

# ACTIVITY REPORT 2005



**CEMBUREAU** - The European Cement Association, based in Brussels, is the representative organisation of the cement industry in Europe. As of 1 May 2004, its Full Members are the national cement industry associations and cement companies of the European Union (with the exception of Cyprus, Latvia, Lithuania, Malta and Slovakia) plus Norway, Switzerland and Turkey. Latvia and Romania are Associate Members of CEMBUREAU.

The Association acts as spokesman 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 help of 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 cement and concrete products.

Since its foundation in 1947, CEMBUREAU has developed into the major centre for the dissemination of data, statistics and general information on the cement industry world-wide. Its publications serve as the principal source of information on the cement industry throughout the world.



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

# THE ECONOMY

## THE WORLD

### World Production and World Trends

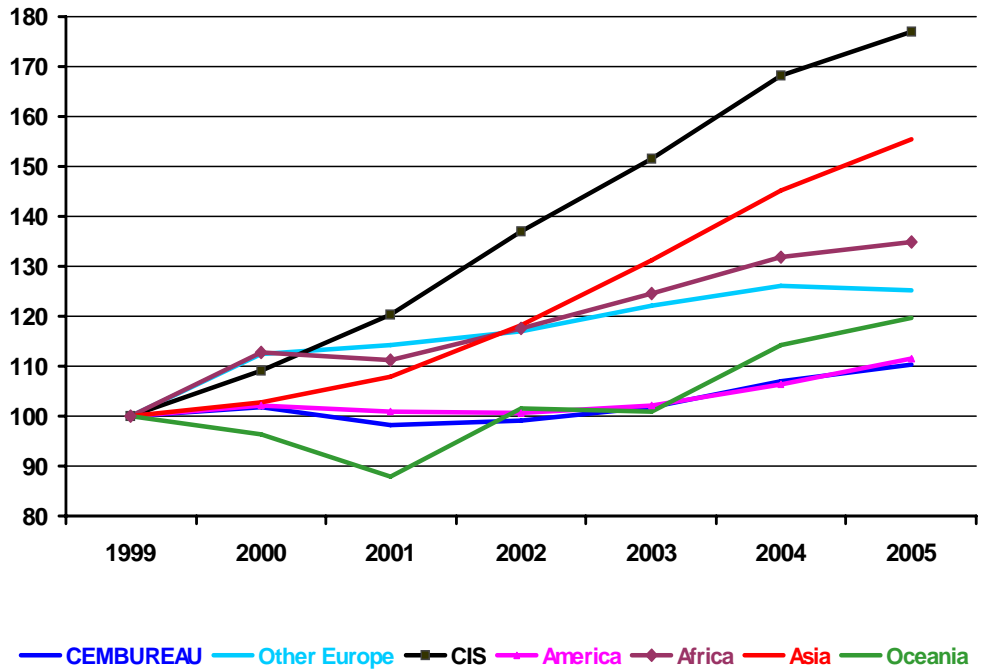
In 2005 world cement consumption continued to increase by another 6% after the 9% growth recorded in 2004. Production figures rose to 2.27 billion tonnes.

Once again Asia with +6% was the most buoyant region with Chinese production rising by 9% after two years recording 15%. India, the second biggest producer with 143 million tonnes saw a growth of approximately 9%.

Europe as a whole (excluding the European CIS<sup>1</sup> countries) with a modest 3.3% increase accounted for only 13.5% of world production in 2005. The European Union 25 Member States accounted for 10.5%.

### WORLD CEMENT PRODUCTION BY REGION - EVOLUTION 1999-2005

Index 1999 = 100

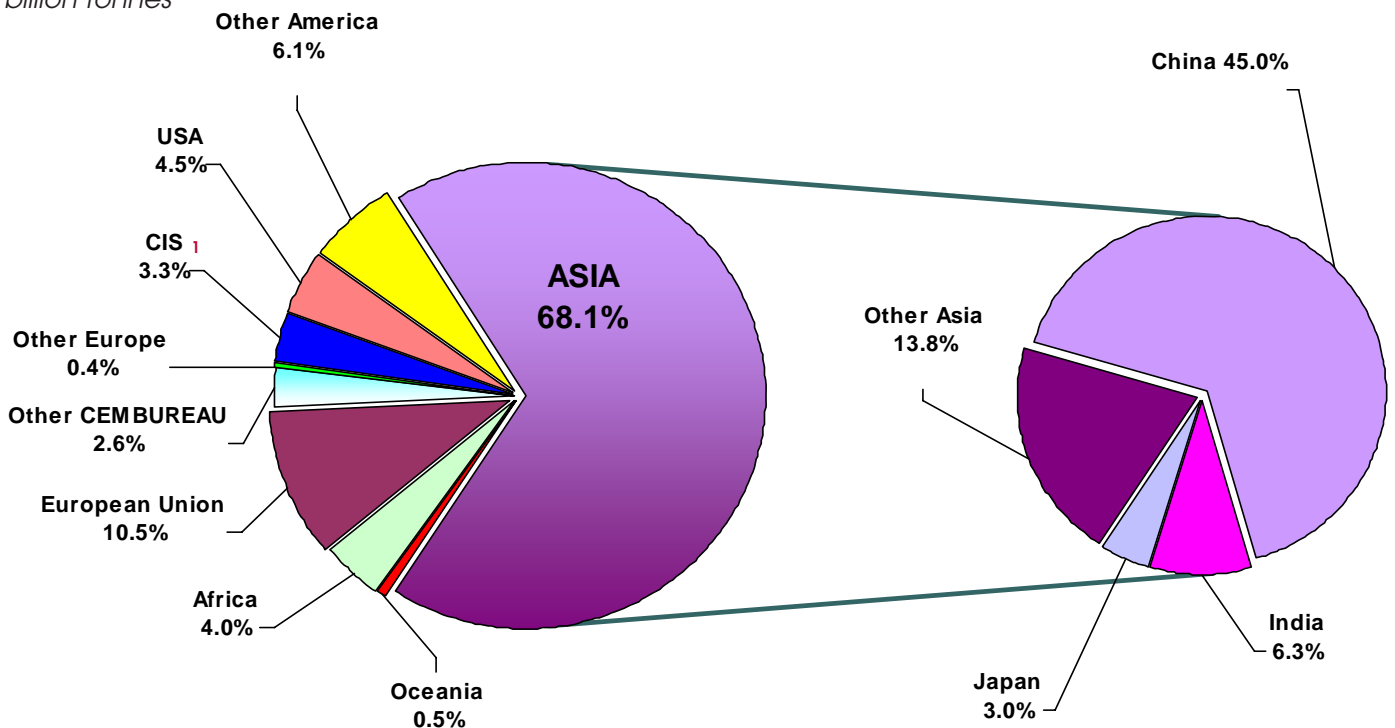


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Cement production on the American continent was very dynamic with a 6% increase. The USA hit a record high in 2005 with a rise of more than 5.6% reaching a new consumption record of about 127 million tonnes. Gains were mainly in non-residential and public construction. USA production accounted for 42% of its continent and for 50% of the consumption.

### 2005 WORLD CEMENT PRODUCTION BY REGION

2.27 billion tonnes

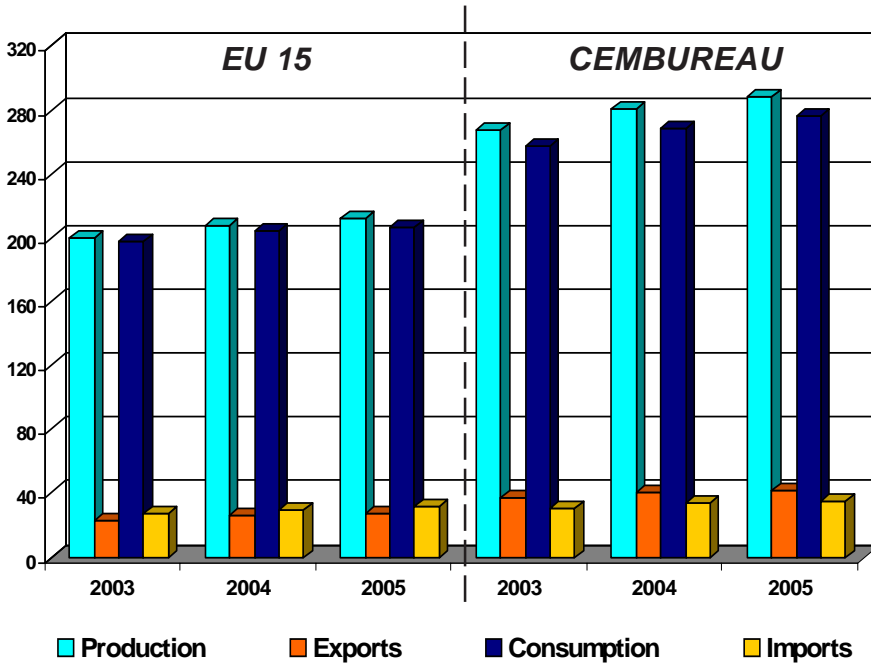


<sup>1</sup> CIS: Commonwealth of Independent States

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## CEMENT IN CEMBUREAU COUNTRIES

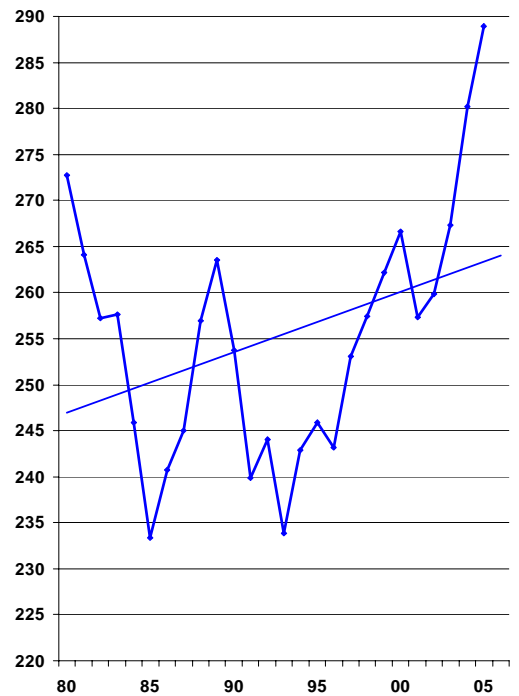
Million tonnes



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## CEMBUREAU CEMENT PRODUCTION 1980-2005

Million tonnes



CEMBUREAU EL - APRIL 2006

## EUROPE

In 2005 cement production in CEMBUREAU countries increased by approximately 3.1% from 280 to 289 million tonnes. Two countries saw very strong increases, Spain +8% and Turkey +10%; 5 countries represented 68% of the total production in the CEMBUREAU area. In the 25 countries of the European Union production reached 239 million tonnes, a growth of only 2% compared to 2004. Cement consumption in CEMBUREAU countries saw a positive growth of 3% while, in the European Union Member States, it stabilised at 1.1%.

### Austria

Austria expects cement consumption to rise by approximately 2-3% in 2006. Non-residential construction should increase slightly and residential construction recover slowly over the next few years. Civil engineering will moderately increase, as it did over the last few years. Increase in cement consumption will be due to infrastructure such as highways and railways.

### Belgium

In 2005, construction activity rose by 5%. Residential construction was especially buoyant in 2005 - one of the best years in the period 1960 - 2005. Building permits reached 59 000 units, a jump of 13% and dwellings started increasing by 3%. This was due to low mortgage interest rates and demand which favoured apartments over houses. The non-residential sector, however, decreased by 3%. Growth in civil engineering investments were 6.5% more than in 2004. However, the weakness of public - federal and regional - investment is unusual in this pre-election year and the increase in this field is lower than could be expected. Cement consumption rose to 5.8 million tonnes at the end of 2005, a 0.9% increase on 2004.

### Czech Republic

Cement production in the Czech Republic reached 3.85 million tonnes, while domestic consumption was 4.17 million tonnes. Construction growth was initially expected to be 8%, but finally reached 9.7%. Growth for 2006 is forecast at 4% for cement consumption and 7% for construction output.

### Denmark

Cement consumption increased by 4.1% in 2005, mainly because prospects for new buildings are currently favourable, a trend expected to continue throughout 2006. This progress should be viewed in the light of a rapid increase in house prices, and large consumption expected from private households. Industrial construction is expected to increase slightly, while a reform of the local council structure in Denmark is expected to reduce public building in 2006 and most of 2007.

### Estonia

2005 was a very good year for the economies of Estonia and other Baltic countries. Strong growth was the result of advancement in both domestic and external demand. Declining unemployment and growing income pushed up consumer confidence. Low interest rates and good future prospects encouraged households to take and banks to give loans. Construction continued to grow, especially residential construction of new dwellings and one-family houses. Many new office buildings were also constructed in 2005. Cement consumption increased by 21% in 2005 to 0.51 million tonnes and is expected to increase to 0.55 million tonnes in 2006.

## Finland

Cement consumption in Finland increased by approximately 1.4% in 2005. A slight increase is also expected in 2006. The increase is mainly due to three large infrastructure projects: a new nuclear power plant in Rauma, a new harbour at the port of Helsinki and a motorway between Lohja and Muurla. Residential construction activity is expected to remain stable.

## France

The French construction sectors are still strong and increased by 4% in 2005, after an already excellent 2004. This was in stark contrast to the French economy. The activity of the sector was largely driven by new housing: 410 000 units were initiated in 2005 (the best figure since 1980). This was due to low interest rates and governmental measures. Civil engineering also grew by 3%. As a result, cement consumption increased by 2.6%. The outlook for 2006 is good, especially in the new housing sector.

## Germany

The decline in cement consumption continued in 2005. Overall 26.9 million tonnes were consumed; which represents a 7.5% decrease on 2004. Cement consumption has decreased by 30% since 1995. This negative development is due to reduced demand from all construction sectors. There is hope of a slight upturn in 2006 on the basis of the increase in orders seen in recent months.

## Greece

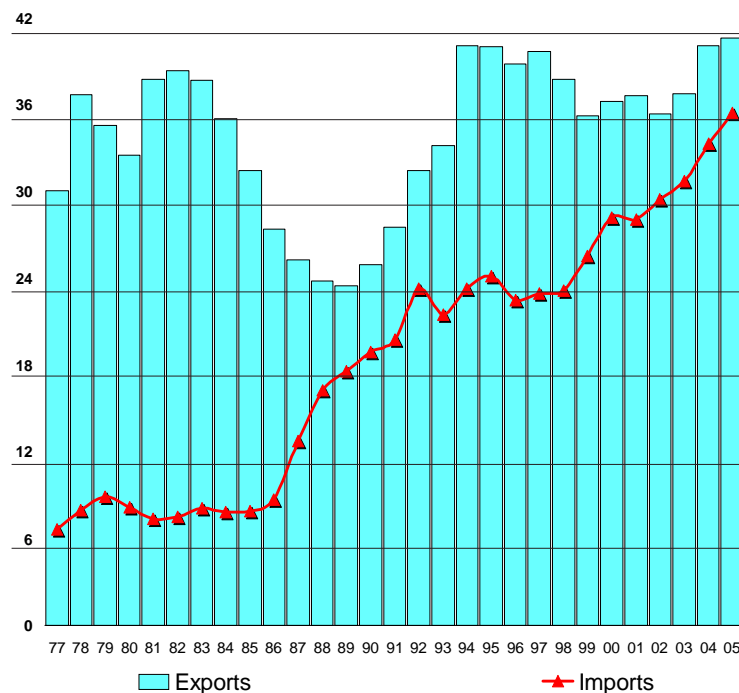
Construction activity for 2005 declined after the Olympic games in 2004. Cement consumption decreased at a similar rate to 2004. Activity is expected to stabilise in 2006.

## Hungary

The Hungarian economy grew by approximately 4.1% in 2005, the same as in 2004. GDP growth is expected to be 4.2% in

## CEMBUREAU TRADE - CEMENT & CLINKER 1977-2005

Million tonnes



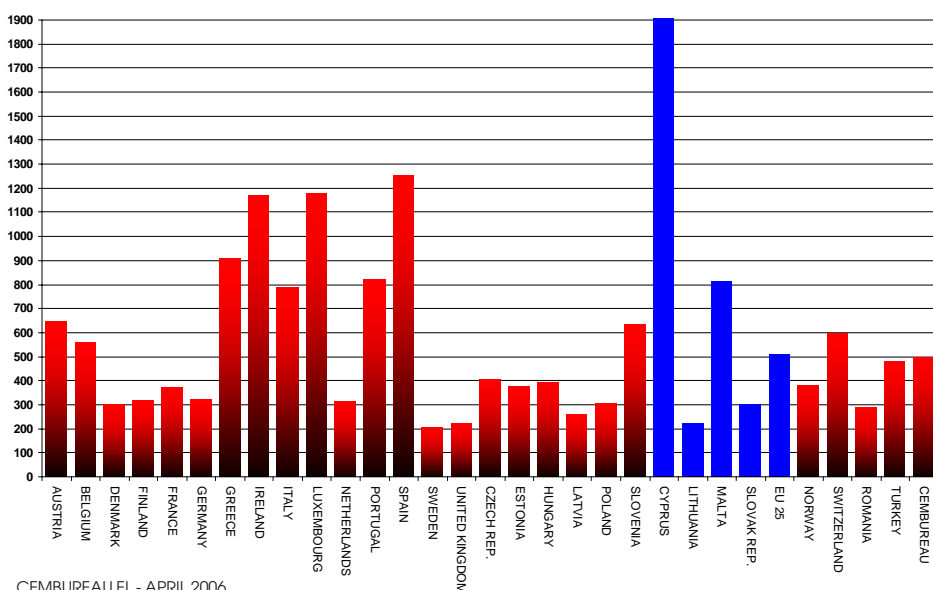
CEMBUREAU EL - APRIL 2006

2006. No significant change is expected before elections in the spring. Total construction activity increased by 16.6% in 2005 and is expected to rise by about 15% in 2006. Building construction increased by 12.5%, while the civil engineering sector (priority has been given to motorways) reached 21.4% last year. According to preliminary data, cement consumption was much the same in 2005 as in 2004. A 2% growth is expected in 2006 mainly distributed in the civil engineering sector.

## Ireland

The Irish economy remained strong in 2005 and GDP growth for the year is estimated at 5.2%. Construction output also remained strong in 2005.

## CEMENT CONSUMPTION 2005 - PER CAPITA / KG



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Cement volumes increased by 5% with demand driven largely by the residential sector. Both GDP and construction output are again expected to grow in 2006, with infrastructural spending expected to compensate for a possible stabilisation in the housing sector.

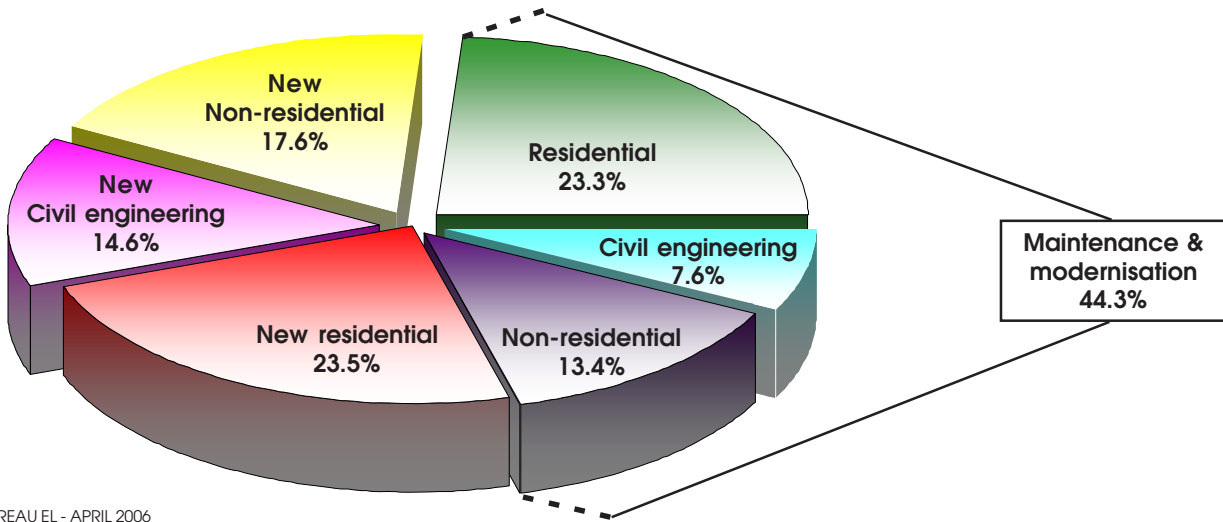
## Italy

In 2005 Italian cement consumption decreased by 0.7%, following the record level reached in 2004. Cement consumption is expected to remain stable in 2006 with a slight increase of about 1%. Construction forecasts for 2006 show an increase of 1.5% in residential building and a slight increase in the non-residential sector while civil engineering is expected to remain stable.

**2005 CONSTRUCTION VOLUME - BREAKDOWN PER SECTOR\***

Billion EUR: 1 222

\* European Union less Cyprus, Greece, Luxembourg, Malta, plus Switzerland and Norway



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**Latvia**

Latvian cement consumption increased by 30% in 2005, reaching a volume of around 0.6Mt. The main reason for this increase was the general development of the Latvian economy, GDP growth in 2005 levelled at 7.6%. The highest demand within the construction industry comes from housing and infrastructure investments, heavily supported by EU- funds and private Russian investors.

A good year is expected for the cement industry in 2006, with a 10-15% increase in consumption.

**Luxembourg**

The civil engineering sector declined in 2005, and this loss was not compensated by the strong performance of the residential sector. Due to the unusually adverse weather conditions at the beginning of 2006, recovery is weak in all areas of the construction industry. Prospects in civil engineering for 2006 are better than during the second half of 2005. Some large projects such as tunnels and transport infrastructure (tram and railways) are due to begin. Consumption which decreased by 2.7% in 2005 is expected to remain stable in 2006.

**Netherlands**

Construction output grew in 2005 and cement consumption rose by 2.5%. Construction growth should be even higher in 2006 (+ 3.5%); 2.4% and 2.1% are expected in 2007 and 2008 respectively. It is important to note that most major market segments contribute to the growth of the construction industry. The number of new housing completions grew from less than 60 000 in 2003 to 67 000 in 2005. In the period 2006-2008, 70 000 to 75 000 housing completions per year are expected. The non-residential sector in contrast lost more than 25% of its value in three years. In the period 2006 to 2008, a recovery is foreseen for all parts of the privately financed

sector. New construction in civil engineering showed a small progression in 2005. Growth is likely to continue in 2006 to 2008, albeit at a modest pace.

**Norway**

A good labour market and low interest rates are key factors to growth in housing. These two factors, combined with a better admission of serviced sites give a continued high level of new houses. The non-residential sector is expected to remain unchanged in 2006 and 2007. Lower public building activity will be compensated by higher private investments, and the R&M (Repair & Maintenance) sector is expected to continue growing. Growth in civil engineering in 2005 was mainly due to investments in roads, energy, onshore oil and gas installations. The expected increase of around 8% in 2006 will depend on the Parliament's approval of the National Transport Plan. In 2007 a decline of about 5% is expected, mainly due to reduced investments in oil and gas. In 2005, cement consumption went up by 18.3%.

**Poland**

The construction industry was the fastest growing sector in the Polish economy in 2005 - it grew by 6.5%. An increase of 7.3% is expected in 2006 and 7.8% in 2007. Funds from the European Union should support infrastructure investments. It is expected that new government plans will support the housing sector. Cement consumption, which increased slightly by 1.7% in 2005 is expected to reach 12.1 million tonnes in 2006, a growth of 4.5% in relation to previous years. In 2007 consumption should reach 12.8 million tonnes. In the next few years cement consumption is expected to grow quickly and the development of new cement production lines is also expected.

## Portugal

Following the 2004 recession GDP increased modestly by 0.3% in 2005 and is expected to rise by 0.8% in 2006. The construction sector was still in crisis last year. Estimations show that the total construction sector output fell by 3% in 2005. Civil engineering output and residential construction decreased by about 3%, while non-residential construction also decreased to a lesser extent. Consumption for 2005 is estimated at 8.7 million tonnes, a decrease of 4.5%. In 2006 forecasts point to a further decrease of 3.4% of cement consumption.

## Romania

In 2005 the cement industry in Romania maintained the same upward trend as in 2000-2004, with production and consumption on domestic market levels recording both growths of more than 8% and 10% respectively. The number of residential buildings has risen from 11% to 16%, while non-residential construction has fallen from 27% to 23%. The civil engineering sector continues to represent approximately 60% of the market. Per capita cement consumption increased by about 13%, from 260 kg to 300 kg per capita. The premises for increased consumption are favourable given the pursuit of the objectives which Romania undertook in relation to its integration into the EU.

## Slovenia

Construction activity in 2005 was 3% higher than in 2004. Residential building construction was very active, but growth was lower than the year before. Fewer roads were constructed and cement consumption in 2005 was slightly higher than in 2004 reaching 1.27 million tonnes. Cement consumption per capita in Slovenia was 635kg.

## Spain

Cement consumption in Spain reached a new high in 2005, growing by 6% to a volume of 51.5 million tonnes. This is due to the continuing strength of the residential building sector - roughly 720 000 dwellings were started, above all forecasts. Civil engineering activity continued to increase. Cement consumption is expected to increase moderately in 2006.

## Sweden

The Swedish construction sector increased rapidly last year. Total investments in new constructions increased by 6-7% in 2005. Cement consumption increased by 9-10%, higher than expected. The main reason for this was that new residential building increased to 31 000 units, the non-residential sector increased by 5-6% and civil engineering increased by 1-2%. Some important projects within the traffic infrastructure sector (tunnel projects and bridges) reached intensive phases. The construction sector is still expected to increase in 2006. A further increase is forecast in housing starts due to a lack of dwellings

in big cities. Some major projects in traffic infrastructure are due to start and cement consumption is expected to increase by 5-8% in 2006.

## Switzerland

The substantial increase in cement consumption that took place in 2005 (+6.1%) was mainly in the residential sector. There was a further increase in the number of construction permits issued in the first nine months of 2005, although this decreased after October. On several large construction sites, such as long railway tunnels under the Alps, cement intensive construction periods came to an end, leading to a decline in deliveries. The country expects cement consumption to decrease slightly in 2006 compared to 2005, which saw the highest consumption seen for the last ten years.

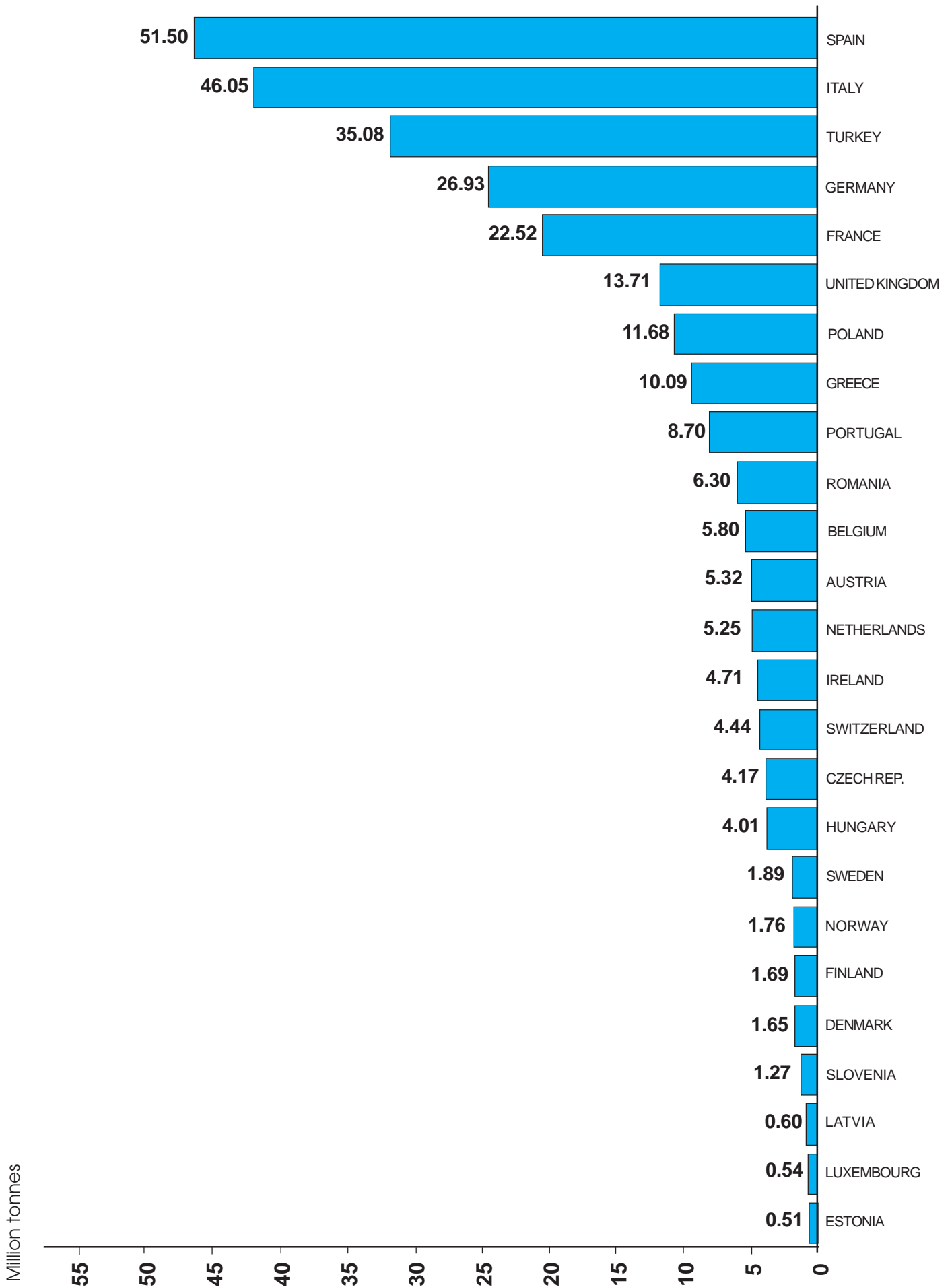
## Turkey

After a difficult period, the Turkish economy showed impressive growth. The construction sector began to recover in early 2005 and achieved a 19.7% growth in a nine-month period with a 57.3% increase in residential permits. Cement consumption in Turkey was 35 million tonnes in 2005 - an increase of 14.4% on the previous year. With such growth, Turkey has seen its highest consumption levels in seven years. It is estimated that, in 2006, consumption will increase by another 6-8%. Due to the growth in consumption and with the increase in demand on the domestic market, cement exports decreased by 6% compared to 2004. There was a 13% increase in clinker exports and total cement & clinker exports comparable to 2004. In 2005, Iraq took a 33% share of total exports. Finally, provided the economy remains stable, the construction and cement sectors are set to grow by 5% each year in the coming five years.

## United Kingdom

Cement consumption in the UK increased by 2.3% from 2004 to 2005 at a time when construction output remained fairly steady. This is in line with trends over the past five years when cement consumption has been around 2% below construction output. In 2006, cement consumption is expected to show a 1% increase in line with an expected rise in construction activity. The growth in construction activity is expected to be in the non-residential and civil engineering sectors while residential activity is expected to show a decline.

**CEMENT CONSUMPTION 2005**



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# 2005: AN OVERALL VIEW OF MAIN CEMBUREAU ISSUES

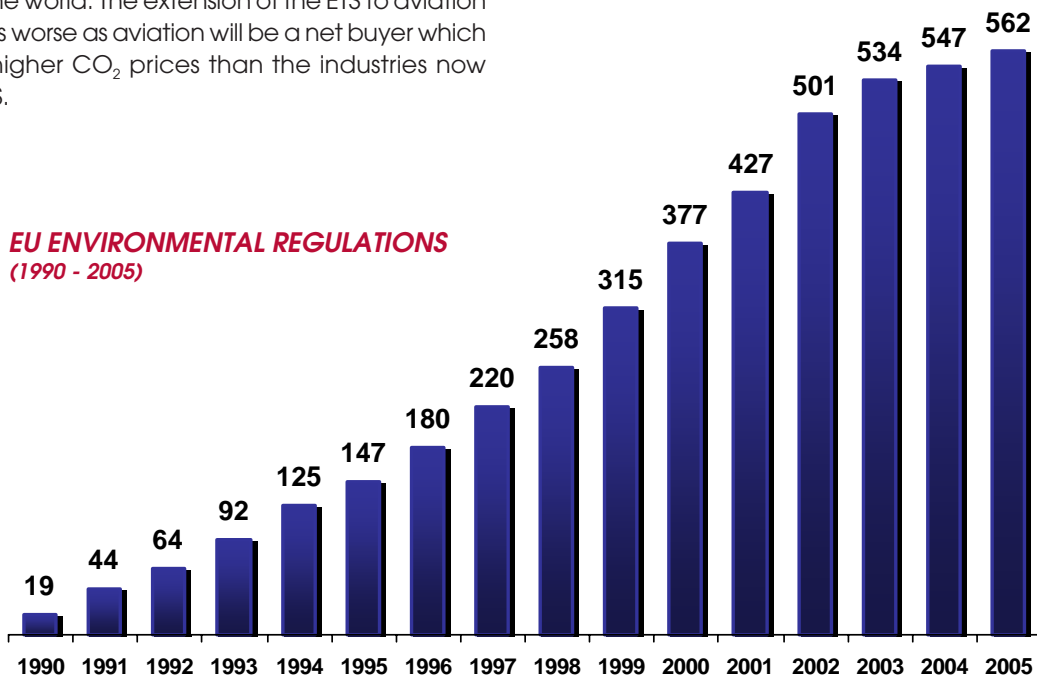
2005 will be a year to be remembered in the history of the European cement industry as that in which **CO<sub>2</sub> trading** started as a means to **reduce CO<sub>2</sub> emissions** in a number of key industries. The trading period 2005 - 2007 was supposed to be a trial period but, unfortunately, the impact to the cement industry is real and it looks like the European Commission is not willing to learn useful lessons from the experiment.

The cement industry, with a high CO<sub>2</sub> emission per unit of sales, is in no position to purchase allowances at a €25+ price. As, in many countries, cement demand is increasing, the cap & trade scheme of the EU ETS (Emissions Trading Scheme) does provide for a reduction of CO<sub>2</sub> emissions only through reduction of capacity, plant closures and relocation. This is clearly wrong as clinker or cement has then to be shipped from outside the EU with a significant increase of CO<sub>2</sub> emission (from shipping). In addition, European cement plants whose production was dedicated sometimes up to 50% to exports are losing their market position in the world. The extension of the ETS to aviation will only make things worse as aviation will be a net buyer which can afford much higher CO<sub>2</sub> prices than the industries now covered by the ETS.

The EU ETS is clearly not an exportable solution in the worldwide context of the climate change fight. The cement industry will be looking for solutions that really work and that could be considered with interest by key CO<sub>2</sub> emitters outside the EU. Such solutions are bound to be sectoral and should provide a real incentive to reduce CO<sub>2</sub> emissions whilst maintaining manufacturing activities in good shape. Developing such solutions and gaining support will be a huge challenge. This approach will not be popular with the European Commission and with those industries which are committed to the EU cap & trade scheme because of their derived "windfall" profits.

In 2005 a **CEMBUREAU Economists Network (CEN)** was established with the purpose of advising the CEMBUREAU Management as well as Working Groups and Task Forces on economic matters and help them to develop economic arguments to support CEMBUREAU positions especially regarding the competitiveness of the European cement industry.

**EU ENVIRONMENTAL REGULATIONS**  
(1990 - 2005)



Source: UNICE

On top of that, CEMBUREAU's early warning that ETS would trigger higher **electricity prices** has unfortunately materialised: on average electricity costs have jumped from 14% of total cement production cost to 25%. This indirect effect is now recognised by the EU which, however, is powerless to bring about remedies in the short to medium term. The European Commission's Competition arm is taking action but, clearly, regulating competition is one thing, but setting up an energy market that really works is another.

With other Members of the "**Alliance for a Competitive European Industry**"<sup>1</sup>, CEMBUREAU supported Commissioner Verheugen's competitiveness agenda and his effort to reduce bureaucratic and unnecessary regulatory burdens and especially welcomes the setting-up of a High Level Group on Competitiveness, Energy and the Environment. At the same time, however, the number of regulatory proposals in the fields of environment and health increased at an unprecedented pace in 2005.

<sup>1</sup> ACEA (European Automobile Manufacturers Association), CEFIC (European Chemical Industry Council), CEPI (Confederation of European Paper Industries), CIAA (Confederation of the Food & Drink Industries in the EU), EURATEX (European Apparel & Textile Organisation), EURELECTRIC (Union of the Electricity Industry), EUROFER (European Confederation of Iron & Steel Industries), EUROMETAUX (European Association of Metals), EUROPIA (European Petroleum Industry Association), ORGALIME (Liaison Group of the Mechanical, Electrical & Metalworking Industries) and UNICE (Union of Industrial & Employers' Confederations of Europe).

Much has been said and written about REACH.

CEMBUREAU was satisfied with the exemption for registration for clinker decided in first reading by the European Parliament and the Council but the reconciliation of the texts adopted by each institution remains a concern. The cement industry will also feel the pinch of REACH as a downstream user of petcoke and other chemicals - especially chromate reducing agents - which will be subject to registration.

Manufacturing cement and cement as a product, are both covered by strict legislation in order to protect health and the environment. The cement industry falls within the scope of the IPPC Directive (Integrated Pollution Prevention and Control) and the Incineration of Waste Directive and the Emission Trading Directive. Cement as a product will fall within the scope of REACH and the ER3 (Essential Requirement 3 Hygiene, Health and the Environment) is now being developed in the context of standardisation under the Construction Products Directive (89/106/EEC).

CEMBUREAU, however, has decided to go beyond legislative requirements and has invested in an ambitious "Comprehensive Health Risk Study" which will monitor its own workers and look at exposure of construction workers. In the same spirit, CEMBUREAU together with other industrial sectors decided to be a party to an ESDA (European Social Dialogue Agreement) on workers exposure to respirable crystalline silica. This agreement, which will replace legislation, has been agreed with the relevant trade unions (European Mine, Chemical and Energy Workers' Federation and European Metalworkers' Federation). It aims to prevent as much as possible exposure to respirable silica and to reduce the risk from such exposure through the application of best practices. Systematic reporting is required by the ESDA which, however, does not impose any pan European exposure limit. CEMBUREAU will now develop tools to ensure an effective and thorough implementation of the ESDA throughout the European cement industry.

Health concerns are not limited to workers and those persons using products from industry. The shift of attention from traditional industrial pollution - stack emissions - to the overall quality of ambient air will bring new challenges which will require a new kind of expertise in the cement industry. Small particulate matters especially PM<sub>2.5</sub> have already emerged as a serious challenge that needs to be immediately addressed.

The work of CEMBUREAU on "products and marketing" continued steadily during 2005. It might be tempting to describe it as "business as usual"... but this would have to be understood as "as usual, a very busy agenda!". Work that was undertaken a few years ago on the Eurocodes and the Fire Performance of Concrete is now reaching maturity and will lead to communication exercises vis-à-vis selected targets with the view to maintain and improve the market share of concrete in defined applications. The energy and environmental benefits of using concrete in order to improve the energy performance of buildings have been identified and studied. Work in this area progressed well in 2005 as did the work on a cement Environmental Product Declaration (EPD).

The preparatory work for the development of a software on End Uses of Cement was completed in 2005 and should be effectively launched, after a legal screening, in 2006.

A new Task Force on "Sustainability" was also set up in 2005.

Standardisation is a never ending process.

In 2005, CEMBUREAU continued to follow the work of CEN-TC 51 ("Comité Européen de Normalisation") on cement standards and the development of a standard (currently pr EN 196-10) of the harmonised test method to measure soluble chromium VI. New developments to be followed up in 2006 include the revision of EN 197-1 and 197-2.

## WORKING WITHIN ALLIANCES

CEMBUREAU does not act on its own. It is very much part of the mostly Brussels based scene of European trade associations.

**UNICE** is the confederation of national employers' federations. CEMBUREAU has been very active in the UNICE Climate Change Working Group as well as in its Environment Working Group, Air Quality Working Group, IPPC Working Group, Waste Task Force and REACH Task Force.

In 2005, it was decided to set up an **Alliance for a Competitive European Industry**<sup>1</sup> whose main task was, in that year, to make concrete proposals regarding Impact Assessment of EU prospective policies and regulations and also on the simplification of legislation. A seminar on the first topic was organised and well attended by all stakeholders in March 2005. CEMBUREAU's Chief Executive is the Vice Chairman of that Alliance which will continue to operate in 2006 with new projects in the pipeline.

The **Alliance of Energy Intensive Industries** representing alloys, cement, ceramics, chlor-alkali, glass, iron & steel, lime, non-ferrous metals and paper industries remained very active in 2005. Its work on electricity prices and the functioning of the electricity market was continued in close cooperation with **IFIEC** (International Federation of Industrial Energy Consumers) and the correctness of its analysis recognised by the European Institutions as well as national governments. Energy intensive industries were also able to develop a consistent common view on emissions trading in the field of CO<sub>2</sub>. Other topics such as IPPC (Integrated Pollution Prevention and Control) and Energy Efficiency were also treated. As a member of this Alliance CEMBUREAU became, in 2005, an observer at the IFIEC Working Party on Climate and Energy.

CEMBUREAU's participation in the **NEEIP** (Non Energy Extractive Industries Panel) proved useful in the context of Waste from Extractive Industries which was adopted on 30 January 2006. The outcome for CEMBUREAU was positive and unnecessary burdens and restrictions happily avoided. A good result was also obtained on the Regulation on Shipments of Waste (15311/4/2004 - C6-0223/2005 - 2003/0139(COD)) thanks to good cooperation with **EUCOPRO** (European association for CO-PROcessing) on which Board CEMBUREAU is represented as an Advisory Member.

The **REACH Alliance**<sup>2</sup> was maintained and replicated at national level making sure that the voice of the chemical manufacturing sector's interests were recognised and

taken into account. Participation in the KPMG impact study was a first signal of recognition. A more balanced debate in the European Parliament and the Council followed.

In 2005, the CEMBUREAU Board approved participation of the Association in the negotiations of a **European Social Dialogue Agreement** on the risks in a number of industries from exposure of workers to respirable crystalline silica. The pursuit of such a multi sectoral agreement - the first of its kind in Europe - was thought to be the best way, by the implementation of best practices, to prevent such risks and to minimise their impact. By the end of 2005, negotiations were progressing well and agreement was reached in early 2006. This ESDA will function in lieu of the application of Directive 2004/37/EC (Carcinogens at work).

In the construction industry, CEMBUREAU remained a faithful member of the **European Construction Forum** where work concentrated on two main topics: the operation of **FOCOPE** (The Forum in the European Parliament for Construction) and the issue of reduced VAT rates for renovation and modernisation works.

The close cooperation with **CEPMC** (Council of European Producers of Materials for Construction) was maintained especially in the contacts with the European Commission DG Enterprise and Industry Construction Unit and in relation to the revision of the CPD.

In the **European Concrete Platform** a sustained debate took place in 2005 about the best way to proceed with CEMBUREAU's partners (BIBM (International Bureau for Precast Concrete), EFCA (European Federation of Concrete Admixtures Associations) & ERMCO (European Ready-Mixed Concrete Organisation)). The setting-up of a fund was considered but abandoned leading to a pragmatic project by project approach which will lead to concrete developments in the near future.

Persons who, in CEMBUREAU, are directly engaged in advocacy with the European Institutions joined **SEAP** (Society of European Affairs Professionals) in 2005 and obtained a certificate recognising them as well acquainted with the SEAP Code of Ethics after having attended a training session on that subject. This effort to develop a Code of Ethics was well received by the European Institutions and participation of CEMBUREAU in SEAP is a pledge by individuals to comply with the highest standards of ethics in European public affairs.

<sup>1</sup> Please see footnote page 8.

<sup>2</sup> BIBM (International Bureau for Precast Concrete), CEMBUREAU, CEPI (Confederation of European Paper Industries), CERAME-UNIE (Liaison Office of the European Ceramic Industry), CPIV (Standing Committee of the European Glass Industries), ERMCO (European Ready-Mixed Concrete Organisation), EuLA (European Lime Industry), EUROFER (European Conf. of Iron and Steel Industries), EUROGYPSUM (Association of European Gypsum Industries), EUROMETAUX (European Association of Metals), EUROMINES (European Association of Mining Industries), IMA-EUROPE (Industrial Minerals Association - Europe).

## CONTACTS WITH MEMBERS

In 2005, in addition to regular contacts in relation to specific issues, contacts with Members took place through two meetings of the Members Plenary Group (MPG). These meetings one in Brussels and the other in Bern (CH), were the occasion to discuss how to improve the new operational structure of CEMBUREAU as well as to gear up for action in

important matters such as REACH. More specific coordination was required with BCA (British Cement Association) and VÖZ (Vereinigung der Österreichischen Zementindustrie) in order to organise meetings with the UK and Austrian Presidency of the EU just before those started.

## CEMBUREAU PUBLIC AFFAIRS

The two components of CEMBUREAU's Public Affairs organisation worked well throughout the year 2005. On many issues both the MPG (Members Plenary Group) and the SAG (Senior Advisory Group) provided a very valuable contribution to CEMBUREAU's advocacy. This task was made particularly difficult as a result of the complexity and quick changes affecting issues such as REACH with often less than 48 hours to react.

The MPG held two meetings in 2005 but despite efforts from the Secretariat, it was not possible to secure a full attendance as prescribed by the Board.

The SAG has mostly operated via conference calls and only one physical meeting was held in 2005. As indicated above, the SAG proved a very useful supplement to the CEMBUREAU advocacy arsenal. Its role should be further developed in the future. It is composed of public affairs professionals dedicated to advocacy.

## CONTACTS WITH EU INSTITUTIONS

In addition to the regular contacts as part of CEMBUREAU's advocacy activities some special contacts took place in 2005 which deserve to be highlighted.

As part of the "Meet the Presidencies" programme useful contacts were organised in 2005 with the UK and Austrian Presidencies in order to establish a modus operandi to cooperate in key issues such as REACH and CO<sub>2</sub> reduction.

Many contacts took place with the European Commission's DG Enterprise and Industry on the item of competitiveness. An **Alliance for a Competitive European Industry** was formed with other FEBs<sup>1</sup> in order to help the efforts of Commissioner Verheugen to strengthen the competitiveness of the European manufacturing industry.

In the European Parliament, CEMBUREAU decided to maintain its support to the **FOCOPE** initiative (The Forum in the European Parliament for Construction).

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<sup>1</sup> Please see footnote page 8.

# CEMBUREAU MAIN ISSUES

## CLIMATE CHANGE

### Emissions Trading Scheme (ETS) - The First Year

The European Emissions Trading Scheme began on 1 January 2005 without the approval of four national allocation plans (NAPs) - Italy, Poland, the Czech Republic and Greece. Throughout the year, those Member States and the UK were at odds with the European Commission to try to get their NAPs approved. The set-up of the online national registries showing the transaction details for the allocated allowances also took place with some delay in many Member States, further hampering market liquidity.

CEMBUREAU has repeatedly warned of the possibility of power companies **inflating electricity prices** by charging for the cost of CO<sub>2</sub> while receiving allowances for free, even for power generated without CO<sub>2</sub> emissions. This prediction unfortunately materialised in 2005 and was recognised by all stakeholders but Directorate General DG Environment. However, very little is currently being done to address the issue. DG Competition is currently undertaking a sector inquiry into the electricity market, but it is really the industry that is fighting this battle. CEMBUREAU is hoping for a quick resolution in 2006. It is hoped that, further to its sector inquiry of the electricity industry, DG Competition will take appropriate action. The Secretariat is supported in its advocacy by a dedicated Task Force set up under Working Group 2 "Energy and Materials Resources".

CO<sub>2</sub> emissions have to be monitored under the ETS according to the "Decision establishing Guidelines for monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council" (hereinafter referring to as the "Guidelines"). The experience acquired by the European cement industry has shown that the **monitoring and reporting** principles defined in the Guidelines are either technically not completely correct or that their implementation would lead to unreasonably high costs. Mid-2005, the European Commission launched a consultation process to review the Guidelines. In order to contribute to the debate, based on the acquis of the cement industry and on established reporting methods, CEMBUREAU prepared a paper evaluating the Guidelines and made recommendations as to how they should be improved. The CEMBUREAU paper identifies the weak points of the Guidelines and comments on the technical and economic consequences of the methods prescribed. It also outlines current monitoring plans used in the cement industry which should be incorporated into the Community reporting requirements. The Commission is now using feedback on the clarity, practicality and comprehensiveness of the Guidelines to revise them by the end of 2006.

Another gap to be filled is the **accounting treatment of allowances**. The interpretation initially made by IFRIC (International Finance Reporting Interpretations Committee) was opposed by the cement industry as it would lead to artificial volatility in companies' accounts and could mislead investors.

In early 2005, the IFRIC proposal was rejected by EFRAG (European Financial Reporting Advisory Group) and consequently not adopted by the European Commission. There was little else to do for the IAS Board (International Accounting Standards) but to withdraw the proposed rule. Since then a solution is yet to be found. CEMBUREAU has offered the IAS Board to help.

Throughout 2005 a dedicated CEMBUREAU Task Force worked hard at harmonising key principles with the view to define a common - harmonised - allocation method based on a "performance-based approach". This work will prove useful in the future but, under the pressure of national governments already preparing their second round of NAPs, it became pointless in the short to medium term.

### ETS - Preparation for the Second Round

Having been identified as a stakeholder in the review process of the EU Emissions Trading Scheme, CEMBUREAU contributed to the survey carried out by McKinsey & Co in conjunction with DG Environment of the European Commission, to get feedback from several hundred stakeholders on the EU Emissions Trading Scheme in September. Some individual cement companies and national associations were also approached to make a contribution and have proceeded likewise. McKinsey & Co. will use the results of the consultation to produce a report for the European Commission that will review the EU ETS based on initial experience. The report is due in mid 2006 and CEMBUREAU will remain in close contact with the consultants until then on this issue.

In parallel, CEMBUREAU has had bilateral contacts with the consultants as their initial conclusions stated that the cement industry would not be impacted to a great extent by ETS because, it is believed, it would be able to pass costs related to the scheme on to its customers. CEMBUREAU communicated the necessary information to the consultants in order to demonstrate that the potential to **pass on costs** has been overestimated, that imports from the Mediterranean area should not be the only ones considered and that the opportunity and marginal costs should be clearly distinguished.

The European Commission also asked stakeholders to provide input on how to extend the climate change policy to the aviation sector. CEMBUREAU contributed to the consultation highlighting that including **aviation into the EU-ETS** would further hamper the competitiveness of energy-intensive industries. Pricing allowances beyond the affordability of the EU manufacturing industry may actually wreck the whole scheme. The idea to extend the EU-ETS to aviation gained momentum during the summer break. CEMBUREAU is very concerned about the strong endorsement given by the EU Environment Ministers and EU Heads of State and Government at the European Council in late December to plans by the European Commission. CEMBUREAU together with the Alliance of Energy Intensive Industries has called for an impact assessment on, inter alia, the trading scheme and

the price of allowances, and the potential impacts on the price of electricity and the competitiveness of the energy sector, including energy-intensive industry.

### Post 2012

CEMBUREAU gave a presentation on behalf of the Alliance of Energy Intensive Industries at the **European Climate Change Programme** (ECCP) Stakeholders conference organised in October 2005. This conference was the launch of the ECCP II. ECCP which is run by the Commission and includes stakeholders from industry, consumer and environmental organisations is the main forum for the European Commission to discuss and advance the EU's climate change strategy. The first phase, ECCP I, was launched in 2000 and focused on implementing the Kyoto Protocol at EU level. CEMBUREAU has secured seats in the various ECCP II working groups (ECCP Review, Carbon Capture and Sequestration and Aviation) and CEMBUREAU representatives will try to ensure in 2006 that the cement industry's concerns are taken into consideration in ECCP II future work.

In parallel, Working Group 1 "Climate Change and CO<sub>2</sub>" and its dedicated Task Force "Post-Kyoto" started to work on the concept of an alternative system to be developed and implemented on a broader base than that put in place today by the ETS.

### Linking Directive

The "Linking Directive" allows companies to meet emissions caps under the EU Emissions Trading Scheme by using credits gained from Kyoto "flexible mechanism" projects. Member States had to transpose the Directive into national law by 13 November 2005. Only six Member States managed to notify the European Commission of the national legislation implementing the so-called "Linking Directive" within the deadline for notification. They were Denmark, France, Germany, the Netherlands, Spain and the UK. Despite CEMBUREAU warnings, not enough attention was paid to the fact that some Member States, namely the UK, the Netherlands and Sweden, intended to introduce a cap limiting, at installation level, the conversion of credits from project activities into allowances as part of their national measures implementing the so-called "Linking Directive".

## MATERIALS AND ENERGY

### EU Waste Policy

At the beginning of 2005, CEMBUREAU participated in all stakeholders' consultations (on the Hazardous Waste Directive, on the Waste Oil Directive, on the Biomass action plan and on the Waste Framework Directive) organised by the European Commission in view of supporting the development of its **Thematic Strategy on the Prevention and Recycling of Waste**. At the very end of 2005, the European Commission

released its thematic strategy and a proposal for a **revised Waste Framework Directive** (WFD). This clarifies that there will be no wholesale revision of EU waste rules, only a moderate review that would keep a global framework approach. The European Commission confirmed that the current waste law lacks precision and that some definitions are no longer in line with environmental and economic reality. The revision has introduced lifecycle thinking, focused on reducing environmental impacts of waste generation, tackled the problem areas of end of waste, recovery (interesting to note that the definition of recovery is based on substitution), disposal and recycling, proposed the lifting of the waste status for certain material streams and has accepted to remove the priority for waste oil regeneration.

CEMBUREAU welcomes the fact that the Commission has taken on board the recommendation to streamline waste legislation by incorporating the Directives on Hazardous Waste and Waste Oils into the WFD, while maintaining the distinction between hazardous and non-hazardous waste and repealing the priority for waste oil regeneration over other recovery operations. CEMBUREAU was nevertheless disappointed that - despite its early warnings - the **Biomass action plan** only focuses on the use of biomass for the production of electricity, whereas it should rather ensure an equitable access to biomass for all industrial operators.

CEMBUREAU will closely follow these issues in 2006 as they go through the European Parliament and Council for decision.

### Use of Waste Statistics

In view of the Review of the Cement and Lime BREF (Best Available Techniques Reference Document) and in order to improve the work carried out in 2004 under the CEMBUREAU Action Plan for the Use of Waste, Working Group 2 "Energy and Materials Resources" and its dedicated Task Force "Use of Waste" have collected 2003 and 2004 data on waste streams and stack emissions. All the data will be made available to the Technical Working Group (TWG) dealing with the BREF review by 1 June 2006.

### Shipment of Waste

CEMBUREAU has monitored in close co-operation with EUCOPRO (European association for CO-PROcessing) the development, in both Council and the European Parliament, in relation to the proposal reviewing shipments of waste rules. CEMBUREAU is pleased to report that the Institutions agreed not to impose stricter criteria for objections grounds to waste shipments destined for recovery. Another positive outcome is that waste shipments for interim recovery and disposal operations will not be banned, along with those for repackaging, mixing and storing. Stricter rules on notification and monitoring of waste shipments were adopted. The new Regulation will then be published in the Official Journal and will likely enter into force sometime in early 2007.

## Solid Recovered Fuels

CEMBUREAU closely followed and participated as an observer in the development of different technical specifications by CEN TC 343 and as a sponsoring member in the QUOVADIS<sup>1</sup> project. Two technical specifications are of particular interest to CEMBUREAU Members: the technical specification related to the **determination of the biomass fraction** of solid recovered fuels (in particular in view of the CO<sub>2</sub> monitoring and reporting) and the technical specification related to the **classification of SRF** (Solid Recovered Fuels).

## Mining Waste

In 2005 the European Commission's proposal for Directive on the Management of Waste from the extractive industries (the so-called "Mining Waste Directive") went through a second reading and conciliation process. Echoing CEMBUREAU and other non-energy extractive industries working together in the NEEIP (Non Energy Extractive Industries Panel), topsoil and overburden - the cement industry's prime concern - are excluded from the scope of the Directive. The final text was adopted in Plenary on 18 January 2006. Member States now have two years to transpose the rules into national law. The amendment requested by the lime industry aiming to exclude the burning of limestone in thermal manufacturing processes from the rules applying to "treatment" was also accepted. This may also apply to cement kiln dust.

## TECHNOLOGY AND ENVIRONMENTAL PERFORMANCE

### BREF Revision

CEMBUREAU was right to prepare the work over the past two years within a dedicated CEMBUREAU Task Force as the **Revision of the Cement and Lime BREF** (Best Available Techniques Reference Document) virtually started in 2005. At the end of March 2005, all stakeholders submitted their wishes to the Technical Working Group (TWG) and, in September, CEMBUREAU attended the kick-off meeting in Sevilla. It is worth noting that the Cement & Lime BREF is the first such document to be reviewed, despite the fact that the revision process has not (yet) been fully approved by the European Commission's Information Exchange Forum (IEF). At the kick-off meeting, CEMBUREAU gave a presentation of its own view of the review process and on the information it now believes to be available for the review. At this meeting, CEMBUREAU noted that the list of issues on which the review will focus is as follows: **use of waste as alternative fuels and materials; impact on emissions when using waste**; abatement techniques with special focus on SNCR (Selective Non-Catalytic Reduction), CO trips, energy requirements, control (and monitoring if specific to the cement industry) of emissions and emerging technologies. It was further agreed that overlap with existing BREFs such as that on Waste Pre-treatment will be avoided. CEMBUREAU is now working on the collection of the required data in order to meet the strict deadline to submit information which is 1 June 2006.

## IPPC Review

Integrated Pollution Prevention and Control (IPPC) regulates emissions to air, water and land from industrial operators. At the end of 2005, the European Commission started work on a review of the IPPC Directive due to take place in 2007. This review is part of the IPPC Implementation Action Plan. The European Commission's objective is to encourage installations to go **beyond implementing current IPPC requirements**. The review will clarify certain legal and technical issues, such as the scope of the Directive and the definitions, and will look at the use of market-based instruments in strengthening implementation. An Advisory Group in which CEMBUREAU is represented has been set up to consult on key issues with stakeholders and Member States. In order to support the review process, the European Commission has launched six studies to be carried out in 2006. The cement industry will be involved with some installations in at least three of those studies (implementation, streamlining legislation and environmental benefits).

In relation to **NO<sub>x</sub> and SO<sub>x</sub> trading**, CEMBUREAU anticipated and developed its position in 2005. CEMBUREAU is opposed to the envisaged emissions trading scheme. CEMBUREAU believes that IPPC and emissions trading are not compatible and prefers the certainty of the existing regulation of NO<sub>x</sub> and SO<sub>x</sub> under IPPC. IPPC must be given a fighting chance to show that it works before any alternatives are considered. NO<sub>x</sub> and SO<sub>x</sub> emissions from industry are properly regulated under IPPC, the Waste Incineration Directive (2000/76/EC) and the Directive on Large Combustion Plants (2001/80/EC). It is doubtful whether a cap & trade scheme could work alongside these existing regulatory requirements.

## POPs

CEMBUREAU and the CSI (Cement Sustainability Initiative) jointly participated in the First Meeting of the Conference of Parties of the **Stockholm Convention on Persistent Organic Pollutants** (POPs), also known as COP-1, which took place in Uruguay in May 2005. The draft guidelines on Best Available Techniques/ Best Environmental Practices (**BAT/BEP**) developed during the period 2002-2004 were recommended to be used already by the Parties but further work was deemed necessary in order to complete the document (this had nothing to do with the cement kiln chapter). The Conference proposed the establishment of a new experts group on BAT/BEP which shall develop "new" draft BAT/BEP Guidelines to be discussed at COP-2 and adopted at COP-3. The new experts group met in Geneva at the end of November and agreed among others on a new outline for the cement section which will serve as the basis to redraft this section of the BAT/BEP Guidelines. To that end, inter sessional work is needed until the next (and last) experts group meeting by December 2006 to be held in Beijing. CEMBUREAU and the CSI will be duly represented at the next meetings.

<sup>1</sup> QUOVADIS stands for **Quality Management, Organisation, Validation of standards, Developments and Inquiries for SRF**. The European Commission gave a mandate to CEN to develop and validate Technical Specification (TS) for SRF and then to transform these TS into full European Standards (EN). To meet these requirements, the consortium proposes a thorough programme of validation covering (a) examination of the implementation of quality-management to the whole production process and (b) validation exercises based on Round Robins for single TS agreed in the various working groups of CEN/TC 343.

## Air Quality

On 21 September 2005, the European Commission released the first of seven such "Thematic Strategies" implementing the EU's 6th Environmental Action Programme to be launched over the next six months. It will be formally presented to the European Parliament and the Council for scrutiny under the co-decision procedure in 2006, where the Institutions must come to an agreement and rubber-stamp the proposals. Of importance to the cement industry is that the strategy proposes a shift from PM<sub>10</sub> (particulate matters) to PM<sub>2.5</sub>. CEMBUREAU will closely monitor the debates in Parliament and Council.

The European Parliament's Environment Committee voted to adopt the proposal establishing a **European Pollutant Release and Transfer Register** which will replace the existing - less demanding - European Pollutant Emission Register (EPER).

In February, the European Commission released its strategy for dealing with **mercury** in the environment and indicated that it will encourage Member States and industry to report more data on mercury releases and prevention control techniques which will feed into BREFs (Best Available Techniques Reference). This will have implications for the revision of the cement and lime BREF. The BREF may include information on how to prevent mercury emissions. As part of a broad review to be completed by 2010, the Commission will assess the effectiveness of applying mercury emission limit values under the IPPC Directive. It sees IPPC, which sets limit values for other pollutants but not for mercury, as a key tool for reducing emissions levels.

## HEALTH AND SAFETY

### REACH

REACH, which stands for **Registration, Evaluation and Authorisation of Chemicals** is a proposal for a Regulation aiming by control existing chemicals to a strict but cumbersome control. Once it becomes law, as a Regulation it will become immediately applicable, probably in 2007, in all Member States without any intermediate national measures.

The object here is not to describe the content of the 1200 pages draft Regulation <sup>2</sup> but to stress its impact on the cement and the concrete industries. This will be done using the specific REACH terminology.

**Cement** as a "preparation" falls under REACH and can be subject to market restrictions. This will be the case for hexavalent chromium as the existing Directive 2003/53/EC will be incorporated into REACH. As a preparation, however, cement will not be subject to registration but REACH does require Safety Data Sheets (SDS) for cement harmonised at EU level.

The decision to proceed with such harmonisation was made in 2004. In 2005, the Board insisted again that such

harmonisation is a priority. It was also decided to produce a harmonised SDS for clinker in order to address concerns raised by the Council.

According to the initial European Commission's proposal, **clinker** as a "substance" should in principle be registered. However, amendments voted in the European Parliament in first reading at the end of 2005 would, if maintained, exempt clinker from registration. In its political agreement, the Council also decided that clinker should be exempted from registration. The debate on this question will start again in the second half of 2006 when the second reading in the European Parliament takes place.

**Waste** whether used as raw material or fuel will very likely be excluded from the scope of REACH, a point on which all three Institutions seem to agree.

The cement industry will also be affected as a downstream user of chemicals.

Whilst **coal** is exempt from both registration and authorisation when used as a fuel, **petcoke** is only exempt from authorisation, not registration. As all of the **petcoke** used in the cement industry falls within one EINECS Code (petroleum - 265-080-3), CEMBUREAU, which closely follows the "REACH Implementation Projects" (RIP) on substance identification, will argue that one registration should suffice.

**Plasticizers and other chemicals that are used in cement manufacture** will be subject to registration but are not likely to require authorisation. The same will apply in particular to reducing agents such as ferrous sulphate used in order to comply with the chromium requirements.

Natural **gypsum** is likely to be exempt from registration as "a substance occurring in nature" if the amendment that so provides is maintained in the final outcome of the legislative process. Recovered gypsum does not "occur in nature". It will therefore have to be registered except if it were defined as a waste, which is most unlikely.

**Ready mix concrete** is a preparation which, as such, does not have to be registered but the concrete industry has to ensure that substances entering the composition of ready mix concrete such as admixtures are registered.

**Precast concrete** products will be treated as articles. It is not clear yet how substances in articles will be treated under REACH; this remains a point of divergence between the Institutions.

In all those downstream situations the cement and concrete industries must ensure that the production of the substances they need is not discontinued. They must also identify that the producers shall proceed with the registration for "identified

<sup>2</sup> For a full description, please see Proposal for a Regulation of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restrictions of Chemicals establishing a European Chemicals Agency and amending Directive 1999/45/EC and Regulation (EC) on Persistent Organic Pollutants - 29 October 2003.

uses". There will be cases, possibly for petcoke, where importers or users may have to take it upon themselves to register a substance.

REACH is a very complex piece of legislation which will interact with other laws such as the Waste Framework Directive. If a substance is qualified as waste, it will very probably be outside the scope of REACH but, if that substance ceases to be a waste and becomes a product (e.g. recycled aggregates), it will fall within the scope of REACH and will have to comply with its requirements, which can be cumbersome and costly. This is to be borne in mind.

### SDS Harmonisation

In 2001, CEMBUREAU Board decided to go for harmonisation of "Environmental Data Sheets" for cement and on "Environmental Aspects in Cement Standards". In July 2004, former Project Group 1.2/2.6 "Health & Safety" issued a Guide to the compilation of a harmonised Safety Data Sheet (SDS) for cement. At that time, there were still a few risks and safety phrases on which a consensus could not be reached. Consensus was reached in October 2005 and Working Group 4 "Health and Safety" set up a dedicated Task Force which is developing a **SDS template for cement and clinker**. This work is of utmost importance as REACH will strongly encourage harmonised classification and labelling for clinker and cement. Harmonised SDS will contribute to a correct comprehension of the dangerous properties of both cement and clinker by authorities and users.

In the second half of 2005, Sweden tabled a proposal to label, through the accelerated comitology procedure, cement for corrosiveness. Working Group 4 immediately developed a position paper on the classification and labelling of cement as an irritant preparation - not as corrosive - under Directive 1999/45/EC (Annex 1). CEMBUREAU's prompt action allowed to convince other Member States and the European Commission to reject the Swedish Proposal. This is another - good - reason for rapid progress on the harmonisation of SDS.

### Crystalline Silica

European Social Dialogue Agreement (ESDA) on Exposure of Workers to Crystalline Silica

Exposure to respirable crystalline silica may cause silicosis and there is an established link between silicosis and lung cancer. Even though exposure to crystalline silica in the cement industry is minimal, the European cement industry decided to work together with other industries for the reduction of risks associated with such exposure.

Availing themselves of the procedure laid down in Article 139 (1) and (2) of the EU treaty, those industries<sup>3</sup> started to negotiate with the trade unions (European Mine, Chemical and Energy Worker's Federation and European Metalworkers' Federation) a European Social Dialogue Agreement rather than wait for the application of the Carcinogens at Work Directive (Directive 2004/37/EC). By the end of the year the negotiation was virtually completed and the resulting ESDA is to be signed on 25 April 2006.

The main features of the ESDA are the following: systematic monitoring of the workers and carrying out of the appropriate risk assessment; application of a Health Surveillance Protocol when appropriate; application of best practices in order to prevent risks from exposure and to minimise such risks; systematic reporting at national and sector levels every two years in order to monitor progress; regular training on health matters generally and specifically on prevention and reduction of risk of exposure to respirable silica.

Reporting will be made to a Council set up by the ESDA where employers and employees are equally represented.

The Agreement is the first of its kind in the EU as this is the first time such a multi-sectoral approach is adopted. The European Commission has expressed its satisfaction stating that this is a very good agreement.

CEMBUREAU, which negotiated the ESDA on behalf of the European cement industry as a whole, will now have to turn its efforts in order to ensure a thorough application of the ESDA and will develop the necessary tools to do so.

### Comprehensive Health Risk Study (CHRS)

On the basis of the outcome of an experts workshop organised in 2004, Working Group 4 and its dedicated Task Force on Comprehensive Health Risk Study developed the detailed design for a Comprehensive Study on the potential Health Risks on Cement Dust Exposure. In September 2005, the CEMBUREAU Board approved the project as a global package which will be carried out at the level of CEMBUREAU Member countries and run over five years for a total budget of €2.5 M. The study is composed of 4 main elements: an updated survey of the literature on the question, a toxicological study which will be carried out in two phases, one involving In-Vitro tests, the other Ex-Vivo tests, a European Prospective Health Risk Study (which will include the ongoing Italian clinical study) and exposure measurements in the construction industry. The results of the ongoing French mortality study will be integrated to the maximum possible extent into the CEMBUREAU comprehensive analysis.

<sup>3</sup> APFE (Reinforcement Glass Fibres), BIBM (International Bureau for Precast Concrete), CAEF (European Foundry Association), CEEMET (Council of European Employers of the Metal, Engineering and Technology-based Industries), CEMBUREAU, CERAME-UNIE (Liaison Office of the European Ceramic Industry), EMO (European Mortar Industries Organisation), ESGA (European Special Glass Association), EURIMA (European Insulation Manufacturers Association), EUROMINES (European Association of Mining Industries), EURO-ROC (European & International Federation of Natural Stones Industries), FEVE (European Container Glass Federation), GEPVP (European Association of Flat Glass Manufacturers), IMA-Europe (European Industrial Minerals Association), UEPG (European Aggregates Association)

## MARKETING AND PRODUCTS

### EPDs for Cement

A Task Force specifically dedicated to EPDs (Environmental Product Declaration) for cement has co-operated with Buzzi-Unicem, partner of the **INTEND project** under the EU-funded LIFE environment programme 2003-2006, to produce **Products Category Rules (PCR) for cement**, which were submitted to open consultation and then approved by the INTEND Technical Committee. The objective of the INTEND project is to produce international EPD systems.

Further to the Board approval, CEMBUREAU has submitted its application for official partnership in the **EXTEND project**, a proposal for a new LIFE project led by Italian academics (mainly Genova University) to test and implement the INTEND International EPD system throughout the supply chain.

AITEC ("Associazione Italiana Tecnico Economica del Cemento"), BIBM (International Bureau for Precast Concrete) and ERMCO (European Ready-Mixed Concrete Organisation) have also applied as official partners. (See EcoConcrete)

The objectives of the EXTEND project are to:

- Apply the INTEND International EPD system in Europe by increasing the number of countries involved, as compared to the INTEND project which covered only Italy and Sweden;
- Enlarge the scope of the International EPD system to trade associations/sectors;
- Involve the suppliers chain (modularity concept);
- Promote harmonisation at international level.

The European Commission's decision will be communicated in June 2006.

This represents an opportunity for CEMBUREAU to have the EPDs for Cement(s) recognised and validated by the International EPD System within projects - INTEND and EXTEND - funded by the Commission.

### Fire Safety with Concrete

Major developments were achieved in 2005 by a specific Task Force in which BIBM and ERMCO participate.

#### *Fire Safety Engineering (FSE)*

The Task Force has sketched an Action Plan regarding FSE including the setting up of a Fire Safety Engineering network of technical experts from the cement/concrete industry to participate in national and CEN committees ("Comité Européen de Normalisation") to stop the abusive implementation of FSE.

Fire Safety Engineering (FSE) is a risk based approach looking at the use of the building promoting active protection systems. It is used successfully by the steel industry to remove the need for expensive fire protection giving steel construction a competitive advantage. Unless FSE is seriously addressed by the concrete industry, it will be a main threat for its competitiveness. A renowned international expert has carried out a project on performance based fire design of concrete structures, comparing a precast structure and an equivalent steel one. The Task Force is proceeding to a critical review of the results of the study.

#### *Fire Safety Arguments*

The Task Force on Fire Safety with Concrete has continued its survey of real fire cases in Europe and is finalising a European marketing file on fire safety enhancing arguments on the benefits of concrete structures for the protection of lives, possessions and environment in housing, office and commercial buildings and tunnels. This file can be adapted as required by the national associations.

### End Uses of Cement

A specific Task Force has completed the **End Uses of Cement Model**, which was tested through a Pilot Format. The aim of the Model is to provide an overview of the utilisation of cement in concrete products in civil engineering and building sectors and to identify opportunities for a greater exploitation of concrete products. The European Commission will be approached for guidance on legal compliance.

The next step will be to transpose/adapt the Model into a user-friendly web-based system for the collection of information as well as reporting. 17 CEMBUREAU countries have expressed their willingness to participate in the web-based system when developed.

### Energy Performance of Concrete Buildings

In 2005, a dedicated Task Force with the participation of BIBM and ERMCO followed the CEN standardisation work within the **Energy Performance of Buildings Directive (EPBD)**, to be enforced by Member States by 4 January 2006. Prof. G. Jóhannesson defended at European level that the advantages for concrete buildings (thermal mass) must be taken into account in the standards and methodologies developed in this field. CEMBUREAU Members are invited to monitor the national implementation of the EPBD in their respective countries in order to ensure that **thermal mass** is well taken into account in the national regulations, in particular for calculation methodologies.

The Task Force will produce a report showing the thermal behaviour of concrete buildings in Europe based on calculation tests carried out for dwellings and office buildings under 7 climates from the Polar circle to central Europe and Mediterranean climate (coastal and continental) with 3 different calculation tools together with a portfolio of low energy build throughout Europe.

The Task Force will also contribute in co-operation with WG 1 "Climate Change & CO<sub>2</sub>" to promote the advantages of energy performance and **thermal comfort** (thermal stability) of concrete buildings as a win-win approach to the reduction of global CO<sub>2</sub> emissions.

### Eurocodes

The ambitious programme of the **structural Eurocodes** started in the late 1970s by the European Commission with the aim of producing a series of structural design codes for use in Europe for all materials. A specific Task Force with the participation of BIBM and ERMCO follows this issue in CEMBUREAU. Amongst the planned 58 parts of the Eurocodes, some 15 have been published since 2000. During the implementation phase of the Eurocodes, national standards bodies have to withdraw their national structural design codes and replace them with Eurocodes. The Task Force is collecting all National Annexes and Background Documents for **EN 1990 "Basis of design"** and **EN 1992 "Concrete structures"**. The objective is twofold: make information available to concrete designers for comparison and help a closer harmonisation of the values (NDPs, Nationally Determined Parameters). The Task Force also participated in the inquiry on national implementation of EN 206-1 "Concrete - Part 1: Specification, performance, production and conformity".

At the request of WG 5 "Markets and Products", the Task Force has produced a position paper stating the importance for the European cement and concrete industry to promote and facilitate (through guidance and tools) the implementation of the Eurocodes within Europe. The key recommendation is to carry out a **project** to convert existing national guidance on the use of Eurocode 2 into a **common European guidance and tools on the use of Eurocode 2** with a two pronged approach: supporting design guidance for professionals (structural engineers and designers) and a teaching package for both teachers and students.

The main issue for the future is to develop and retain expertise in Eurocodes through the development of a European network of concrete design technical experts having an interest in Eurocodes for both the maintenance of the Eurocodes and active participation in CEN committees to work on the revision of the Eurocodes, in particular EN 1992.

### Product Standards and Regulations

In October, CEMBUREAU attended the European Standardisation Committee's (CEN) Technical Committee for the Standardisation of cement (CEN/TC51) annual meeting held in Vilnius. The agenda featured the approval, before final vote, of the draft harmonised test method for **Soluble Chromium prEN 196-10**. CEN/TC51 also decided to open a new work item with the view to publish an amendment to EN 197-1 in relation to the definition of fly ash. In parallel, CEN/TC51 opened the preliminary stages for the upcoming revision of the current harmonised European standard for cement EN 197-1 and 197-2. The standardisation process for Super Sulphated Cement and Sulphate Resisting Cement was also discussed.

In parallel, CEMBUREAU Task Force 5.6 "Products Standards and Regulations" held its first meeting at the end of November 2005. This Task Force has a twofold mandate: mirroring CEN TC standardisation activities, on the one hand, and, on the other hand, developing a pro-active strategy in view of specifications resulting from hygiene, health and environment taking into account the European Construction Products Directive (CPD), the European Integrated Product Policy (IPP) and the proposed REACH legislation.

### Sustainability

A new Task Force on Sustainability of Concrete was set up in 2005. The mission of the Task Force is to develop communication strategies and instruments for use at European and national levels and develop action plans to promote cement and concrete as the preferred construction materials for sustainable construction and sustainable development. So far, the Task Force has carried out an inquiry within WG 5 (through a web-based questionnaire) to identify threats and target groups regarding the sustainability issue in WG 5 countries.

### EcoConcrete

The EcoConcrete Group (former Joint Project Group) made up of five European associations representing concrete constituents i.e. BIBM, CEMBUREAU, EFCA (European Federation of Concrete Admixtures Associations), ERMCO and EUROFER agreed to evolve to a new strategy aimed at producing at European level sound and credible environmental information on concrete mainly through EPDs and in a second phase by refreshing, updating and improving the EcoConcrete LCI (Life Cycle Inventory) database in order to produce reliable EPDs.

The EcoConcrete Promotion Ad hoc Group developed a communication package for the EcoConcrete tool explaining what is life cycle thinking, what is the EcoConcrete LCA (Life Cycle Analysis) tool and giving selected examples of application of EcoConcrete to different target audiences within and outside the concrete industry.

The **EcoConcrete tool** has been disseminated through 62 licences and 117 authorised users.

BIBM, CEMBUREAU and ERMCO have applied as official partners in the EXTEND project. (*See EPDs for cement*)

## **ECO-SERVE**

The **ECO-SERVE NETWORK "European Construction in Service of Society"** was launched in December 2002 under the EU Commission Fifth Framework Programme GROWTH. The main objective of the network is to identify, evaluate and disseminate technologies, which may improve the environmental impact of the European Construction Industry and ensure implementation of these technologies in the construction industry. The network aims at achieving this objective through identifying and recommending Best Available Technologies in cement production, aggregate production, concrete production and pavement production that will contribute to a reduction of CO<sub>2</sub> emissions, consumption of hydrocarbons, transportation demand and waste generation.

CEMBUREAU, BIBM, EFCA, EUROFER and ERMCO have committed to contribute human resource to Task 4 "Co-ordination with other Research Programmes".

The main tasks for the EcoConcrete Group will be to organise a seminar in Warsaw on 18-19 May 2006 where the results of the project will be presented to the industry and relevant stakeholders and a conference in Brussels in October 2006 to communicate the final results to the EU Commission and Members of the European Parliament.

## **European Concrete Platform**

The Presidents and Chief Executives of the four Member Associations partners in the European Concrete Platform met in April 2005 to draw a strategic vision for the European Concrete Platform and consider a programme for future joint actions regarding marketing/promotion activities for concrete.

Initiatives of the European Concrete Platform will be based on ad hoc "project basis" and direct co-financing. The first project suggested is a comprehensive project on Eurocode 2. (See *Eurocodes*)

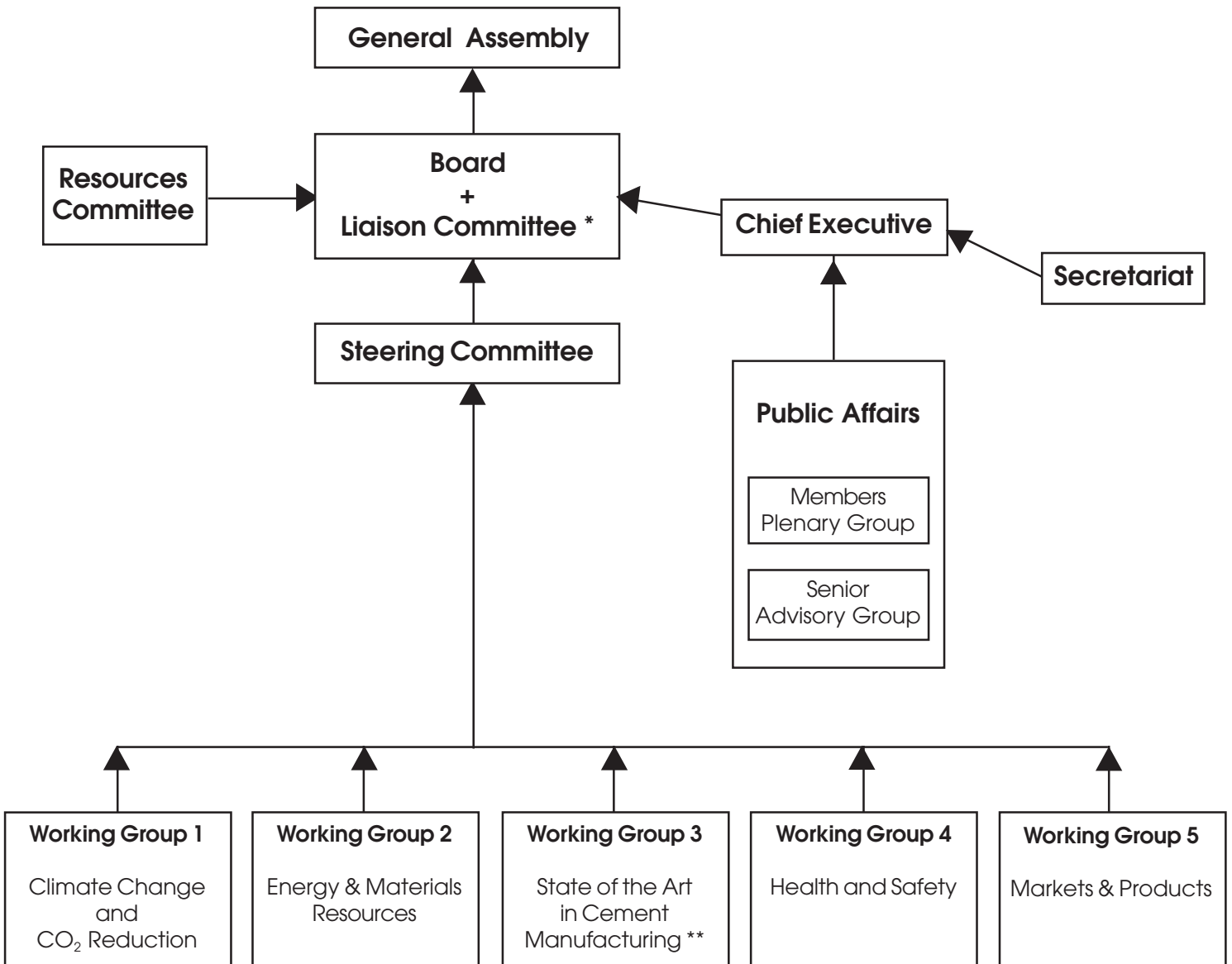
# CEMBUREAU OPERATIONAL STRUCTURE

The new CEMBUREAU Operational Structure, decided by the Board in 2004, was put in place from 1 January 2005 and operated throughout the year.

In the last quarter of 2005, a review was conducted among some 370 respondents from associations and companies who regularly interact with CEMBUREAU. This survey clearly shows that the Steering Committee has been successful in the attempt to bring closer the decision level (the Board) and the working level (the Working Groups). There are, however, clear

paths to improvement. These have been identified and appropriate measures will be decided upon and implemented in the course of 2006.

In 2005, the overall number of meetings of the Working Groups and the Task Forces set up under them has increased compared to those held under the previous organisation. It has been clearly identified that this is due to the ever-increasing number of critical issues to be addressed by CEMBUREAU.



\* of cement industries in the EU

\*\* including environmental performance

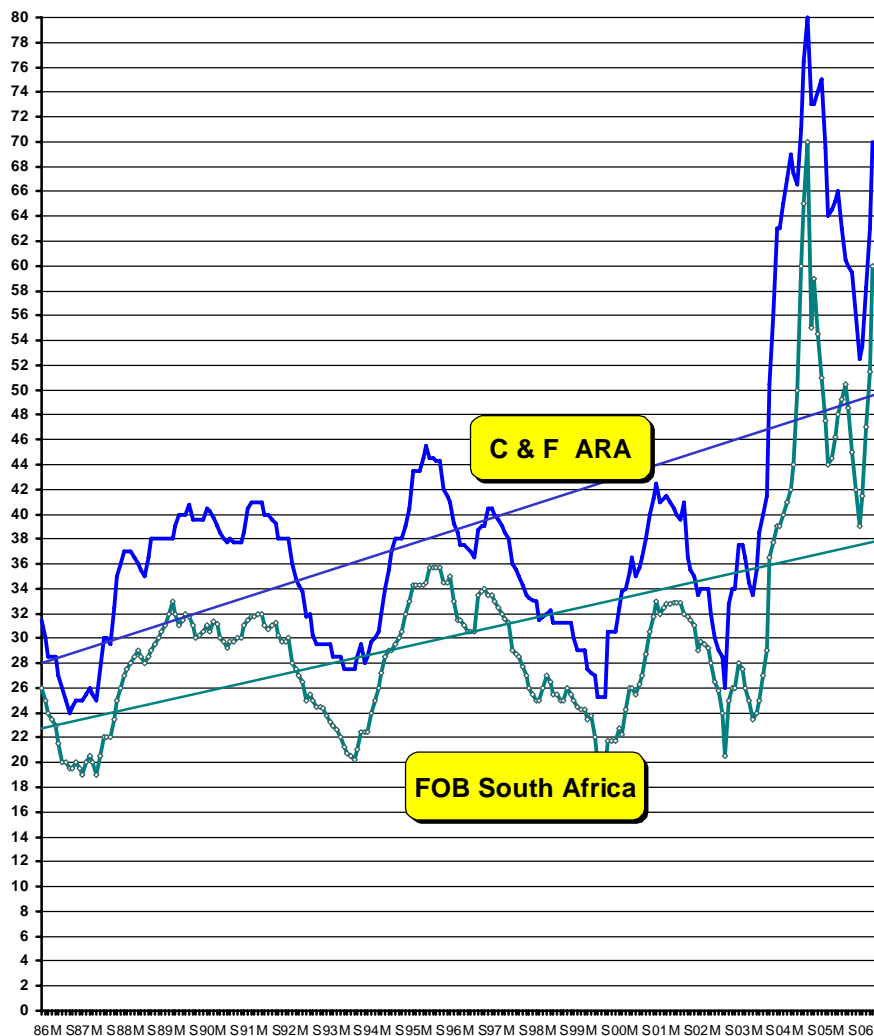
# THE ENERGY MARKET IN 2005 AND 2006

World energy markets entered a new era at the end of 2003 with prices since then significantly higher than in previous decades. Prices are set to remain high in the coming years and further increases are also likely, leading to challenges for energy intensive industries. This should encourage these industries to find new solutions, such as a higher use of alternative fuels.

In 2005 European coal demand was flat with declines in Northern Europe balanced by increases, in particularly in the UK. In 2006 most European countries are set to increase their coal burn with hydropower still low on the Iberian Peninsula and signs of less availability in Northern Europe. Furthermore, uncertain Russian gas supplies along with record high gas prices favour the coal market. Low water levels, especially in German rivers, may negatively affect the operations of nuclear units, leading to an increase in the use of coal-fired units.

## SOUTH AFRICAN STEAM COAL PRICE January 1986 - End March 2006

US\$



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M = May S = September

2005  
ACTIVITY REPORT

On the supply side, imports are set to increase from Colombia, Russia, and South Africa in 2006. Nearly all additional Colombian volume will be heading for the US market and some of the South African increase will be shipped to the booming Indian market.

Since the peak of US\$72 FOB South Africa in mid-2004 the coal market has been continuously declining. This is due to increased output and investments in new coal mines in 2005 with prices reaching a low of US\$36, the same level as the historic highs of the previous twenty-five years. The supply situation appeared to be more disciplined last year with producers postponing new expansions until the market demand catches up. Furthermore, record high prices for natural gas and oil have also increased incentives to use coal. Political uncertainty about Russian gas supplies also supports the argument for more coal use, and power stations in Europe have decided to build new coal-fired stations for the first time in twenty years, instead of the gas-fired units favoured over the past ten years. With natural gas prices delivered to European power stations at a price equivalent per calorific value to steam coal prices on a C & F basis of US\$100 per tonne, a significant upside potential for steam coal from current levels is to be expected.

The high sulphur petcoke market was disrupted considerably in 2005 due to production losses caused by hurricanes in the US Gulf. As a result, FOB prices rocketed to US\$35 FOB US Gulf for 4% sulphur petcoke. This was initially thought unsustainable but buyers have not stopped using petcoke - in fact the opposite has happened, with more buyers emerging from both the cement industry (with massive demand from Indian cement plants) and power stations and steel plants. Indian cement plants have a potential import demand of two million tonnes in 2006 in an already tight market.

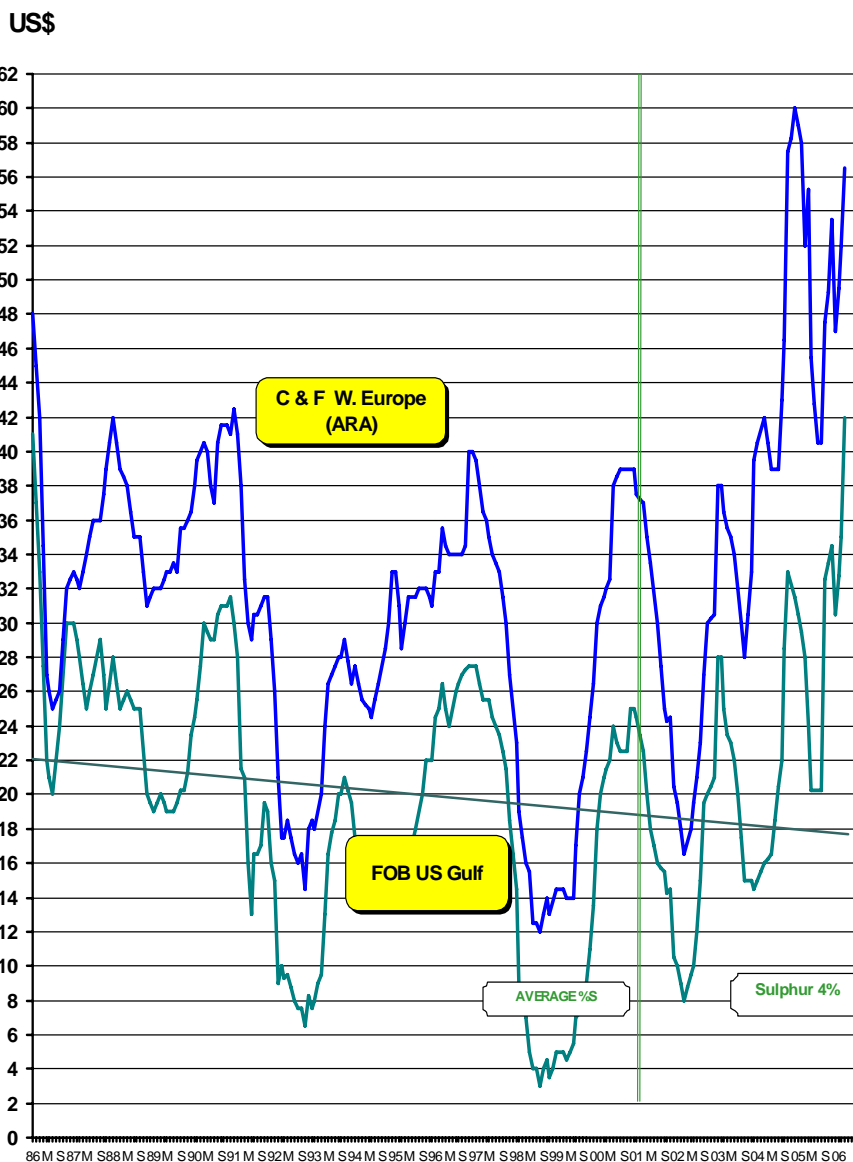
On the supply side, there will be no new cokers coming on stream in 2006 and very little new output in 2007. There are also concerns that output at existing units may be lower than scheduled, due to forced maintenance stoppages, with most refineries operating longer than normal, following record prices for oil products.

Petcoke inventories at export ports are currently very low, and several producers have postponed shipments, unable to fulfil previous commitments.

An additional concern for buyers is that higher demand and unchanged supplies will mean that suppliers will focus on their long-term customers instead of new accounts and spot sales.

Buyers seem to be accepting that petcoke prices are related to coal prices and that historical petcoke discounts of 50-60% per calorific content C&F basis have been replaced with much lower discounts of 25-35%. They therefore risk higher petcoke FOB prices closely related to the price development of the coal market.

**PETCOKE PRICE**  
**January 1986 - End March 2006**



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M = May S = September

**CEM • PROSPECTS**

The 2005 Energy Market Prospects Conference held in Paris on 3 & 4 October was attended by 115 participants from 21 countries. The conference reviewed the recent evolution of the steam coal and petcoke markets.

Delegates learned that indications show that supplies will continue to outpace demand on the European steam coal market.

The complexity of the petcoke market was also confirmed with supplies disrupted due to stoppages at US Gulf refineries following hurricanes Katrina and Rita.

The delegates were also informed about the potential impact of the REACH proposal on the petcoke market.

# ADMINISTRATION

A new **Internal Work Regulation** was worked out and adopted in 2005 as a result of changes in Belgian law (e.g. protection against moral and sexual harassment). The Regulation details in an Annex the rules applying to the private use of e-mails and internet access in order to protect confidentiality and secure the data which is exchanged in the context of the Secretariat daily work without prejudice to stricter rules specific to statistics.

The **Pension Scheme** of the Staff Members was revised in order to provide more flexibility. This move was well received by Staff Members.

Following the CEMBUREAU Board decision not to move to other premises, it was agreed to refurbish, modernise and adapt to the requirements of the Association the **CEMBUREAU owned building** located at Brussels 55 rue d'Arlon for a total amount of €600 000. Funding will be made available through the re-evaluation of the Finance Fund.

The **timesheets** which allow to record the time devoted by Staff Members to issues and cost centres are now collected electronically according to the ABC (Activity Based Costing) accounting requirements. Moreover, thanks to the reorganisation of the accounting procedures, part of the time of the work carried out by a Staff Member in the accounting department is allocated to the logistics of Working Groups 1 to 4 on the extranet *Cindi* - Working Group 5 already being covered by another Staff Member.

In the wake of the new structure put in place at CEMBUREAU, measures of **strict cost control** were put in place and yielded positive results.

In 2005 two additional executives were hired to complete the **Technical Department** as well as one full time information analyst within the **Intelligence Unit** which is now manned by two full time persons with degrees in political science.

Thanks to its expertise in **Web Watching**, the Intelligence Unit has been performing monitoring services for another European Industry Association for a monthly fee since June 2005.



CEMBUREAU

SITUATION

ON

30 APRIL 2006

# CEMBUREAU ORGANISATIONAL STRUCTURE

## BOARD

**President**  
**Vice-President**

A. Buzzi  
P. Vanfrachem

**Austria**  
**Belgium**  
**Czech Republic**  
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K.-E. Nyman  
B. Küng  
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F. Donegà  
W. Bauer  
  
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L.F. Sequeira Martins  
  
I. Madrideojos  
F. Winberg  
K. Wenger  
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I. Ortiz Martin

### Members Ex Officio

J.-P. Méric  
J.-M. Chandelle  
C. Loréa

President of Liaison Committee  
Chief Executive  
Technical Director

**LIAISON COMMITTEE OF THE CEMENT INDUSTRIES IN THE EU****President  
Vice-President**

J.-P.Méric  
L.F.Sequeira Martins

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A. Balcerak  
L.F.Sequeira Martins  
F. Blaznek  
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B. Ahlqvist  
I. Ortiz Martin

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D.W. Doyle  
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P.Weller

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C. Loréa

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Technical Director

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Buzzi Unicem SpA

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**Germany**  
**Italy**

B. Küng  
G. Hirth  
G. Marazzi

Holcim (France-Benelux)  
SCHWENK Zement KG  
Industria Cement G. Rossi SpA

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J.-M. Chandelle  
A. Van der Vaet

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Secretary General

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<b>Ireland</b>	C. Bannon	
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	J.-P. Méric	President of the Liaison Committee
	J.-P. Jacobs	Chairman of the European Concrete Platform
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<b>Ireland</b>	C.A. Bannon	
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<b>Portugal</b>	M.J. Azancot	
<b>Spain</b>	E. Alonso Pelegrín	<i>Consultant</i>
<b>Switzerland</b>	R.-J. Meijer	
<b>United Kingdom</b>	M.P.J. Casey	
<b>Members Ex Officio</b>	J.-M. Chandelle I. Claes C. Loréa	CEMBUREAU CEMBUREAU CEMBUREAU

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**Co-Chairmen** J.-P. Taillardat - D. Gauthier

**Task Forces**

- CO<sub>2</sub> Monitoring, Reporting & Inventory
- ETS Review & Post-Kyoto \*
- Accounting Treatment of CO<sub>2</sub> Emission Rights

**WORKING GROUP 2 “Energy and Materials Resources”**

**Co-Chairmen** D. Lawrence - W. van Loo

**Task Forces**

- Use of Waste
- Electricity
- Solid Fuels

**WORKING GROUP 3 “State of the Art in Cement Manufacturing” - (including environmental performance)**

**Co-Chairmen** G. Cinti - M. Schneider

**Task Forces** - Revision of the BREF \*

**WORKING GROUP 4 “Health and Safety”**

**Co-Chairmen** A. Capmas - S. Gardi

**Task Forces**

- REACH \*
- Comprehensive Health Risk Study
- Crystalline Silica
- SDS Harmonisation

**WORKING GROUP 5 “Markets and Products”**

**Co-Chairmen** C. Bannon - J.C. López Agüí

**Task Forces**

- Environmental Product Declarations (EPDs) for Cements
- Fire Safety with Concrete
- End Uses of Cement
- Energy Performance of Concrete Buildings
- Eurocodes
- Products Standards and Regulations
- Sustainability

\* Advocacy at EU level via the SAG

**CEMBUREAU MANAGEMENT**

Chief Executive	J.-M. Chandelle
Technical Director	C. Loréa
Secretary General	A. Van der Vaet



MEMBERS

&

ASSOCIATE  
MEMBERS

# MEMBERS



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