



ETS AND CBAM TRILOGUES – CEMBUREAU PRIORITIES

September 2022 – this note presents CEMBUREAU's key priorities in view of the trilogue negotiations on the EU Emission Trading Scheme (ETS) review and the EU Carbon Border Adjustment Mechanism (CBAM), after an initial reading of the texts developed by the three institutions.

1. Common issues in the CBAM Regulation and ETS Directive

A timely start of CBAM by 2026 is essential to support the decarbonisation of the cement sector

Our sector needs a strong CBAM and a forward-looking ETS to support our decarbonisation efforts and fight carbon leakage. Eurostat data shows that in a context of high-carbon prices, EU cement imports have spiked significantly (+300% in five years, +54% in 2021 alone, see below infographics), a trend which is continuing in the first three months of 2022 (+47% as compared to the same period in 2021).

- ⇒ **CEMBUREAU strongly suggest keeping the Commission and Council timeline of 2026, if it is not possible to start CBAM sooner** (Article 36 of the CBAM regulation on the entry into force of CBAM).

The phase-out of free allocation for CBAM sectors should be gradual and dependent on CBAM's watertightness

We acknowledge that CBAM will progressively become an alternative to free allocation. However, any gradual phase-out should only be initiated once CBAM has proven to be watertight and demonstrates its effectiveness in equalising CO₂ costs between EU and non-EU suppliers. Besides, it is essential to identify a realistic and gradual timeline for the phase-out of free allocation, as too abrupt changes would provoke sudden increases of the cost structure of the cement sector.

- ⇒ **CEMBUREAU supports the proposal of the Council to start with a slower phase-out (5%) in the first years of the CBAM Regulation.** Such approach will facilitate the effective testing of the mechanism.

An export solution must be found for CBAM sectors

It is indispensable to find a solution for exports, as some EU countries are exporting up to 50% of their domestic cement production. The competitiveness of these countries' cement exports to countries with no carbon pricing scheme in place would be immediately impacted when a phase-out of free allocation is ignited, leading to a significant economic impact for EU industries and increased CO₂ emissions globally.

- ⇒ **CEMBUREAU supports the European Parliament's approach to maintain free allocations for exports** (article 31, point 1d, first paragraph of the Parliament CBAM text, and article 1, paragraph 1, point 12b of the Parliament ETS text).

2. Issues specific to the CBAM Regulation

CBAM must be made watertight to effectively prevent carbon leakage

CEMBUREAU considers that it is critical to reinforce the watertightness of CBAM and ensure that it effectively equalises CO2 costs between EU and non-EU suppliers.

- ⇒ **CEMBUREAU supports the many positive changes brought to the proposals by the Parliament and Council to strengthen CBAM, including:**
- The general principle that “*the CBAM aims to equalise carbon pricing for imports and domestic products*” (Parliament text on article 1).
 - A strengthening of circumvention mechanisms to include more types of circumvention (Parliament text on article 27, recital 46a);
 - A strengthening of default values to incentivise importers to use real emission values (Parliament text on annex III, point 4.1).
 - Provisions to make sure that only explicit carbon pricing and any types of rebates are taken into account when providing reduction to importers for the carbon price paid in the country of origin (Parliament and Council text on article 9, and Parliament suggestions in articles 2.12, as well as recitals 40 and 49).
 - A mirroring of the ETS rules for the accreditation of verifiers (Council text on article 18.1).
 - The addition of a requirement that CBAM should not cause market distortions between CBAM sectors (Parliament text on recital 29).
 - The inclusion of aluminous cements in the scope of the Regulation (Parliament and Council texts on annex I).

Indirect emissions should be included in CBAM from the outset

It is essential to include indirect emissions in CBAM, as a greater electricity use goes hand in hand with the decarbonisation of the cement industry.

- ⇒ **CEMBUREAU therefore supports the EU Parliament approach on the inclusion of indirect emissions throughout the text** (recital 34, recital 16, article 3.22, annex III, etc.).

3. Issues specific to the ETS Directive

A strong ETS Innovation fund is critical to decarbonise the cement industry

A large number of decarbonization projects are being launched in the EU cement industry (please see our [map of ongoing innovation projects](#)). We support a significant reinforcement of funding tools to support the fast roll-out of breakthrough technologies to decarbonise cement production.

- ⇒ **CEMBUREAU therefore supports the EU Parliament approach to frontload the EU ETS Innovation funding and include CO2 transport as eligible activity** (Article 1, paragraph 1, point 12g of the Parliament ETS text), **as well as the Council’s approach to make sure that the free allocation no longer received by CBAM sectors is targeted at these sectors specifically, for instance through dedicated funding calls** (Article 1, paragraph 1, point 12g of the Council ETS text).

Carbon Capture, Utilisation and Storage (CCUS) requires a coherent CO2 accounting framework

A significant number of CCUS projects are developed by the European cement industry. The ability to deduct emissions which are captured and then re-used in carbon-based applications is of crucial importance to further deploy such innovative projects. CEMBUREAU therefore strongly believes that when CO2 is re-used in products, it should be accounted for at the point of release into the atmosphere, whilst avoiding any ‘double counting’ of emissions.

- ⇒ CEMBUREAU strongly suggests to re-introduce the words ‘into the atmosphere’ in the definition of CO2 emissions under the EU ETS (Article 1, paragraph 2a, ““(b) ‘emissions’ means the release of greenhouse gases into the atmosphere from sources in an installation”). We also urge negotiators to develop clear provisions to foster a coherent CO2 accounting framework that fairly rewards the capture of CO2 from industrial installations.

Waste incineration should be included in the EU ETS as soon as possible

It is key to ensure a level playing field between the different sectors using waste. We therefore support the timely inclusion of waste incineration in the EU ETS.

- ⇒ CEMBUREAU therefore supports an inclusion of waste incineration as soon as possible and at the latest by 2026, as suggested by the European Parliament text on ETS.

Appendix – EU cement imports statistics (source : Eurostat)

