



1 December 2007

Climate Change Group  
Department of the Prime Minister and Cabinet  
PO Box 6500  
CANBERRA ACT 2600

### **Early Abatement Incentives Discussion Paper**

The Cement Industry Federation (“the CIF”) welcomes the opportunity to submit comments to the Department of Environment and Water Resources (DEW) in relation to the design of regulations that will form part of the legislative framework for a national greenhouse and energy reporting system.

The Cement Industry Federation is the national body representing the Australian cement industry, and comprises the three major Australian cement producers - Adelaide Brighton Ltd, Blue Circle Southern Cement Ltd and Cement Australia Pty Ltd. Together these companies account for 100 per cent of integrated clinker and cement supplies in Australia. Their operations are located around Australia, and include 15 manufacturing sites, 10 mines and over 70 distribution terminals. In 2006, the industry employed 1900 people and produced over ten million tonnes of cementitious materials, with an annual turnover in excess of \$1.64 billion. In Australia, the industry is responsible for nearly 7.2 Mt per annum of greenhouse gas emissions.

In collaboration with its member companies, the CIF works to advance a competitive and sustainable Australian cement industry that is committed to best practice in all areas of cement production, as well as responsible management of our nation’s resources.

The Australian cement industry believes that early action is a critical element in addressing climate change. The CIF has been an active member of the Australian Government’s Greenhouse Challenge Plus program since 1997 and through this voluntary, technology-based program has maintained carbon dioxide emissions at 103% of 1990 levels while increasing production by 33 %. The CIF fully supports open calculation and reporting of energy and greenhouse emissions and the implementation of new opportunities.

The CIF supports the approach to a period prior to the start of ETS that encourages open measurement and reduction initiatives of greenhouse gases by as many industrial activities as possible. This will give a firm footing to an ETS, encouraging innovative initiatives that are beyond “business as usual” (BAU) and continuing to produce abatement.

The CIF is a member of the Australian Industry Greenhouse Network (AIGN) and fully supports the comments in their submission to the Climate Change Group. However, it is proposed that early action credits be generated from eligible projects for abatement after 3 June 2007 until the commencement of the scheme due in 2011. The CIF is anxious to determine whether existing government funded projects initiated but not commenced before 3 June 2007 are eligible for credits under the scheme.

Cement is one of the eight task forces established in the Asia Pacific Partnership on Clean Development and Climate (APP). The Australian cement industry is a key contributor to the success of this significant government/industry partnership. The Australian Government has committed \$12 million over five years to progress the key Australian initiated projects,

These projects all have important inter-relationships with the Cement Industry Action Agenda and facilitate industry participation in international partnerships and innovation in a way not anticipated at the time of the development of the agenda.

<b>Project</b>	<b>Anticipated Abatement</b>	<b>Expected Timeframe</b>
Solvent-based fuels for cement kilns	18% Reduction in CO <sub>2</sub>	Start: October 2007 Finish: June 2009
Utilising Biosolids in cement kilns	24,500 tons CO <sub>2</sub> pa	Start: November 2007 Finish: February 2011
Co-generation of electricity	40,000 tons CO <sub>2</sub> pa	Start: October 2007 Finish: June 2012

Financial assessment of these projects has indicated that the payback period for the application of these innovating new technologies's is lengthy, primarily due to the high capital costs. The financial return for these projects does not meet industries usual return on capital requirement. For example, industry is expected to commit more than 90 percent of the co-generation project budget. Whilst Commonwealth funding of 4 million, made available from the APP program, is a small fraction of the total project costs, the additional incentive of claiming early action credits is expected to have a significant beneficial impact on the financial viability of each project.

Any inquiries should be directed to the undersigned. Thank you for the opportunity to provide this submission.

Yours faithfully,



Andrew Farlow

**Sustainable Development Policy Manager**