques) permitting, they recognised that there were also drawbacks.

CEMBUREAU is delighted that the Commission came to this conclusion. Industry, policy makers and NGOs had for some time been stressing the view that NO_x & SO₂ trading would not be smart policy.

CEMBUREAU welcomes this outcome. The new legislation tightens the screw: it will from now on be more difficult for permitting authorities to justify departures from the Best Available Techniques (BAT) on local or technical grounds. But this is only common sense: permits will have to state the reasons for such derogations. The European Commission may in the future provide guidance regarding the criteria for derogation. Several other important elements include:

- EU-Wide minimum requirements which will be based on an assessment of the impact of the activities concerned on the environment as a whole, and the state of implementation of best available techniques for the activities concerned;
- The Article 13 Forum must be consulted as part of the assessment;
- Limit values must be set within the scope of the "BAT conclusions".

The cement industry was mostly pre-occupied with the recast of the Incineration of Waste Directive (2000/76/EC of 4 December 2000 – OJ L 332/91, 28.12.2000) which will, from now on, be included in the IED like some other daughter Directives are, i.e., the Large Combustion Plants Directive (2001/80/EC of 23 October 2001 – OJ L 309/01, 27.11.2001), the Solvents Emissions Directive (1999/13/EC of 11 March 1999 – OJ L 85/99, 23.03.1999) and three Directives on Titanium Dioxide (78/176/EEC of 20 February 1978 – OJ L 54/78, 25.2.1978; 82/883/EEC of 3 December 1982 – OJ L 378/82, 31.12.1982; 92/112/EEC of 15 December 1992 – OJ L 409/92, 31.12.1992). All is well on this front as the provisions of the Incineration of Waste Directive, key to co-processing of selected waste streams in cement plants, are maintained in the new Directive, i.e.:

- The special provision for CO;
- Until 1 January 2016, the competent authority may authorise exemptions from the limit value of NO_x for Lepol kilns and long rotary kilns provided that the permit sets a total emission limit value for NO_x of not more than 800 mg/Nm³.
- Special provisions for TOC and SO₂.

BREF REVISION

The BAT (Best Available Techniques) Reference Document (BREF) covering the cement and lime manufacturing industries was the first of the BREFs to be reviewed. The document reflects an information exchange carried out under Article 16(2) of Council Directive 96/61/EC (IPPC Directive). The Information and Exchange Forum (IEF), chaired by the European Commission under the EU's IPPC Industrial Pollution Directive, adopted the Cement & Lime BREF (Best Available Techniques Reference Document) in April 2009. It was adopted by the European Commission on

18 May 2010 and published in the Official Journal of the European Union on 25 June 2010. The BREF can be found on the JRC's Institute for Prospective Technological Studies website: <http://ipts.jrc.ec.europa.eu/>

MERCURY

The first meeting of the United Nations Environment Programme - UNEP Intergovernmental Negotiating Committee (INC1) - was held in June 2010 - with the mandate to elaborate a legally binding instrument on mercury. CEMBUREAU attended as a non-governmental organisation. Delegates began work on the development of a legally binding instrument on mercury by engaging in initial exchanges of views on key elements of a convention.

CEMBUREAU and the Cement Sustainability Initiative (CSI) joined forces to contribute to the debate and launched a study carried out by the University of Liège (Belgium) with the aim of compiling worldwide data on the status of mercury emissions from cement kilns, sharing state of the art knowledge about mercury and its derivatives behaviour in cement production processes, and defining best environmental practices in order to control and minimise mercury emissions from cement kilns through the use of integrated process optimisation (primary measures). The final report was issued in April 2010 and communicated to UNEP as an input to the UNEP "The Paragraph 29 Study". The Paragraph 29 Study, which explores trends in mercury emissions, the technical characteristics of primary sources of emissions, and possible control measures, is required before negotiations can commence at INC 2.

In October, a study on the "Review of the Community Strategy Concerning Mercury" prepared for DG Environment

by Bio Intelligence Service S.A.S was published. This study contains a specific section on the Reference Document on Best Available Techniques in the Cement, Lime and Magnesium Oxide Manufacturing Industries.

In December, the European Commission adopted the new Communication on the review of the Community Strategy Concerning Mercury. Of notable relevance to the cement industry is Action 1: implementation of the Industrial Pollution Prevention and Control Directive (IPPC - now replaced by the Industrial Emissions Directive [IED]), whereby cement production is mentioned as a sector which will reduce its emission thanks to the new IED Directive. The Commission will evaluate the need to review the Mercury Strategy once the legally instrument is adopted by UNEP.

REACH

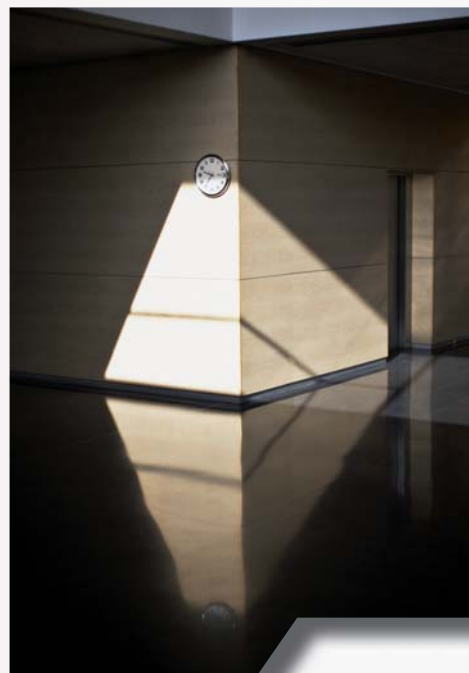
In 2010, most of industry's efforts regarding REACH focused on complying with the registration deadline of 1 December 2010 for the highest volume substances. In addition to that, CEMBUREAU was also involved in the drafting of several European Chemicals Agency (ECHA) Guidance Documents: Annex V of REACH, waste and recovered substances, exposure assessment for the waste life stage and extended safety data sheets.

In March 2010, the ECHA Guidance Document for Annex V of REACH was published, confirming the exemptions from registration for cement clinker and petroleum coke. Furthermore, CEMBUREAU is satisfied with the text concerning hydrated/ anhydrous forms of substances.

The ECHA Guidance Document on waste and recycled substances was published in May 2010. This paper explains which information is needed in order to benefit from exemption from registration for recovered substances as well as from where it can be obtained. It contains a substantial section on recovered aggregates and mentions that aggregates from construction and demolition waste are to be considered as articles.

Over the summer, CEMBUREAU produced a paper on the exemption from registration for recovered substances, providing companies which manufacture a recovered substance with an explanation on how they should go about using the exemption from registration and where they can find the information necessary to prove REACH compliance when using the exemption from registration.

The guidance on the exposure assessment of the waste stages in the life cycle was published at the end of 2010 but the guidance on the extended Safety Data Sheet (SDS) is not finalised as yet.



The consortium established in 2009 by *Cimeurope S.A.R.L.*, a company based in Paris and held by CEMBUREAU, to prepare a joint REACH registration dossier for the substance "Flue dust from production of cement clinker" (covering the EINECS entry "Flue dust, portland cement" with EC number 270-659-9) had a little over 80 members (legal entities) at the end of 2010. The European Cement Research Academy (ECRA) was contracted to provide technical consultancy for the Consortium. The tests necessary to determine the physic-chemical, toxicological and eco-toxicological properties of flue dust were completed during the summer and the registration dossier, including identified uses, the chemical safety assessment and the guidance on safe use, was successfully submitted in September. The Consortium Secretariat also issued guidance for the members to prepare their own joint registration dossier. Work continued at the end of 2010 with the preparation of a template for the SDS of flue dust.

Cimeurope continued the third party representation service for cement companies (legal entities) covered by CEMBUREAU membership and started a new service to help cement companies prepare and submit registration dossiers. *Cimeurope* successfully submitted 36 registration dossiers for five different substances and on behalf of 25 legal entities.

REGULATION ON CLASSIFICATION, LABELLING AND PACKAGING OF SUBSTANCES AND MIXTURES

CEMBUREAU remained very active in 2010 on the Regulation (EC) No 1272/2008 of 16 December 2008 on Classification, Labelling and Packaging of substances and mixtures (CLP, OJ L 353/1, 31.12.2008).

In September, CEMBUREAU produced a Classification and Labelling (C&L) and Safety Data Sheet (SDS) Package containing a proposal for the classification and labelling of Portland cement clinker and common cements under the new CLP Regulation. The new classification for Portland cement clinker is now being used by all CEMBUREAU Members as of 1 December 2010 and the new classification for common cements will be used as of 1 December 2012.

Portland cement clinker and common cements have the same classification under the new CLP system:

- Skin irritation: category 2.
- Serious eye damage: category 1.
- Skin sensitisation: category 1.
- Specific target organ toxicity single exposure respiratory tract irritation: category 3.

In addition, the following two voluntary warning phrases for cement were 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.

In early December, the notification of the classification and labelling of Portland cement clinker was successfully submitted by CEMBUREAU, on behalf of its Members, to the ECHA inventory. In addition, CEMBUREAU also produced the templates for the revised Safety Data Sheet (SDS) for both "Portland cement clinker" and "Common cements".

COMPREHENSIVE HEALTH RISK STUDY

The Comprehensive Health Risk Study (CHRS) was launched by CEMBUREAU in 2005 as a response to previous studies among cement workers causing concern about the health risks surrounding the exposure to cement containing dust. The study is composed of several elements including an updated survey of the literature on the question, a toxicological study carried out in two phases, one involving in-vitro tests, the other ex-vivo tests, a European Prospective Lung Function Monitoring Study and exposure measurements in the construction industry. The prospective lung function monitoring study consists of three campaigns to measure dust exposure of workers in 24 cement plants from eight countries and the lung function of those workers. In 2010, the results of the 2009





Document on the R1 formula to determine whether or not an installation for the incineration of municipal solid waste can be considered as a recovery plant based on its energy efficiency.

ANIMAL BY-PRODUCTS

CEMBUREAU attended the February 2010 meeting of the Advisory Group on the Food Chain, Animal and Plant Health where a draft Regulation for the implementation of the Animal By-Products Regulation (ABPR, EC No 1069/2009 of 21 October 2009 – OJ L 300/1, 14.11.2009) was discussed.

CEMBUREAU made a statement at the meeting and sent written comments after the meeting pointing at differences in the definitions and terminology for, for example, co-incineration and disposal used in the draft Regulation, and in the waste legislation and the IED. The Commission agreed to mention in the implementing measure that the terminology is specific to the By-Products Regulation.

The implementing measures have to be ready by 4 March 2011, the date of application of the Animal By-Products Regulation.

SUSTAINABLE CONSUMPTION & PRODUCTION

CEMBUREAU continued to monitor progress and allocate resources to the SCP (Sustainable Consumption & Production) and SIP (Sustainable Industry Policy) Action Plan (COM [2008] 397 final of 16.7.2008). The package includes:

- The extension of the Ecodesign Directive (2009/125/EC of 21 October 2009 – OJ L 285, 31.10.2009), which provides rules for setting ecodesign requirements for energy products with the aim of ensuring the free movements of energy-related products within the internal market, taking a life-cycle perspective.
- The revision of the Ecolabel Regulation (Regulation EC No 66/2010 of 25 November 2009 – OJ L 27/1, 30.1.2010), which complements the information provided to consumers as a voluntary label. It will act as a "label of excellence" to signal to consumers those products that perform at such a level when many environmental criteria are considered over the whole life-cycle.
- The Energy Labelling Directive (2010/30/EU of 19 May 2010 – OJ L 342/1, 22.12.2009), which is being extended to cover a wider range of products, including energy-using and other energy-related products.
- The revision of the Community Eco-Management and Audit Scheme, EMAS (Regulation [EC] No 122/2009 of 25 November 2009 – OJ L 342/1, 22.12.2009), which helps companies to optimise their production processes, reducing environmental impacts and making more effective use of resources. EMAS operates as a voluntary eco-management and audit scheme.

CEMBUREAU continued to recommend that attention be paid to developing an integrated strategy for sustainable construction' to complement the progress on Sustainable Consumption and Production and which takes into account the whole life-cycle of the end-use product i.e. the building or construction works.

campaign were analysed and the last measuring campaign of 2011 was prepared. Both the French mortality study and the Toxicological study were completed in 2010. In October, a workshop on occupational hygiene in the cement industry was organised during the International Occupational Hygiene Association (IOHA) 2010 conference in Rome (Italcementi was the major sponsor of the conference with Aitec – the Italian Technical and Economic Association of Cement - and CEMBUREAU co-sponsoring the cement workshop).

The full CHRS is due for completion at the end of 2012.

WASTE FRAMEWORK DIRECTIVE

In 2010, Member States were busy with the implementation for the revised Waste Framework Directive which was due for the end of 2010. CEMBUREAU closely followed-up on the developments on the EU wide end-of-waste criteria for metal scraps and the drafting of a Guidance

ENERGY PERFORMANCE OF BUILDINGS

The Directive amending and repealing Directive 2002/91/EC on the energy performance of buildings, which was published in the EU's Official Journal (OJ) on 18 June 2010, entered into force on 8 July 2010. The agreement reached between the Parliament and Council on the Directive is the following:

- The 1000 m² threshold for refurbishing buildings was removed.
- Concerning the substance of the proposal as agreed on 17 November 2009, Parliament and Council agreed that in 2020, all new buildings (commercial and households) will have to be "nearly-zero energy" buildings.
- In 2018 all new public sector buildings will have to be "nearly-zero energy" buildings.
- Financial incentives will be made available to implement the Directive. Furthermore, the Commission is committed to examining the appropriateness of increasing the threshold in the Structural Funds for housing.
- A possibility to upgrade existing buildings to "nearly-zero" energy buildings has been inserted in the text.
- A voluntary EU certification scheme for the non-residential sector will be established.

CEMBUREAU supported the extension of the existing Directive to cover buildings of less than 1000 m² in order to achieve further CO₂ reductions. As approximately 70% of buildings in the EU are under 1000 m², this would create new energy performance requirements for the majority of buildings in Europe and significantly contribute to meet the EU's reduction target of minus 20% in 2020.

TURNING THE CONSTRUCTION PRODUCTS DIRECTIVE INTO A REGULATION

Discussions on the replacement of the Construction Products Directive (89/106/EEC of 21 December 1988 – OJ L 40/12, 11.2.1989) by a Regulation continued in 2010. In November, the Committee on Internal Market and Consumer Protection (IMCO) in the European Parliament adopted the report by Catherine Stihler (Group of the Progressive Alliance of Socialists and Democrats, UK). According to the report, under the new regulation, the "declaration of performance", already required for every construction product, would have to include the hazardous substance information that is required by the 2006 REACH Regulation. In addition, three years after the regulation enters into force, the European Commission would have to "assess the specific needs for information on the content of hazardous substances of construction products, with a view to possibly extending the information obligation" to other substances and that the report has to be accompanied by any appropriate legislative proposals. This "substance oriented" approach diverges from the CEN TC351 approach based on releases. In addition, it would not be compatible with

the obligation resulting from article 9.2 on the information required for CE marking.

Following a second reading agreement on the new regulation between the Parliament and the Council in December 2010, the agreement was adopted in Plenary on the 18th of January 2011. The Council will adopt the agreement during the first quarter of 2011. The regulation will formally enter into force 20 days after its publication in the EU's Official Journal. However, many of its provisions will apply only as from 1 July 2013.

PRODUCT STANDARDS

The plenary meeting of CEN TC51 was held in September 2010 in Stockholm (Sweden). All working items have proceeded according to plan. On the agenda was the revision of the current harmonised European Standard for Cement EN 197-1 and -2 (Evaluation of conformity) including sulphate resisting cement.

CEMBUREAU was also represented in the Plenary meeting of CEN TC104 in Delft (Netherlands) and participated in relevant Technical Committees.



CEN TC350 "SUSTAINABLE CONSTRUCTION"

Under CEN TC350, work continued on the Basic Work Requirements 7 (BWR7) under the Construction Products Regulation, which will lead to certain characteristics of construction products being mandated by the European Commission for a harmonised standard and CE Mark within 3-5 years from now. Such a mandate will require, inter alia, an indicator for the sustainable use of natural resources.

The methods that are available (Total Mass Requirement – TMR, and Abiotic Resources Depletion – ARD) pose serious problems to all construction products. The cement and concrete sectors have taken cognisance of the work undertaken at the University of Dundee with a view to developing an alternative to those methods with a new, very pragmatic approach based on the availability of the natural resources to future generations – the "residual life classes" and "impact score".

REVISED PRODUCT CATEGORY RULES (PCR) FOR CEMENT

The revised PCR for cement went through a public consultation in 2010. CEMBUREAU took part in this consultation. The new revised PCR was approved on 15 September 2010 and is valid until 15 September 2015. It has now been published and can be downloaded from the International Environmental Product Declaration system website: www.environdec.com

The "Main Issues" section covers just the key areas of CEMBUREAU's work in 2010. The Association continued to work on many other issues throughout the year.

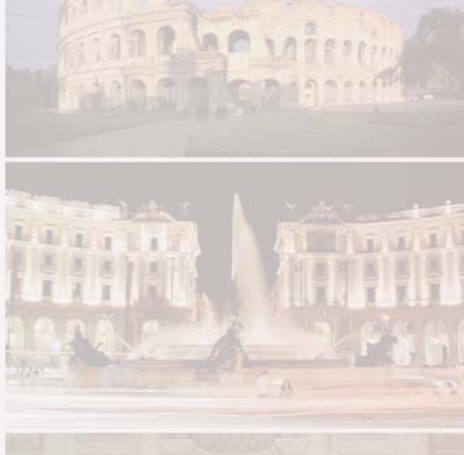
It should also be noted that the Members and company representatives active with the CEMBUREAU Working Groups play an invaluable role in ensuring the success of the Association and the best possible outcome, and it is to them that we extend our thanks.

For more information on specific issues dealt with by CEMBUREAU, please e-mail aj.johnson@cembureau.eu.

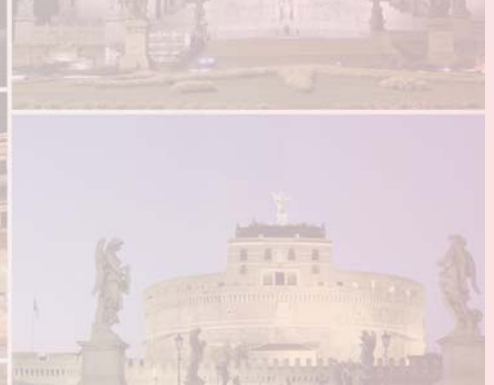
CEM • PROSPECTS



The 2010 edition of the Energy Market Prospects conference was held in Rome, Italy on 4-5 October 2010.



With 140 participants from 23 countries, the conference reviewed the evolution on the world steam coal & petcoke markets, as well as the freight market over the coming years.



THE ENERGY MARKET 2010-2011

THE ENERGY MARKET IN 2010-2011 AS WELL AS FUTURE PURCHASING POLICIES FOR ENERGY INTENSIVE CONSUMERS

The whole energy complex, including freights, rallied sharply from the lows in Q1 of 2009, after the collapse during the second half of 2008. The recovery of the energy market continued during 2010, with natural gas prices being the only exception to this. The new techniques to drill and extract natural gas from rock shale started in the US in 2008, and have been a game changer worldwide, with abundant new gas fields being tapped into.

US gas prices never recovered after the collapse in 2008 (when natural gas prices peaked at US\$13 per million Btu). At the beginning of 2011, they were below US\$4 per million Btu. In fact, since mid 2010, US natural gas prices have been so low, that power stations operating on petcoke (mainly CFB's) are no longer competitive against gas fired units. As a result, US power station's petcoke consumption has fallen by 30% compared to 2008.

The freight rate for bulk carriers (coal, iron ore, petcoke, etc.) surged to a peak of around 4200 measured on the BDI in May 2010, but has since then showed a negative development under the pressure of a rapidly rising fleet, exceeding the increase in world trading of bulk commodities. Freight rates have tumbled since the end of October, to rates of around 1300 on BDI at the end of Q1 of 2011, with the outlook for 2011 and 2012

showing a higher growth in deliveries of new vessels compared to the increase of the shipping volumes of bulk commodities. This will directly translate into trade flows of bulk commodities, such as steam coal and petcoke, being facilitated and means that the petcoke market has become increasingly more global.

In the past, Asian buyers (due to relatively high freight rates) were shielded from shipments of petcoke from the Atlantic, US Gulf and Venezuela. However, since 2010 this situation has changed completely. Interest in petcoke by Asian accounts is today a function of steam coal prices in the Pacific combined with the delta between freight rates from US Gulf/Venezuela to Asia and for Australian/Indonesian coal to Asia. Petcoke prices have thus been more closely correlated to global steam coal prices.

Steam coal prices moved in a trading range of US\$82-92 on an FOB basis Richards Bay during the first nine months of 2010, and similarly in a US\$10 higher trading range out of Newcastle, with a weakening trend headed for the low boundary of the trading range from June to September. Once the prices had attained the low range, a sharp recovery was seen. Technical analysis then strongly indicated that the coal market had again entered a bull cycle from the middle of October 2010.

The technical analysis gave price targets of US\$115 FOB Richards Bay and US\$125 FOB Newcastle to be attained in Q1 of 2011. The very wet weather in many coal producing regions around the world, such as in Queensland (Australia), Colombia, Indonesia, and South Africa, led to the price targets for steam coal already being attained in January 2011. The steam coal market is in a balanced supply/demand position, and this means that any additional supply constraints due to weather or other production hindrances, may result in temporarily sharply higher FOB prices, similar to what was seen in 2008. Steam coal demand is very inelastic to price changes, as the main consumers are power units. It is difficult to stop power generation due to the prices of a combustible being perceived as high.

There is thus a 30-50% probability that 2011 steam coal prices may see spikes of US\$150-180 on an FOB basis South Africa and Australia.

An important change over the last 18-24 months is that the petcoke market has become a close cousin of the steam coal market, with prices for petcoke trailing prices for steam coal, within a band of around 10-15% per calorific content on a C&F basis. This relationship will only be decoupled in the event that freight rates increase sharply, meaning that Asian demand for petcoke disappears, or if petcoke output should rise so rapidly that producers would face temporary difficulties in placing the product.

There will be a significant increase in petcoke production from Q4 of 2011, with around 2Mt per annum to be added in Spain, and around 8Mt per annum to be added in the US until mid-end 2013. This should put a certain amount of pressure on producers and traders to place this petcoke, and should mean that petcoke prices will revert to discounts of 10%+ against steam coal on a calorific and C&F basis. However, as long as freight rates remain at current low levels (probably until the end of 2013) the Asian market may swallow huge additional volumes of petcoke, and will provide a floor for FOB prices US Gulf/Venezuela for petcoke.

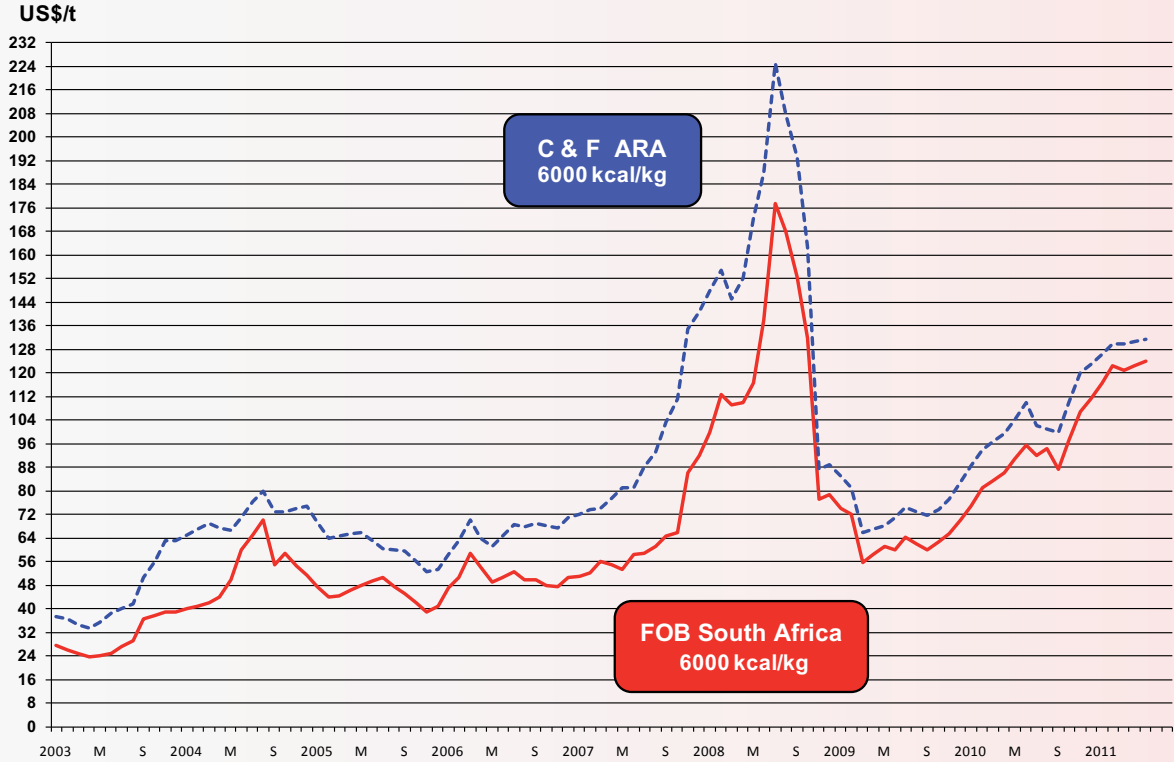
Crude oil prices, gauged as WTI and Brent, bottomed at US\$33 per barrel in February 2009. However, since then, they have shown a steady uptrend, supported by rising demand following the economic recovery, mainly in emerging economies, but also in the US.

Technical analysis showed an upward breakout of the trading range of the previous 9 months at the end of October, indicating that crude oil prices should attain US\$95-100 in Q1 of 2011. Fears of supply disruptions have since driven prices for Brent close to US\$120 per barrel, with the spread to WTI running at US\$10-15 per barrel, which has very rarely been seen in the past.

Energy complex prices (with the exception of freight and natural gas prices) are, on average, going to be higher over the next 5 years compared to the previous 5 years period. For energy intensive consumers, this will require the application of different policies. Prices for normal steam coal and petcoke per calorific content will be much closer in the coming years than historically seen, meaning that switching between these combustibles will provide limited cost savings. Some low grade coal qualities, in particular from the US, will, however, be priced well below market rates, due to the fact that many buyers consider them both technically and environmentally difficult to burn. This is therefore one price worthy option for flexible consumers. However, in the medium and long-term the best policy by far for combustibles for power and industrial users is to sharply and consistently increase the burn of alternative fuels, biomass and similar products. The cost incentives are and will be massive over the coming years.

South African Steam Coal Price

January 2003 - Beginning May 2011

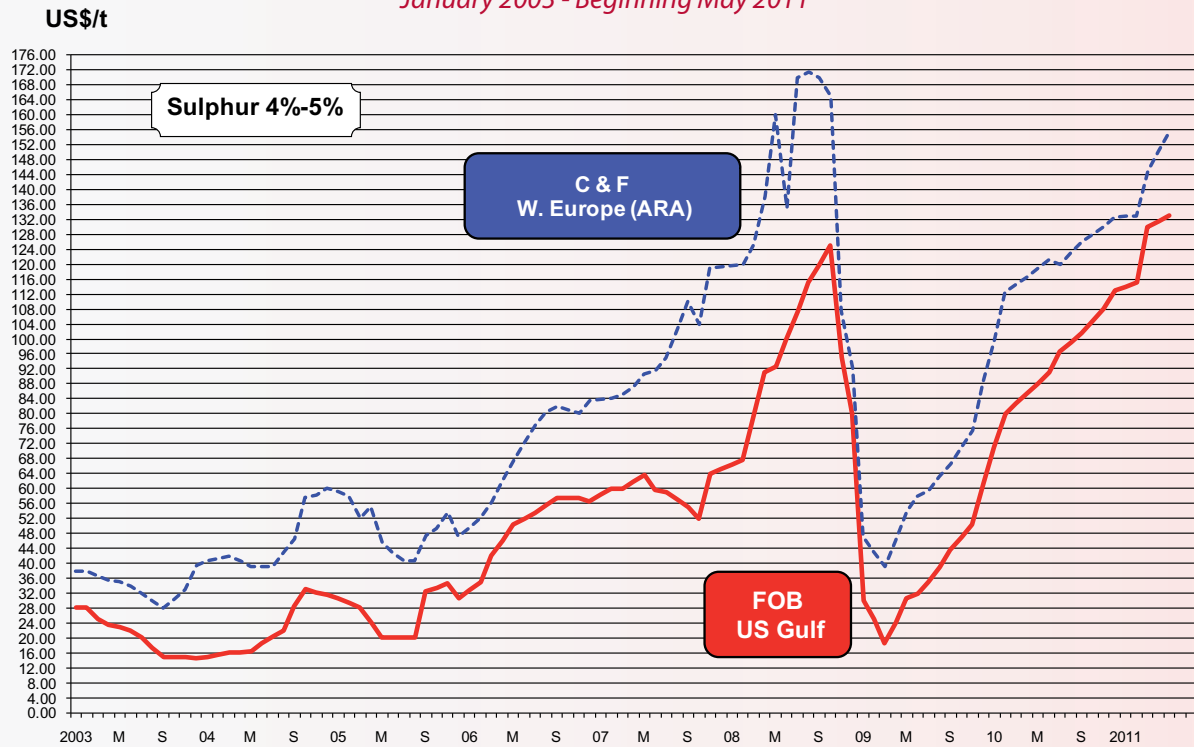


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M = May S = September

Petcoke Price

January 2003 - Beginning May 2011



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M = May S = September

EVENTS

SUSTAINABLE ENERGY EUROPE

On 24 March 2010, CEMBUREAU, as a member of the European Concrete Platform (a Sustainable Energy Europe (SEE) Campaign Associate), took part in the 'Achieving intelligent energy in cities by speaking the same language' event jointly organised today by the Architects Council of Europe (ACE) and the European Concrete Platform (ECP). The two organisations also launched the results of the Common Language for Sustainable Construction Project wiki consultation. This joint project between the Architects Council of Europe and the European Concrete Platform aims to bring to an end the confusion that reigns when authorities, policy-makers, consumers, planners and the construction industry as a whole are talking about sustainable construction.

DO YOU SPEAK SUSTAINABLE CONSTRUCTION ?

On 20 May 2010, CEMBUREAU, as a member of the European Concrete Platform, joined forces with the Architects Council of Europe in the organisation of an event which brought together politicians & city planners; clients and property developers; architects & engineers; product manufacturers & materials suppliers; contractors and specialist sub-contractors. The aim of this event was to try and understand the current thinking on: low/zero energy; low/zero carbon buildings, homes and offices; low carbon infrastructure; recycling of buildings and materials; design of buildings and space between buildings; the design of passive house buildings and the use of recycled materials; embedded energy in materials; the use of marks to recognise responsibly sourced materials.

PROMOTING BIODIVERSITY AT GREEN WEEK

As a partner of the **European Minerals Day initiative (EMD)**, CEMBUREAU, together with the industrial minerals sector (IMA-Europe), the European aggregates sector (UEPG), and the European Landowners Organisation (ELO), played an active role in the 2010 Green Week, the theme of which was biodiversity. Having successfully been granted a stand in the Green Week exhibition area, the active presence of the sector was ensured throughout the week. Particular attention was paid to highlighting the good work which is being undertaken by the members of the various associations in relation to biodiversity. The newly launched biodiversity case study databases of the individual EMD partners were presented to a wide audience, providing the sector with the opportunity of explaining exactly what can be achieved through quarry rehabilitation and other biodiversity projects.

BUILDING PROSPERITY FOR THE FUTURE OF EUROPE

On 17 November 2010, the European Construction Forum (ECF), in which CEMBUREAU participates, stressed the essential role of the construction sector in ensuring a prosperous future for Europe. In these times of serious challenges that range from the consequences of the economic and financial crisis through to the global issue of climate change and its impact on humanity, it highlighted that the construction sector stands out as a sector which, given the opportunity, resources and regulatory framework, will be a significant contributor to the establishment of sustainable prosperity in the European Union.

At an event in the European Parliament, and in the Manifesto launched on that occasion, the ECF indicated that investment in construction creates approximately three times as much new economic activity in the wider economy. In addition, and in relation to the challenges facing European society, it is widely recognised that buildings account for approximately 36% of all greenhouse gas emissions and over 40% of primary energy consumption in the EU. It is clear to the actors in the sector, and to policy-makers at European level, that work on improving the energy efficiency of the existing building stock in Europe is key to accelerating economic recovery as well as an essential element of any strategy to significantly reduce the greenhouse gas emissions of the EU, whilst ensuring security of supply and reducing dependency on imported energy.



CEMBUREAU PUBLIC AFFAIRS

In terms of Public Affairs, CEMBUREAU continued to work closely with both the Members Plenary Group (MPG) and the Senior Advisory Group (SAG), in order to ensure a valuable contribution to CEMBUREAU's advocacy.

In addition to regular contacts on specific issues, the Members Plenary Group (MPG) met twice in 2010. The first meeting (MPG Working Session) was held in Brussels in springtime, and their Annual Meeting was held in Stockholm (Sweden) in September. Once again, these Meetings are of utmost importance for co-ordinating and implementing the actions of CEMBUREAU and its Members.

Members of the SAG also played an indispensable role in the Emission Trading Scheme (ETS) debate, with the majority of its work being conducted via conference calls and e-mails.



CONTACTS WITH OTHER CEMENT ASSOCIATIONS

CEMBUREAU's Chief Executive attended the General Assembly of **FICEM (the Federación Interamericana del Cemento)** held in Seville, Spain on 11 October 2010.

CEMBUREAU also maintained regular contact with the **Australian Cement Industry Federation (CIF)**, the **Japan Cement Association (JCA)**, the **Portland Cement Association (PCA)** and the **Sindicato Nacional da Industria do Cimento (SNIC - Brazil)**. CEMBUREAU took part in the Asia-Pacific Partnership (APP) and Cement Sustainability Initiative (CSI) Vancouver meetings held in May 2010. On this occasion, CEMBUREAU was invited to report on the "Gap Analysis of GHG Emission Standards for the Cement Industry in EU". How to bridge that gap was put on the agenda of the world cement industry and progress is expected in months and years to come. On the CSI front, at the same meeting, the European cement industry was represented by a European Cement Research Academy (ECRA) expert on behalf of CEMBUREAU. Such meetings contribute to bring about a common understanding.

The Association was also involved in the **CSI's (Cement Sustainability Initiative)** stakeholders' forum held in Warsaw. This was another occasion to consider all types of actions and to learn about new products which may help the cement industry reduce its carbon footprint.

CEMBUREAU is a communication partner of the Cement Sustainability Initiative (CSI) and is actively involved in the following CSI Task Forces: TF1 Climate Protection, TF3 Employee Health and Safety and TF 4 Emissions.

ECRA, the European Cement Research Academy, based in Dusseldorf (Germany) is developing well and has over the years become a key CEMBUREAU and European Concrete Platform (ECP) partner. The level of expertise is high and, in 2010, CEMBUREAU has leaned on ECRA to achieve a number of important tasks through a network of contacts including Fire Safety, CENTC 350 work on sustainable construction, and the REACH consortium.

CEMBUREAU is one of the organisations funding ECRA's work in relation to Carbon Capture and Storage (CCS), which is progressing well.

CEMBUREAU President Jean-Paul Méric and the Chief Executive led a visit of European Commission representatives to ECRA. The purpose was to present research currently undertaken in the cement industry. Participants from DG Enterprise (DG ENTR) and DG Research were in attendance and were given the opportunity to hear about a range of research activities from CCS to use of C14 to measure the biomass content of the fuel mix, carried out by ECRA for the European cement industry.

In early 2010, CEMBUREAU was delighted to accept ECRA's invitation to have a seat on the ECRA Technical Advisory Board. ECRA is a success story in the cement industry and a strong cooperation between ECRA and CEMBUREAU has proven fruitful.

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CEMBUREAU

ORGANISATIONAL

STRUCTURE

ON

30 APRIL 2011

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Working Group 3 "State of the Art in Cement Manufacturing"	P. Bianchi M. Schneider J. M. Bravo Ferreira	Italy Germany Portugal	Sponsor Co-Chairman Co-Chairman
Working Group 4 "Health & Safety"	T. Spannagl A. Capmas S. Gardi	Austria France Bulgaria	Sponsor Co-Chairman Co-Chairman
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Task Forces	<ul style="list-style-type: none">- Biodiversity- Electricity- Solid Fuels- End of Waste

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Task Force	<ul style="list-style-type: none">- Revision of the BREF

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Task Forces	<ul style="list-style-type: none">- Comprehensive Health Risk Study- Crystalline Silica- REACH - SDS - C&L

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ABBREVIATIONS GLOSSARY

ACE	Architects Council of Europe
ACEI	Alliance for a Competitive European Industry
AEII	Alliance of Energy Intensive Industries
ABPR	Animal By-products Regulation
ARD	Abiotic Resources Depletion
BAT	Best Available Techniques
BREF	Best Available Techniques Reference Document
BWR7	Basic Work Requirements 7
CCS	Carbon Capture and Storage
CEPMC	Council of European Producers of Materials for Construction
CHRS	Comprehensive Health Risk Study
CITL	Community Independent Transaction Log
C&L	Classification & Labelling
CLP	Classification, Labelling & Packaging
CPR	Construction Products Regulation
ECF	European Construction Forum
ECHA	European Chemicals Agency
ECRA	European Cement Research Academy
ECP	European Concrete Platform
ELO	European Landowners Organisation
EMD	European Minerals Day initiative
ESDA	European Social Dialogue Agreement
ESN	European Safety Net
ETD	Emissions Trading Directive 2003/87/EC
ETS	Emissions Trading Scheme
FOB	Freight on Board
FSE	Fire Safety Engineering
IEA	International Energy Agency

IED	Industrial Emissions Directive
IEF	Information & Exchange Forum
IMCO	Internal Market and Consumer Protection
INC1	Intergovernmental Negotiating Committee
IPPC	Integrated Pollution Prevention and Control
MEPs	Members of the European Parliament
MPG	Members Plenary Group
NEEIP	Non-Energy Extractive Industry Panel
NEPSI	European Network for Crystalline Silica
PCR	Product Category Rules
PEGs	Partner Expert Groups
REACH	Registration, Evaluation and Authorisation of Chemicals
SAG	Senior Advisory Group
SCP	Sustainable Consumption & Production
SDS	Safety Data Sheet
SEE	Sustainable Energy Europe Campaign
SIP	Sustainable Industry Policy
TMR	Total Mass Requirements
UNEP	United Nations Environment Programme
WBCSD-CSI	World Business Council for Sustainable Development-Cement Sustainability Initiative
WRIC	Waste Recovery Industry Chain

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N° Editeur: D/2011/5457/May



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Published by CEMBUREAU
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Layout & Printing by
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Photographs:
Thanks to:

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