Statement on Carbon Border Adjustment Mechanisms and Fit for 55 package

The European cement industry fully supports the objectives of the European Green Deal. In its Carbon Neutrality Roadmap, the cement sector commits to CO_2 emissions reduction targets by 2030 and works towards achieving carbon neutrality by 2050. To achieve these objectives, establishing viable business cases that secure continued growth and employment in Europe is essential. Having the first carbon-neutral cement plant in the European Union within the next decade is within reach.

While our industry supports the concept of a Carbon Border Adjustment mechanism (CBAM), we are concerned by messages coming out of the European Commission that, as part of the Fit for 55 package, the level of free allowances for industry may be significantly reduced for sectors covered by CBAM. It is vital that the Fit for 55 package does not endanger the investment decisions and projects made by European cement companies and prevents significant competition distortions with third countries. In this respect, the package must:

- **Ensure that free allocation under the EU ETS fully co-exists alongside CBAM for an appropriate transition period lasting until 2030.** Legal analysis has shown that this can be WTO compatible whilst avoiding any form of 'double protection', provided that CBAM takes into account the level of free allowances in calculating the levy to be paid by third country importers. Such co-existence is key to shielding the industry from the risks of a complex and untested CBAM. It also honours the legitimate expectations flowing from the existing EU ETS, adopted in 2018 and applicable until 2030, which forms the basis for decarbonisation investments in industries with long-term investment cycles.
- **Ensure a fully comparable CO_2 cost basis, covering both direct and indirect emissions, between EU and non-EU cement suppliers so that carbon leakage protection is not weakened.** Under the current ETS, only the best performers receive their full allocation for free, which incentivises companies to reduce CO_2 emissions. However, this means that the vast majority of the EU cement operators do carry a CO_2 cost that virtually no other cement plant in the world is facing. Any additional cost that would not be met with an appropriate level of CBAM would paralyze the investments already initiated in the EU industry.
- **Provide for a CO_2 charge exemption for EU exporters to third countries, if the country in question is not covered by an equivalent carbon pricing mechanism.** Such an approach can be WTO compatible and would incentivise emission reductions in both the EU and third countries, preventing the carbon leakage of EU exports shifting to countries with less stringent CO_2 regulations.
- **Secure a solid monitoring and verification system for assessing emission levels in third countries,** accurately measuring emissions from imports and mitigating any risk of circumvention of CBAM through resource shuffling or public support measures.
- **Include a sufficiently broad number of sectors in CBAM** to avoid market distortions, both in terms of ETS coverage and on downstream markets.
- **Ensure consistency between the different legislative initiatives** under the Fit for 55 package and the timely development of secondary legislation before the full introduction of CBAM.

In the absence of these essential elements being part of the Fit for 55 package, the conditions for the cement industry to develop a sound business case for investments in Europe and its crucial role in supplying the downstream concrete and construction market, would be seriously compromised.

This would indeed happen at a time when the sector faces rapidly increasing imports from non-EU countries[1] and witnesses the emergence of alternative business models whereby clinker, the most CO_2-intensive part of cement, is produced outside the European Union and imported to be grinded in Europe. An exacerbation of these trends would only lead to significantly higher CO_2 emissions globally, in addition to the closure of production sites in Europe, which is already happening now.

We firmly believe in a scenario in which a comparable CO2 cost basis with third country operators is ensured, allowing all to work towards a more global industrial decarbonisation agenda as suggested in the conclusions of the recent G7 summit.

[1] Despite EU ETS Free allocation, EU cement imports from non-EU countries have increased by 160% over the past five years (2016-2020), and by 25% in 2020 alone (Eurostat).

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