

January 2022

## **DESIGNING A CARBON BORDER ADJUSTMENT MECHANISM (CBAM) THAT WORKS**

**The proposals from the draft ENVI report to single out the cement sector should be rejected**

The draft ENVI report on CBAM suggests, in its amendment 105, to phase-out free allocation for the cement sector entirely as of 2025, as soon as CBAM enters effectively into operation. The report justifies such move by arguing that due to the cement sector having the lowest trade intensity among the goods covered by CBAM, *“the risk of carbon leakage is thus low and a speedier implementation is warranted”*. **CEMBUREAU calls on MEPs to reject such approach for the following reasons:**

**1. This proposal ignores both independent studies and factual evidence of carbon leakage in the cement sector:**

- Carbon leakage is assessed against both trade intensity and emissions intensity. In its impact assessment on the review of the ETS Directive published in July 2021, the European Commission has evaluated cement as one of the highest exposed sectors in terms of carbon leakage risks through its own carbon leakage indicator methodology.
- Already today, the cement sector is indeed exposed to very high carbon costs despite ETS free allocation, and this has resulted in a significant increase of EU imports of cement from non-European countries, on the back of rising carbon prices. Eurostat data shows an increase of 160% over the past five years (2016-2020), with a further spike in 2021.
- It is this surge in import and the evolution of trade which needs to be assessed in combination with emission intensity, not the level of trade penetration compared to overall production. In addition, trade intensity in the cement sector is on par with several subsectors of other products covered by CBAM.

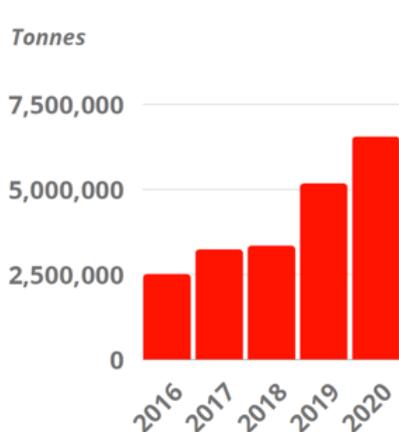
**2. This proposal threatens the viability of producing cement in the EU, would create unacceptable market distortions and put at risk the success of CBAM:**

- Removing free allocation in 2025 would expose the cement sector to considerable risks: the industry would be exposed to its full carbon costs at a time CBAM is untested, with no guarantees on its watertightness and effectiveness in tackling carbon leakage.
- It would double the costs of producing cement in the EU overnight, causing a major disruption in a sector supplies a key value chain and other ecosystem, the construction sector.
- It would create unacceptable market distortions between cement and the other CBAM sectors which compete on the construction product market.
- It would considerably damage the EU’s cement exports worldwide.

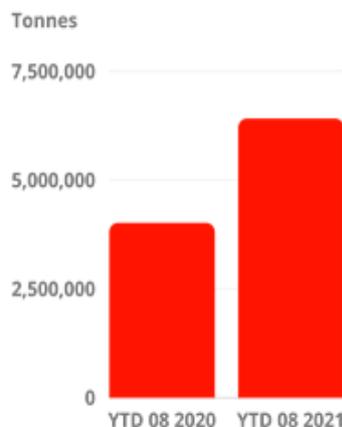
**To meet the cement industry’s climate ambitions, establishing viable business cases that secure continued growth and employment in Europe is essential. A strong CBAM is needed to ensure such business case. Suggestions to eliminate free allowances with immediate effect from 2025 for the cement sector only would do the exact opposite and will create considerable investment uncertainty.**

## Ressources & data

### EU cement imports from non-EU countries



EU cement imports from non-EU countries, 2016-2020 (Source : Eurostat)



EU cement imports from non-EU countries, January-August 2021 vs January-August 2020 (source: Eurostat)

### EU ETS Directive Impact assessment – carbon leakage list indicator

Table 56. Carbon leakage indicators of selected sectors at risk of carbon leakage

NACE code	Sector	Carbon leakage indicator (CLI)
19.10	Coke oven products	20.119
19.20	Refined petroleum products	3.222
23.51	Cement	2.455
20.15	Fertilisers and nitrogen compounds	2.418
24.10	Basic iron and steel and of ferro-alloys	2.121
20.13	Other inorganic basic chemicals	1.638
23.11	Flat glass	1.457
14.11	Leather clothes	1.147
23.31	Ceramic tiles and flags	1.049
20.14	Other organic basic chemicals	1.049
24.43	Lead, zinc and tin production	1.031
23.52	Lime and plaster	1.021
20.11	Industrial gases	1.021
17.11	Pulp	0.987
17.12	Paper and paperboard	0.836
23.13	Hollow glass	0.631
10.81	Sugar	0.630
20.17	Synthetic rubber in primary forms	0.604
20.12	Dyes and pigments	0.519
24.51	Casting of iron	0.488
24.44	Copper	0.421
23.14	Glass fibres	0.417
23.20	Refractory products	0.412
20.60	Man-made fibres	0.412
20.16	Plastics in primary forms	0.312
24.45	Other non-ferrous metal production	0.280
24.31	Cold drawing of bars	0.259
24.20	Tubes, pipes, hollow profiles and related fittings, of steel	0.229
23.19	Manufacture and processing of other glass, including technical glassware	0.228
23.99	Other non-metallic mineral products n.e.c.	0.221

Please see [European Commission impact assessment report](#), July 2021, table 56, page 11. Please see [first part of the impact assessment report](#), page 82 for background.

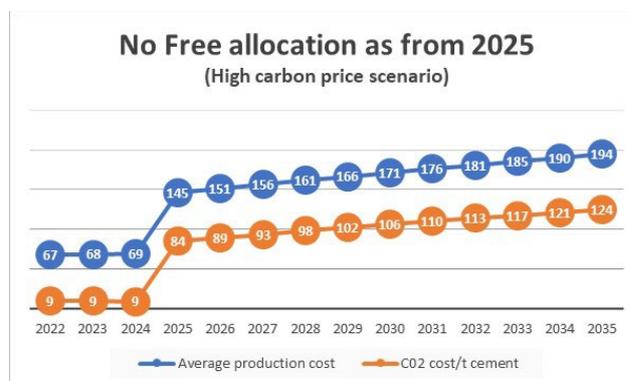
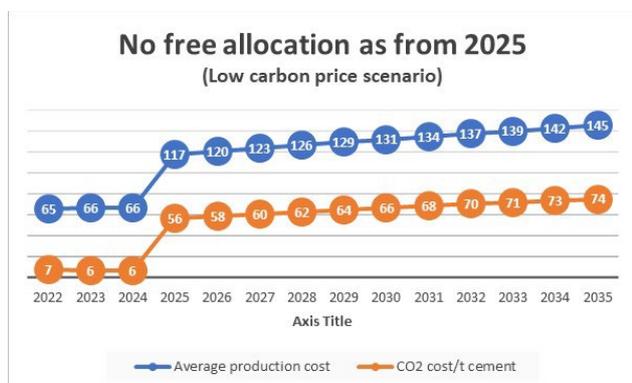
## Share of CO2 costs in cement production

Parameter	2021	Unit
Cement production costs (excluding CO <sub>2</sub> )	46 - 58	euro/ton cement
CO <sub>2</sub> price	55 / 90 (assumption)	euro/EUA
Clinker to cement factor	74%	ton clinker /ton cement (average EU27)
Benchmark	693 <i>Estimated 512</i>	kg CO <sub>2</sub> /ton clinker kg CO <sub>2</sub> /ton cement
Average emissions	810 <i>Estimated 600</i>	kg CO <sub>2</sub> /con clinker kg CO <sub>2</sub> /ton cement
CO <sub>2</sub> costs at a price of 55 Euros/EUA	<b>4,42</b> = 8-10% of total costs	<b>euro/ton cement</b> %
CO <sub>2</sub> costs at a price of 90 Euros/EUA	<b>7,23</b> = 12-15% of total costs	<b>euro/ton cement</b> %

At an EU ETS price of €90 per ton, CO<sub>2</sub> costs for the average EU27 cement plant correspond to 12-15% of the total production costs, despite free allocation under the EU Emission Trading Scheme.

Please see [CEMBUREAU's calculations on CO<sub>2</sub> costs](#) (based on publicly available data), December 2021

## Share of CO2 costs in cement production and total cement production costs, evolution in case of an immediate phase-out of free allocation in 2025



### CO<sub>2</sub> price assumption (low)

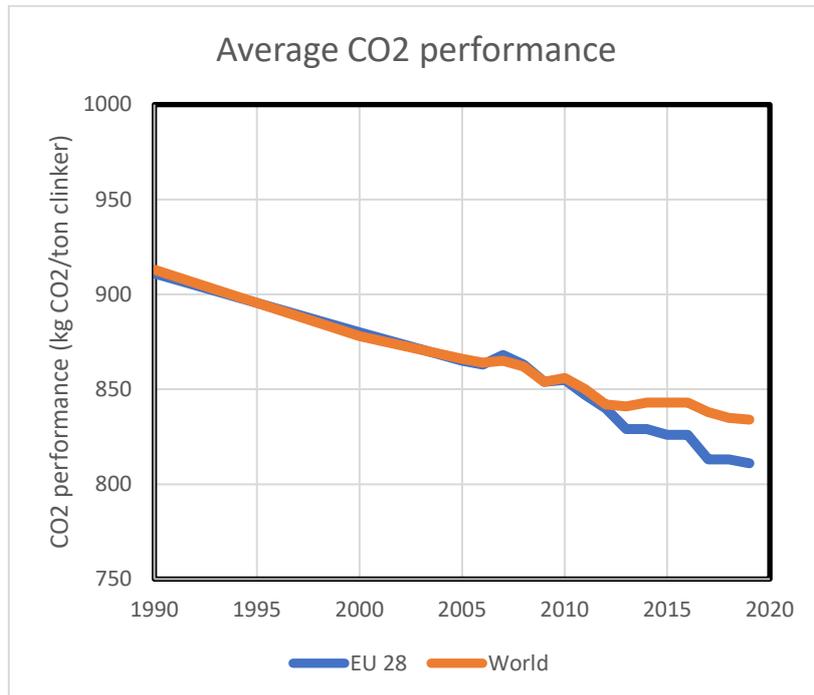
2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
90 €	93 €	97 €	100 €	105 €	110 €	115 €	120 €	125 €	130 €	135 €	140 €	145 €	150 €

### CO<sub>2</sub> price assumption (high)

2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
120	130	140	150	160	170	180	190	200	210	220	230	240	250

Source: CEMBUREAU

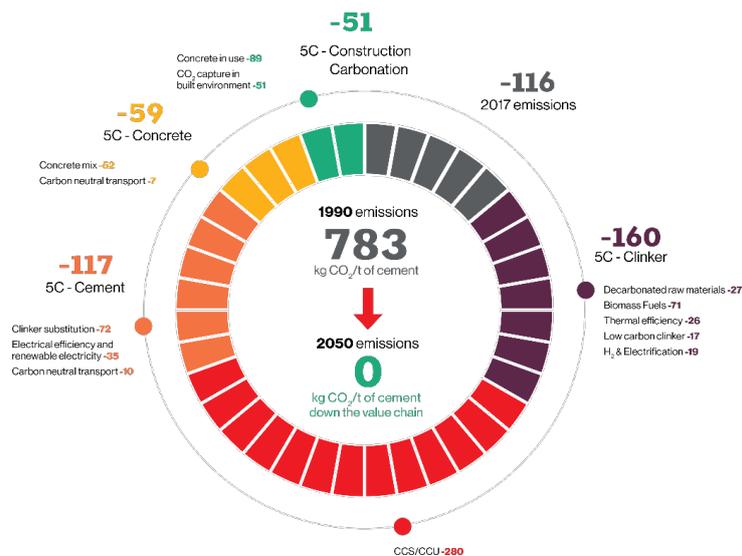
## CO2 emissions in the EU & worldwide cement industry



Source: GCCA, [Getting the numbers right database](#)

## CEMBUREAU carbon neutrality roadmaps and ongoing decarbonisation investments in the European cement industry

Please see CEMBUREAU's [Carbon Neutrality Roadmap](#) (May 2020)



## **List of decarbonisation projects in the European cement industry**



Please see our [interactive map of decarbonisation investments in the EU cement industry](#), CEMBUREAU website

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## **CEMBUREAU position papers on CBAM and ETS**

Please see our position paper on the [EU Carbon Border Adjustment Mechanism](#) and the [Review of the EU Emission Trading Scheme](#) (October 2021).

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