



**CEMENT INDUSTRY
FEDERATION**



**NATIONAL LIME
ASSOCIATION OF AUSTRALIA**



The Cement Industry Federation and National Lime Association

Comments on the Carbon Farming Initiative Amendment Bill 2014

26 June 2014

The Cement Industry Federation (CIF) and the National Lime Association of Australia (NLAA) welcome the opportunity to provide the following comments on the *Carbon Farming Initiative Amendment Bill 2014*.

Design Principles of the proposed Emissions Reduction Fund (ERF)

The CIF and NLAA endorse the key design principles of the ERF as discussed in the ERF White Paper and proposed to be enacted through the Amendment Bill to target:

- low cost emission abatement
- genuine emission reductions
- streamlined administration

Further, consistency with the Australian Government's broader economic policy objectives to building a stronger, more productive and diverse economy is also an important principle that has been considered in the design of the ERF and the CFI Amendment Bill.

Domestic target and complementary programs

The proposed legislation (with other programs) is to be used to target Australian abatement opportunities to reduce domestic emissions by at least 5 per cent below 2000 levels by 2020. The CIF and NLAA do not agree that the Renewable Energy Target (RET) should be included as part of the Government's Direct Action Policy as it does not target lowest cost abatement. The CIF has provided comment into the current review of the RET that highlights the distortionary costs of the scheme to businesses and consumers as well as the high cost of abatement from an emissions perspective.

Regulatory reform

From a cement and lime industry perspective, future emission reductions are likely to occur from reducing regulatory barriers at a state and federal Government level. For example, utilisation of waste as a form of energy to replace fossil fuels in cement and lime kilns has been embraced internationally but remains limited (and in some regulatory jurisdictions impossible) in Australia. The development of a consistent, national regulatory framework – supporting the use of alternative (non-fossil based) fuels such as those derived from waste - would potentially allow the domestic cement and lime industries to increase abatement opportunities. The CIF and NLAA support the proposition that regulatory reform opportunities be provided to complement the ERF.

Innovation

The CIF has developed a carbon abatement roadmap for the Australian cement industry that is consistent with the Cement Sustainability Initiative Roadmap of the World Business Council for Sustainable Development. There is potential for the Australian Government to engage and partner more deeply with the Australian cement and lime industries to assist in achieving the key opportunities identified in this roadmap. Identified future sources of abatement within the cement and lime industries within the next five years include:



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- An amendment to the cement standard to allow for the increased use of alternative cementitious material within the integrated cement manufacturing industry;
- Energy efficiency gains through use of waste heat; and
- Utilisation of waste as an alternative kiln fuel source.

The CIF and NLAA propose that, to encourage the development of projects of a significant scale, consideration should be given to developing an innovation program as a joint precursor to the ERF. The model currently used to encourage co-support through the rural R&D Corporations warrants further investigation.

Baselines

It is acknowledged that separate baselines are required for the crediting versus the safeguarding mechanism as they have differing objectives. However, in all instances accepted baselines should be based around the principle of being reliable, simple to measure, verifiable and not place a significant administrative burden on both the Government and industry participants.

The CIF and NLAA support the risk based approach to auditing emissions reductions as proposed in the CFI Amendment Bill 2014.

Emission Reduction Methods

The CIF and NLA support the methods that are proposed to be allowable under the ERF to encourage emission reduction projects, including the use of existing methodologies such as the Clean Development Mechanism (CDM) methodologies, as this will enable rapid roll out of methods and thereby allow companies to nominate projects quickly. For example, there are already methods in place under CDM for waste heat recovery in cement plants, the use of alternative fuels in cement plants and increasing supplementary cementitious materials in cement that can be modified to suit an Australian context.

Auction versus tender arrangements

The CIF and NLAA are concerned that the auction process may create unnecessary administrative costs for both the Federal Government and businesses. It is therefore proposed that a tender process be considered as the key instrument to select projects until the proposed review at the end of 2015.



Background to the cement and lime industries

Cement and lime manufacturers are important contributors to the Australian economy with current industry revenue estimated to be over \$3 billion per annum.

The demand for cement and lime products is heavily dependent upon the cyclical trends in the building and construction markets (including downstream concrete product markets).

Australian cement and lime industries are also highly sensitive to competition from imports, especially as a result of the current high Australian dollar. It is therefore important that any future carbon policy does not expose Australian industry unnecessarily to carbon abatement costs not faced by our competitors.

(a) Cement Industry Federation

The Cement Industry Federation (CIF) is the national body representing the Australian cement industry.

Its membership is made up of the three major Australian cement producers - Adelaide Brighton, Boral 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 seven integrated clinker and cement manufacturing sites, five 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 8.9 million tonnes in 2012-13, with an annual industry turnover in excess of \$2.1 billion.

(b) National Lime Association of Australia

The National Lime Association of Australia (NLAA) is the peak body representing the Australian lime industry, comprising commercial lime manufacturers and integrated producers of lime. NLAA members include Adelaide Brighton, Boral, Cement Australia, Penrice Soda Holdings and Sibelco.

The industry operates 14 facilities across all Australian states and the Northern Territory. It is estimated that commercial production of lime accounts for around 75 per cent of Australian demand for lime – which is currently estimated to be around 2.7 million tonnes per annum.



Revenue data is not collected via the NLAA survey, however it is estimated to be around \$0.9 billion in 2012.

(c) Cement and Lime Industry Emissions

Carbon dioxide emissions are generated from the calcination of limestone during the process – accounting for over 55 per cent of total industry carbon dioxide emissions ($\text{CaCO}_3 \rightarrow \text{CaO} + \text{CO}_2$). This is a chemical process that cannot be changed in the manufacturing process of cement or lime.

Carbon dioxide emissions are also generated directly through the use of thermal fuels (32%) as well as indirectly through the use of electricity (13%).

Cement and lime industry annual emissions are around 9 Mt CO₂. This is approximately 1.6 per cent of Australia's total emissions profile.