

Eurobrief February 2010

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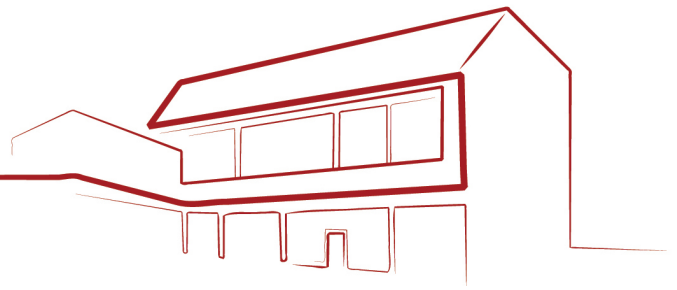
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EDITORIAL

NOx & SO₂ trading: off to a bad start

After it was abandoned in 2007 in the IPPC review context, the idea to introduce a market based instrument for NO_x & SO₂ emissions abatement is, like the Loch Ness monster, showing its head again. In spite of the clear opposition of many stakeholders, the European Commission has commissioned 2 studies with ENTEC, one dealing with the basic concept of NO_x & SO₂ trading for IPPC installations in the EU, the other with the economic impact.

The question is not whether, on the merits, NO_x & SO₂ trading is, in itself, a good idea. The question is rather whether its introduction in a field as densely regulated as industrial emissions in the EU would make economic and environmental sense. Impact assessment is the tool to answer such questions but, in the present case, it looks like the studies that have been undertaken are



there to justify pre-cooked policy decisions that have already been made. A clear breach, in our view, of the European Commission's own Impact Assessment Guidelines. Furthermore, the first ENTEC study, the results of which were released and presented at a stakeholder meeting in February, is fraught with mistakes which undermine its credibility.

CEMBUREAU was surprised to read in the study that the cement industry appears to be the sector in which a NO_x & SO₂ trading scheme would make most sense.

The study indeed concludes that a huge reduction of emissions is potentially achievable and relatively cheap if a trading scheme is applied to the cement sector. Unfortunately, this conclusion is based on questionable assumptions which, in spite of CEMBUREAU's insistence, have been stubbornly maintained.

ENTEC has calculated the average emission of a plant by dividing total emissions by the number of installations, **thus ignoring CEMBUREAU's point about considering whether there actually is - or not - a need for additional end-of-pipe abatement at installation level.** The result is that more abatement potential for the cement industry was assumed than is actually possible.

This is even **clearer for SO₂**. In the cement industry, SO₂ emissions are directly related to the sulphur content of the raw materials. Therefore EU-wide emission levels from cement plants are overall low. Most plants do not need any additional end-of-pipe abatement measures to operate according to BAT.

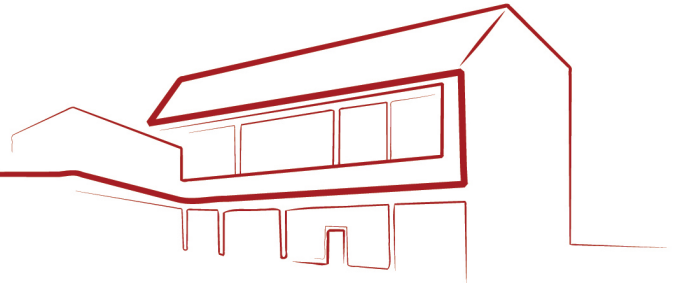
ENTEC never asked CEMBUREAU for site specific information. This factor has led ENTEC to conclude that plants with the lowest emissions are equipped with the most advanced abatement techniques. This is not accurate and in no way corresponds to reality.

For example, plants with low SO₂ emissions are not necessarily those with abatement measures in place. Those with emissions of 400mg/Nm³ may have applied abatement measures and thus have no further potential to reduce emissions. The only installations with the potential to reduce their emissions are but a few with high SO₂ emissions related to the sulphur content of the raw materials.

Even more shocking, current NO_x emissions are around 400 kt. With no capacity increase, 2020 BAU (Business as usual) emissions for the cement sector in the EU would total 281kt. ENTEC, however, assumes that those emissions would reach 500 kt, even under upper BAT conditions, with the implementation of the Industrial Emissions Directive.

This is clearly wrong and leads, in the modelling, to questionable assumptions:

- » The GVA in 2020 projected through the PRIMES Model has been applied directly to clinker



production leading to an estimated huge capacity increase which is unlikely to materialise;

» It is assumed that this huge increase of capacity would be built with flame cooling or low-NOx burners as BAT, but without SNCR, whereas SNCR is recognised as BAT in the new cement BREF finalised in May 2009!

The last point is the most obvious mistake made by ENTEC. It is clear that new capacity would never be built in disregard of the BREF. The European Commission has taken the point and asked ENTEC to revisit the issue and provide a sensitivity analysis taking into account the uptake of SNCR in the cement industry.

These objections and queries have all been made to the European Commission and to ENTEC. In addition, many points of a more general nature and scope have been brought to the Commission's attention.

(See our position paper "[NOx & SO2 trading - CEMBUREAU position on Entec study](#)")

At the end of the day, the decision whether to continue or not in that direction will be in the hands of the European Commission. But if the Commission is serious about impact assessments and wants to be treated seriously in that respect, it had better get things right.

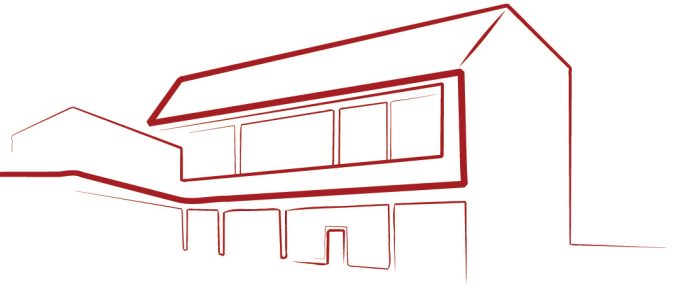
EU EMISSIONS TRADING SCHEME

Transfer of carbon allowances proposal approved

European Commission proposals to transfer carbon allowances recorded in national emission trading system registries to a single EU Emissions Trading System (EU ETS) registry from 2012 have been approved in the Climate Change Committee. The Commission believes that the revision of the system of registries underpinning the EU ETS will make the system more standardised and secure.

The approved proposals also include bringing the aviation sector into the EU ETS from 2012 and addressing the recent spread of fraudulent and criminal activities against the registries system. Under the proposals, Member States will have a range of measures that will allow them to combat fraud. The revised Regulation will now be examined by the European Parliament and Council and formally adopted by the Commission as swiftly as possible. Most of the revision will apply from 1 January 2012, but the anti-fraud provisions will enter into force once the revision is published in the Official Journal, which is expected to happen this summer.

http://ec.europa.eu/environment/climat/emission/citl_en.htm



EU EMISSIONS TRADING SCHEME

Commission to discuss auctioning carbon allowances

The European Commission has prepared draft rules for auctioning CO₂ allowances under the EU's Emissions Trading Scheme (ETS) from 2013. The European Parliament and the Council will have up to three months to scrutinise the proposal. Adoption of the Regulation is therefore likely in June 2010. The Commission now intends to start the selection process for the auction platform, the clearing or settlement system and the auction monitor.

Opposition from certain Member States has delayed the Commission proposal. A major point of contention has been whether to create a centralised system or let Member States set up their own, the latter position being favoured by France and Germany.

The Commission also gave a presentation on the state of play in preparing for European carbon allowance auctions at the CCAP (Center for Clean Air Policy) workshop in Warsaw on 28 January. The presentation is available here:

http://ec.europa.eu/environment/climat/emission/pdf/100128_ccap_warsaw.pdf

EU EMISSIONS TRADING SCHEME

Draft Commission decision on CCS projects approved by Committee

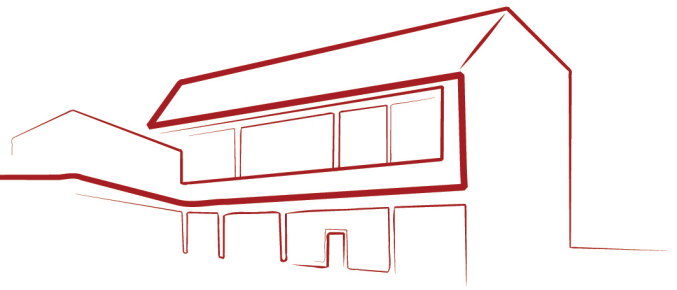
The latest version of the draft European Commission Decision on CCS (Carbon Capture & Storage) Demonstration Projects was approved by the Climate Change Committee on 2nd of February 2010.

The European Cement research Academy (ECRA) based in Duesseldorf is currently conducting research on CCS in the cement industry. CEMBUREAU fully supports this project.

EU EMISSIONS TRADING SCHEME

UK calls for carbon market intervention to stimulate investments

A UK Parliamentary Committee has called for the power to intervene in the EU ETS if the system fails to encourage investments in cleaner energy. The 16-member panel said that the UK should think about acting unilaterally to curb its supply of permits, and should introduce financial incentives to encourage companies within the EU ETS to voluntarily cancel allowances they own. The Commission opposes intervention, arguing that prices should reflect supply and demand.



EU EMISSIONS TRADING SCHEME

Value of EU ETS set to increase, says analyst

The value of the EU emissions trading scheme (ETS) will increase by 38% this year to €95 billion due largely to utilities buying allowances to cover their emissions from 2013, says market analyst Point Carbon. The volume of EU ETS allowances traded however is not expected to increase much. This is because the increase in trading from utilities will be cancelled out by the absence of "carousel" VAT fraud (see November 2009 Eurobrief), which falsely boosted volumes in 2009. Finance ministers approved an amendment to VAT rules in December.

A Point Carbon press release on global carbon market predictions can be found here:

<http://www.pointcarbon.com/aboutus/pressroom/pressreleases/1.1393070>

EU EMISSIONS TRADING SCHEME

EU carbon permits fall from seven week high

EU carbon permits fell from a seven week high in February on account of falling gas prices. Analysts say that the outlook for the carbon market is restrained due to investor concerns over economic developments in the eurozone.

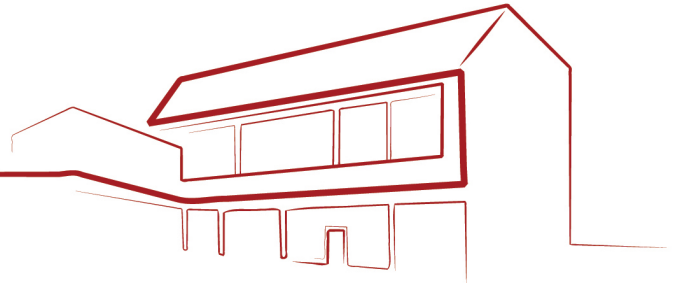
ENVIRONMENT

DG Energy and DG Climate Action created

Two new Directorates-General: DG Energy (ENER) and DG Climate Action (CLIM) have been created within the European Commission. The Energy DG contains the departments in the former Transport and Energy DG that dealt with energy issues, and the Task Force Energy, which will be transferred from the External Relations DG. The new Director-General for the Energy DG will be Philip Lowe, a British national, currently Director-General in DG Competition. Alexander Italianer, a Dutch national will become the new Director -General for DG Competition. The departments responsible for transport policy will remain in the renamed Mobility and Transport DG (MOVE).

The Climate Action DG will be created from relevant units in DG Environment, along with activities in the External Relations DG and Enterprise and Industry DG related to international negotiations and activities on climate change. Jos Delbeke, a Belgian national and currently Deputy Director-General in the Environment DG, will be Director-General of CLIM.

Some of the activities of DGs Mobility and Transport, Competition, Enterprise and Industry,



Environment, Humanitarian Aid and Health and Consumers have been moved around in order to better align them with the responsibilities of the respective portfolios of the Commissioners. Finally, a research task force has been established to advance the Commission's strategic approach, and will be chaired by the Secretary-General.

ENVIRONMENT

Council adopts first reading position on IPPC Recast

The Council has adopted its position at first reading on the Proposal for a Directive of the European Parliament and of the Council on Industrial Emissions (Integrated Pollution Prevention and Control) (Recast). The Council believes that its position provides for a more harmonised and rigorous implementation of emission limits associated with Best Available Techniques (BAT) across the EU.

The position is designed to reinforce rules for new power plants and combustion installations in oil refineries and the metal industry and so-called large combustion plants. It would achieve this by applying current BAT earlier than proposed by the Commission, namely within two years after the entry into force of the directive. Existing such plants would have to comply with current BAT from 2016, though a transition period until the end of 2020 is foreseen.

The European Parliament's second reading debate is likely to begin in mid-March. The Parliament's Environment Committee will vote on the proposals in April, with trilogue talks between MEPs, Member States and the European Commission beginning shortly after. A plenary vote in Strasbourg is scheduled for July.

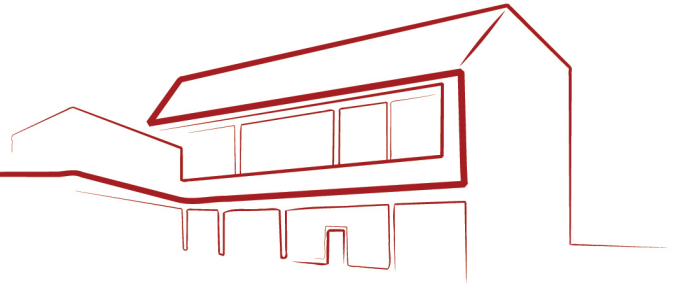
The Council's position can be found here:

<http://register.consilium.europa.eu/pdf/en/09/st11/st11962-re01.en09.pdf>

ENVIRONMENT

No binding criteria on biomass for heat and power generation

The European Commission does not intend to come forward with a legislative proposal on legally binding sustainability criteria for biomass used to generate heat and power. A Commission report published in February considers that binding criteria would generate significant costs for economic operators. Instead, the Commission proposes criteria that Member States will be free to apply. The criteria would apply to energy producers of one megawatt thermal or 1MW electrical capacity or above. The Commission will assess the risks posed by heat and power production from biomass, and whether sustainability schemes have caused market distortions, by 31



December 2011.

The Commission's Impact Assessment accompanying the Report is available here:

http://ec.europa.eu/energy/renewables/transparency_platform/doc/2010_report/sec_2010_0065_1_impact_assesment_en.pdf

ENVIRONMENT

EU Ecolabel rules enter into force

Regulation (EC) No 66/2010 on the EU Ecolabel entered into force on earlier this month, following its recent publication in the EU's Official Journal. The Regulation expands the scheme to include more categories and is designed to make it easier and cheaper for industry to apply for the logo, which remains voluntary.

The Regulation can be found here:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:027:0001:0019:EN:PDF>

ENVIRONMENT

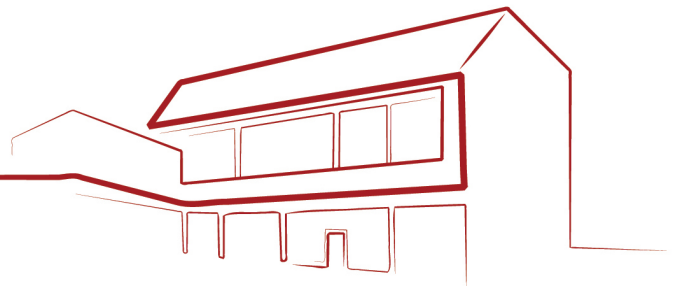
European Council letter to UNFCCC on Copenhagen

The European Council has written a letter to the United Nations Framework Convention on Climate Change (UNFCCC) expressing its willingness to be associated with the Copenhagen Accord and the submission of the quantified economy-wide emissions reduction targets for 2020. The letter states that, as part of a global and comprehensive agreement for the period beyond 2012, the EU reiterates its conditional offer to move to a 30% reduction by 2020 compared to 1990 levels, provided that other developed countries commit themselves to comparable emission reductions.

The ACEI (Alliance for a Competitive European Industry), which CEMBUREAU is a member of, recently published an open letter calling on the EU to stick to the 20% emission reduction target (see January 2010 Eurobrief). The letter stated that no further unilateral commitments should be made until it is certain that other major economies have also made substantial and binding commitments.

The letter can be found here:

<http://register.consilium.europa.eu/pdf/en/10/st05/st05794.en10.pdf>



ENVIRONMENT

Parliament adopts Copenhagen summit resolution

The European Parliament adopted in Plenary a Resolution on the outcome of the Copenhagen summit. Motions for resolutions were drafted on behalf of the Socialist & Democratic (S&D) group, the Alliance of Liberals and Democrats for Europe (ALDE), the European Conservatives and Reformists (ECR) group, the Greens, the European People's Party (EPP) group and the European United Left / Nordic Green Left (GUE/NGL) group. Jo Leinen (S&D, Germany) said that the European Parliament wanted to make it clear that efforts would have to be redoubled after the disappointing result of Copenhagen.

The Resolution to wind up the debate on statements by the Council and Commission pursuant to Rule 110(2) of the Rules of Procedure on the outcome of the Copenhagen Conference on Climate Change (COP 15), adopted in Plenary on 10 February, can be found here:

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0019+0+DOC+XML+V0//EN&language=EN>

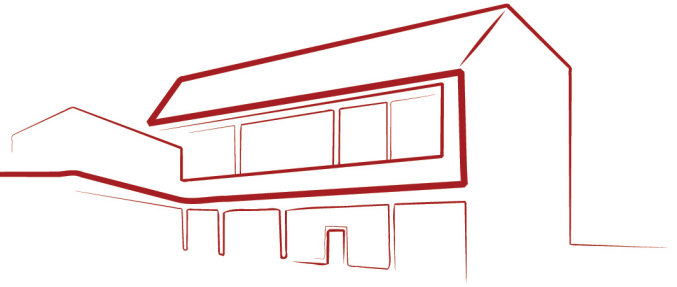
BUILDINGS & BUILDING MATERIALS

Parliament second reading of energy performance of Buildings Directive postponed

Council is expected to adopt its Common Position (incorporating the agreement reached with the European Parliament) in the first half of 2010. The European Parliament's adoption of the proposal at second reading without amendments however has been postponed to 17 May 2010. This is because the Commission, Council and Parliament are still negotiating an inter-institutional agreement on the changes resulting from the entry into force of the Lisbon Treaty.

A Council Document on the adaptations resulting from the entry into force of the Treaty of the Functioning of the European Union (TFEU) as regards the proposal on the energy performance of buildings can be found here:

<http://register.consilium.europa.eu/pdf/en/09/st17/st17472.en09.pdf>



HEALTH AND SAFETY

New IUCLID now available

Version 5.2 of the International Uniform Chemical Information Database is now available on the IUCLID website. In addition, a new version of REACH-IT has been announced for early March 2010. Registrants are invited to install IUCLID 5.2 ready for the submission of dossiers in the new REACH-IT version (due to be released in early March 2010). It should be noted that IUCLID 5.0/5.1 must still be used in order to submit dossiers under the current version of REACH-IT.

The updated IUCLID includes:

- » Updates of the OECD Harmonised Templates used to report information from studies on chemicals

- » CLP Regulation (and latest version of the GHS)

- » Sections to report on uses

Updated plug-ins will be made available over the coming month, in the following order:

- » Technical Completeness Check plug-in

- » Chemical Safety Report plug-in

- » Query Tool plug-in

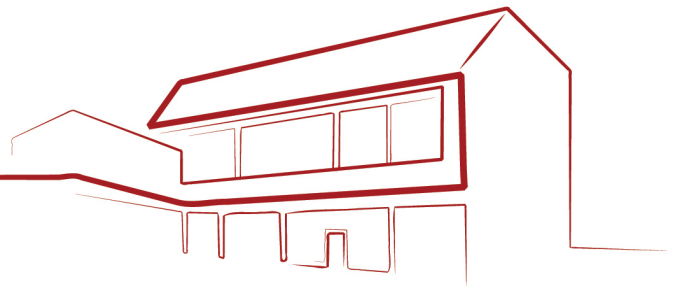
The new version of REACH-IT will include new features such as the submission of Classification and Labelling (C&L) notifications, bulk C&L notifications, Legal Entity changes and cease manufacture declarations.

Click here: http://reach.cembureau.eu/images/stories/documents/nf_echa_pr_150210_1.pdf

and here: http://reach.cembureau.eu/images/stories/documents/nf_echa_pr_150210_2.pdf for the relevant ECHA press releases.

More information is also available here:

<http://iuclid.echa.europa.eu/index.php?fuseaction=home.news&type=public&id=30>



HEALTH AND SAFETY

REACH registered substances database available

ECHA and the European Commission held a round table meeting on 6 July 2009 to discuss which data from the Registration dossier could be made publically available. All responses have since been compiled, and it is now possible to view information from a first set of Registration dossiers.

The information in the database was provided by companies in their registration dossiers. The database contains a variety of information on the substances which companies manufacture or import, such as their hazardous properties, their classification and labelling and how to Use the substances safely, for example.

To view this database, click here: <http://apps.echa.europa.eu/registered/registered-sub.aspx>

HEALTH AND SAFETY

Disagreement over treatment of intermediates

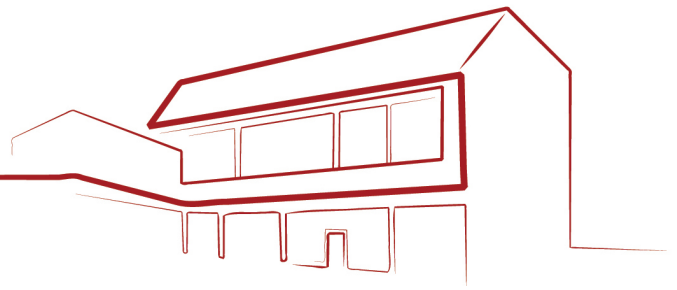
Disagreements between the European Commission and industry over the treatment of intermediates under REACH emerged at a recent meeting of the expert advisory group on REACH and classification, labelling and packaging (CARACAL). Concerns were expressed that a joint Commission-ECHA paper detailing a more restrictive definition of intermediates - chemicals intended to be transformed into other substances - would limit the ability of industry to benefit from the preferential registration conditions that intermediates currently enjoy under REACH. Industry is also unhappy that the publication of the paper comes so close to the first registration deadline. Stakeholders have been invited to submit their reactions to the joint paper.

WASTE

Commission study urges for waste implementation agency

A European waste implementation agency should be established in order to improve waste management and reduce illegal activities, claims a European Commission study. It estimated that if EU waste legislation was fully implemented, it would reduce emissions by almost 200 million tonnes of CO₂ a year. An agency, which the Commission estimates would cost €16m a year to run, would review enforcement systems in Member States and coordinate controls and inspection activities.

An in-depth cost-benefit analysis will be carried out this year and further recommendations may



be proposed during 2011.

The revised final report can be found here:

http://ec.europa.eu/environment/waste/pdf/report_waste_dec09.pdf

CEMBUREAU

World Statistical Review 1996-2008 now available

The World Statistical Review provides information on cement production, imports, exports, total per capita consumption and population on a worldwide country basis. The latest Edition covers 1996 - 2008. If you wish to purchase this publication or for more information, please contact:

statenergy@cembureau.eu

OTHER NEWS

Shifting gears for a new industrial policy

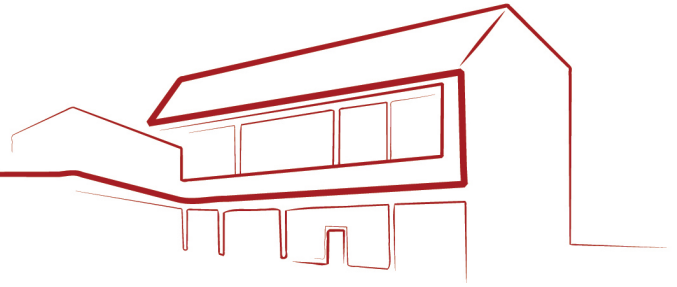
On 26 February, the Alliance for a Competitive European Industry (ACEI), of which CEMBUREAU is a member, called for a new industrial partnership between the EU and its major industries. In its Manifesto, entitled "Shifting Gears for a New Industrial Policy", the ACEI stresses what needs to be done so that manufacturing industry can remain one of the engines of the economy. The presentation came ahead of the meeting of the Competitiveness Council on 1-2 March on industrial policy.

Europe needs a vibrant manufacturing industry to spark the economic recovery, innovation and growth required to meet the societal and environmental challenges which lie ahead. Manufacturing provides a fifth of EU GDP and provides three quarters of EU exports. Over 80% of the EU private sector research and development expenditures are provided by industry. Manufacturing firms are also key clients of many services activities. Many of the services jobs in the EU would be lost without a strong industrial base.

The Manifesto gives an overview of the priority actions to be taken to achieve a competitive and innovative industrial base.

To achieve this, the ACEI has identified 6 priority areas:

» Partnership: EU institutions and the private sector can and must work more closely to secure the future of Europe's industrial base.



» Growth: we need to establish the right mix of fiscal, monetary and financial policies to re-invigorate economic dynamism, while ensuring that European industry comes out of the economic crisis more competitive and innovative than before.

» Balance: Europe must take a fully integrated approach to industrial policy by carefully balancing essential climate, energy and competitiveness factors.

» Innovation: growth, industrial leadership and sustainability require one key ingredient: innovation. The EU must therefore establish an all-encompassing R&D and innovation strategy for Europe.

» Markets: the EU must ensure access to world markets and to raw materials by aiming to open export markets while maintaining effective trade defence instruments.

» Skills: manufacturing industry must foster and attract new generations of highly skilled and creative workers.

"Europe's place in the world of 2025 will be radically different from that of today. The EU institutions share the European industry goal of remaining a world leader. They must work together to ensure that growth and jobs are created in Europe," stated Teresa Presas, Chair of the Alliance and CEPI Managing Director. Philippe de Buck, Co-Chair of the Alliance and BUSINESSEUROPE Director General, added: "The EU badly needs an integrated industrial policy. We are calling on Commissioner Tajani, the Competitiveness Council and the European Parliament to tackle EU industrial policy forcefully and thoroughly. This is crucial. It will determine where our manufacturing companies invest in the jobs of tomorrow".

The manifesto can be downloaded from here:

<http://www.cembureau.eu/shifting-gears-new-eu-industrial-partnershi>

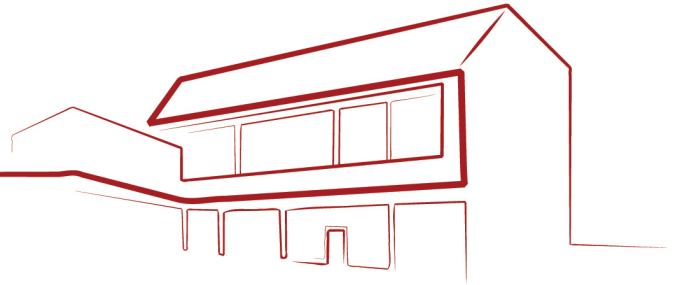
OTHER NEWS

Event: do you speak Sustainable Construction?

Join us in Brussels on 20 May! A joint Architects Council of Europe /European Concrete Platform/Future Conversations, this event will allow politicians & city planners; clients and property developers; architects & engineers; product manufacturers & materials suppliers; contractors and specialist sub-contractors; facilities managers & users to meet 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



The European Cement Association



energy in materials; the use of marks to recognise responsibly sourced materials.

More information and registration:

www.europeanconcrete.eu

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