



**CEMENT INDUSTRY
FEDERATION**



**The Cement Industry Federation
Submission to the Climate Change
Authority's**

Targets and Progress Draft Report

29 November 2013

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1. INTRODUCTION

The **Cement Industry Federation** welcomes the opportunity to comment on the Climate Change Authority's *Reducing Australia's Greenhouse gas Emissions – Targets and Progress Review Draft Report*, released in October 2013.

1.1 Cement Industry Federation

The Cement Industry Federation (CIF) is the national body representing the Australian cement industry. Our membership is made up of the three major Australian cement producers - Adelaide Brighton, Boral Cement and Cement Australia. Together these companies account for 100 per cent of the integrated production of clinker and cement in Australia.

CIF member operations are located in every Australian state and territory, and include eight integrated clinker and cement manufacturing sites, six stand alone cement mills, eight limestone mines and a national distribution network to move raw materials, as well as our intermediary and finished products.

Sales of cementitious materials were 10.3 million tonnes in 2012, with an annual industry turnover in excess of \$2.1 billion.

1.2 CIF Climate Policy Principles

The CIF supports a climate change policy that is trade neutral and global in nature to ensure Australian cement and lime production is not replaced by countries without an effective carbon price.

The CIF supports climate change policy that delivers greenhouse gas abatement at least cost. This means countries, including Australia, must ensure that the design and implementation of policy mechanisms remain free from any distortionary measures that restrict access to least cost abatement opportunities.

Any consideration of future targets must consider the implications for the competitiveness of key Australian industries as well as for the regions and jobs they underpin.

A copy of the CIF's climate change principles can be found at **Attachment 1**.

2. CIF COMMENTS ON THE AUTHORITY'S DRAFT RECOMMENDATIONS

2.1 Options for Australia's emissions reduction goals

"The Authority is canvassing two options for Australia's emissions reduction goals, which include 2020 targets of 15 per cent or 25 per cent below 2000 levels."

In the Draft Report the Climate Change Authority (CCA) draws the conclusion that a 5 per cent target for 2020 is inadequate – both in terms of costs to Australia (i.e. we can afford it) and in terms of equity (i.e. our fair contribution to global action).

Another reason put forward for this conclusion is that the ‘scale and pace of international action suggests that Australia should be pursuing a stronger target.’

While there is no doubt that a number of countries are implementing some form of action aimed at reducing emissions, the robustness of these ‘contributions’ and the ability to maintain them into the future is unclear. The recent (and understandable) announcement by Japan revising down their national targets is a clear example of this uncertainty.

Further uncertainty exists in terms of **actual carbon costs** faced by industry/sectors in countries with emissions reduction programs and goals – where a country-level reduction target may not necessarily translate to a commensurate level of carbon costs for certain industries. This typically is the result of direct or indirect subsidies applied at the sector level.

What it really comes down to for Australian export and import competing industries is how these national targets impact our competitors.

The CIF is not convinced that our competitors, largely in Asia, will be facing meaningful carbon costs any time in the near future – regardless of the expressed country contributions. Therefore any consideration of Australia’s 2020 targets and beyond must balance this reality against the requirement to make a fair contribution to global action.

It is our view that the conditions originally put forward (Box 1) for reducing emissions beyond 5 per cent compared with 2000 levels have not been met – i.e. major developing economies have not yet committed to substantially restraining their emissions and advanced economies have not taken on commitments comparable to Australia’s.

Therefore the CIF does not see any compelling reason, at this point in time, for Australia to change its commitment from the unconditional 5 per cent compared with 2000 levels.

Box 1 Australia’s Current Emissions Reduction Target

Australia will reduce its greenhouse gas (GHG) emissions by 25 per cent compared with 2000 levels by 2020 if the world agrees to an ambitious global deal capable of stabilising levels of GHGs in the atmosphere at 450 ppm (parts per million) carbon dioxide equivalent (CO₂-e) or lower.

Australia will unconditionally reduce its emissions by 5 per cent compared with 2000 levels by 2020 and by up to 15 per cent by 2020 if there is a global agreement that falls short of securing atmospheric stabilisation at 450 ppm CO₂-e under which major developing economies commit to substantially restraining their emissions and advanced economies take on commitments comparable to Australia’s.

2.2 Using international emissions reductions

“The Authority’s draft recommendation is that the Government keep access to genuine cost effective international emissions reductions available to use in meeting Australia’s emissions reduction goals.”

The uncertain nature of climate change policy/action in recent times, both internationally and domestically, means that policies, programs and measures will need a certain level of

adaptability going forward. Hence, it is our view that flexibility should be a key aspect of future climate policy.

Therefore, we consider the CCA's recommendation to keep access to genuine cost effective international emissions reductions available to be consistent with achieving Australia's emissions reduction goals at the lowest possible cost.

Access to international emissions reductions would complement our domestic emissions reduction programs and provide flexibility to ensure that Australia takes on its fair share of the global reduction burden.

3. Conclusion

The Cement Industry Federation does not see any compelling reason, at this point in time, for Australia to change its commitment from the unconditional 5 per cent compared with 2000 levels.

Access to international emissions reductions would complement our domestic emissions reduction programs and provide flexibility to ensure that Australia takes on its fair share of the global reduction burden.

Thank you for the opportunity to provide comment and please do not hesitate to contact the CIF to discuss further.

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CIF CLIMATE CHANGE POLICY PRINCIPLES

- **Climate Change is a global Issue....the appropriate response must be consistent globally.**

With 85 per cent of emissions being outside the Kyoto Convention, it is critical that countries not facing a carbon tax or price do not receive an unfair advantage in the global market place.

- **Australia's climate change policy must not expose the Australian cement and lime manufacturers to costs not faced by their international competitors.**

Our competitors are mainly from Asia – none of which face a nation-wide carbon price.

- **All Australian sectors must be treated equally....Australian climate change policy must be applied in a consistent manner across jurisdictions.**

Leaving one sector out of the policy increases the burden on other sectors. The Australian Government's Clean Energy Future policy only covers approximately 60 per cent of Australian emissions. This means Australian cement and lime manufacturers, and other industries included in Australia's climate change policy, have to carry an unfair burden.

- **Climate change policy directed at Australian industry should be singular in nature.**

There is no reason to have secondary policies that increase the cost and compliance burden.

- **Australian climate policy should appropriately credit the considerable work already undertaken in many sectors to improve energy efficiency and reduce emissions.**

The Australian cement and lime industry has reduced its emissions substantially since 1990. For example, the cement industry has reduced its emissions by approximately 30 per cent since 1990 as a direct result of investing in latest kiln technology, improvements in blending technology and increased use of by-products and mineral additions as well as utilising alternative fuels.

- **Process emissions should be excluded from any climate change policy.**

It is fruitless for Government to penalise a chemical process that cannot be altered in the production process.

- **Any climate change policy should be stable, predictable and avoid complexity to help minimise investment uncertainty.**

Investment in cement and lime manufacturing is a long-term commitment and new investment will not occur unless there is a level of certainty around Australia's carbon policy.

- **Climate change policy should take into consideration the size and scale of individual Australian industries to ensure they are not inequitably rewarded/ penalised.**

It can be seen that the 'Clean Energy Future' Policy does not meet the CIF policy principles. An emissions trading scheme (ETS) should only be introduced if there is a global commitment to introduce an ETS and that 'linked' schemes are comparative in their design to minimise distortionary impacts on the Australian economy.