DEDICATED TO MAKING A DIFFERENCE

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The Cement Sustainability Initiative

A Sectoral Approach for the Cement Sector

IEA – IETA – EPRI 8-9 October 2007

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Context

- Cement demand and associated CO_2 emissions ↑
- Demand growing most in developing countries.
  - IEA forecast doubling of production by 2050
- Kyoto targets → 2012; afterwards?
  An early global agreement is uncertain.
- The CSI is a voluntary SD initiative by leading cement companies since 2000.

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Key Success Factors

The CSI is willing to address the climate change challenge towards a less carbon intensive global cement industry. A successful approach must include:

- **Mitigation**
  - Sectoral Approach must deliver tangible verifiable reductions in intensity based emissions.
- **Acceptance**
  - Sectoral Approach must be accepted by Policy Makers. The approach would require governments and industry to define sectoral targets and related implementation mechanisms.
- **Global**
  - Major emerging markets must participate.

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Key Elements

- **Intensity-based**
  - Improve CO_2 emissions intensity using benchmarks.
  - Differentiated benchmarks to change over time.
- **Metrics**
  - Based on the WBCSD/WRI CO_2 protocol.
  - Simple CO_2 intensity metrics: t CO_2 / t product.
- **Market credits to be fungible with other systems**
  - CDM/JI
  - ETS Cap & Trade allowances based on intensity targets.
  - Base for incentives for developing countries.
- **Technology development & transfer**

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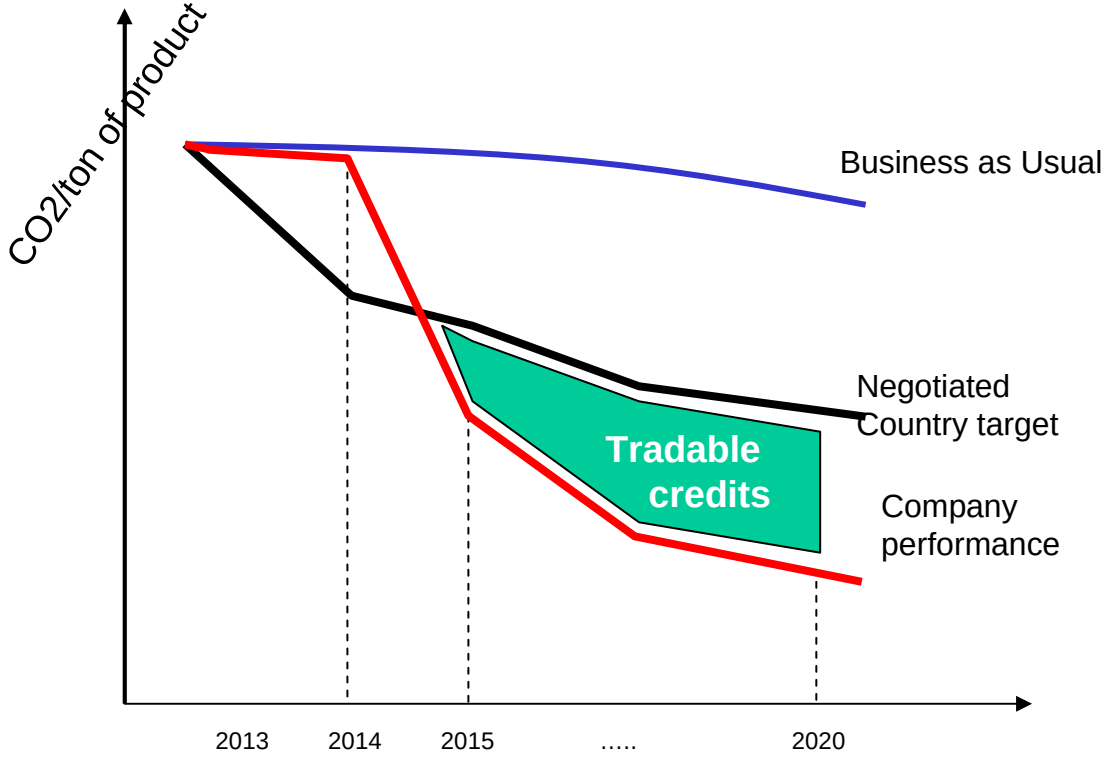
Practical Design

- Global/regional/country targets negotiated between sector and appropriate government entity.
- Outperforming the target gives access to credits tradable in the carbon market.
- No penalty for non-attainment of target by companies in non Annex 1 countries (No-Lose).
- Possible 15 to 20 year operational lifetime.



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Current Supporting Actions –four areas

1. **Policy Development**
   - Stakeholder policy dialogues ongoing in EU and Japan with respective trade associations.
   - Other dialogues foreseen in 2008 in India, USA and East Asia.
   - Trade associations to lead country negotiations.
2. **Data Collection**
   - Common WBCSD/WRI CO2 Protocol..
   - Getting the Numbers Right with analysis of 1990, 2000, 2005 data.
     - t CO2 / t product and energy efficiencies.
     - Open platform so other organizations are welcome to join; e.g. CEMBUREAU, PCA.
   - Basis for defining global/national/regional benchmarks.

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Current Supporting Actions –four areas

Cont'd

3. **Capacity building**
   - Training and workshop sessions in China and India on use of Protocol.
   - Development of CSI in India.
4. **Technology Development and Transfer**
   - Process research with institutions and organizations.
   - Public-Private-Partnerships on fuel substitution (China).
   - Support the AP6 program eg Chinese Center of Excellence.

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Major Challenges and Opportunities

- ‘No-Lose’ in China and India at least.
- Who will set and update the benchmarks and stretch/motivating targets?
- Verification.
- Engagement of trade associations.

✓ Transparent base for defining benchmarks.

✓ Fungibility with existing and future systems.

✓ Place at the policy discussion table.

✓ Promotion of improved CDM approaches.

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Advocacy Road Map Milestones: 2007-2008

- IEA/IETA/EPRI session on sectoral approaches, Paris 8-9 October
- EU HLG closing conference session on SA, Brussels 27 November
- COP 13/MOP 3, Bali December 2007: EU & CEPS side events on SA
- AP6 Cement Sector Task Force, chaired by Japan, conclusions in 2008
- Globe G8+5 Legislators' Forum, Brazil February 2008
- Globe G8+5 Legislators' Forum, Tokyo June 2008, with input to the G8 Japan Presidency for the G8+5 meeting in Hokkaido, June 2008
- UNFCCC COP /MOP meetings, Warsaw December 2008; Copenhagen, 2009