

CLEAN INDUSTRIAL DEAL – CEMBUREAU RECOMMENDATIONS

October 2024

As a key material in constructing buildings, infrastructure, public transport and renewable energy equipment, cement and its end-product concrete are of key strategic importance for the green transition.

Our industry is at a critical juncture. In May 2024, CEMBUREAU published its [Net Zero Roadmap update](#), which looks at an increased ambition for the decarbonisation of the European cement industry, on the back of significant investments (please see our [interactive map](#)). As the sector launches large-scale decarbonisation projects, a strong regulatory framework is indispensable to meet this ambition.

The Clean Industrial Deal must deliver a clear detailed plan to de-risk decarbonisation investments. It should build on the existing legislation and EU climate objectives, whilst providing a clear business case for energy-intensive industries. We make below some key recommendations in this respect.

Ensuring an effective level-playing field through CBAM and other instruments

The EU cement sector is confronted with a significant rise of EU imports from non-EU countries, whilst EU exports are steadily decreasing (please see [CEMBUREAU trade statistics](#), October 2024). An effective level playing field on carbon is indispensable to provide EU companies with the confidence to deliver large investments in Europe. The Clean Industrial deal should foresee detailed measures to provide such level playing field:

- ⇒ **Enforcing a watertight EU Carbon Border Adjustment Mechanism (CBAM):** In view of the operational phase of CBAM in 2026, all efforts must be put in preventing CBAM fraud and evasion through robust monitoring systems and a uniform implementation of the mechanism across the EU. CBAM rules should strictly reflect ETS rules, with effective monitoring and control mechanisms, including for accredited verifiers, and strict penalties for non-compliance. The Commission should consider all tools to prevent fraud, such as a review of customs codes and the use of sampling, which can effectively minimise risks (please see CEMBUREAU [position paper on minimising the risks of CBAM fraud](#), January 2024). Finally, EU and national customs authorities and administrations must be appropriately resourced to deal with CBAM implementation.
- ⇒ **Delivering an export solution for CBAM sectors:** As part of the Clean Industrial Deal, the European Commission should deliver concrete proposals for an export solution for CBAM sectors.
- ⇒ **Looking at all available trade instruments to support European industries:** whilst CBAM is designed to create a level playing field on carbon, some of the EU's trading partners may have recourse to other practices leading to unfair competition, such as subsidies. The European Commission should plan a thorough review of the existing trade defence instruments, including the Foreign Subsidy Regulation, that can help European industries compete on a fair basis.

Supporting decarbonisation investments in energy-intensive sectors

As highlighted in the Draghi report on the future of European competitiveness, large parts of industrial sectors' decarbonisation investments lack a clear business case. Public funding is key to de-risk investments, making it feasible for companies to undertake the necessary transformations. The Clean Industrial Deal should foresee several measures in this respect:

- ⇒ **Turning the EU ETS innovation fund into a proper deployment fund:** The ETS innovation fund must be geared towards the deployment of Net Zero Technologies. Requiring systematically an 'innovation aspect' as was the case so far runs counter to the deployment phase the cement sector and other energy-intensive industries are in. Furthermore, the Delegated Regulation on the ETS Innovation fund should be updated to allow innovation fund grants to submit revised cost estimates following the completion of Front-End Engineering and Design (FEED) studies, open the possibility for adjustment post-grant award to reflect significant changes in external cost factors, and review the definition of 'relevant costs'.
- ⇒ **Creating a specific fund for the decarbonisation of the cement sector, financed by EU ETS revenues:** Over the coming years, the contributions of CBAM sectors – in particular of the cement sector – to the EU ETS will be significant. Frontloading part of these revenues in a cement-specific decarbonisation fund would bring significant benefits. The ETS Directive already foresees the possibilities of launching specific calls of the ETS Innovation Fund for CBAM sectors: the Clean Industrial Deal should therefore announce the launch of a first sector-specific call in 2025, operating it under specific rules to cover projects' OPEX costs in addition to CAPEX, and allowing for higher support through Carbon Contracts for Difference.
- ⇒ **Facilitating funding through one-stop-shops and the blending of funds:** Public funding sources need to be better coordinated and centralized under a one-stop-shop application procedure for deployment projects, facilitating the financing of projects through different funds.
- ⇒ **Ensuring a robust competitiveness fund:** the future competitiveness fund should be well provided to support decarbonisation investments in energy-intensive sector as well as the financing of key infrastructure.
- ⇒ **Reviewing Competition rules to support large-scale investments:** Overall, competition law needs to facilitate the transition to a low carbon economy. The announced simplification of the rules around Projects of Common European Interest (IPCEI) and the review of broader State Aid rules are important steps in that respect.

Developing a cross-border energy and CO2 infrastructure

Affordable energy prices and the development of a CO2 transport and storage infrastructure are critical to ensure the successful decarbonisation of the sector. The Clean Industrial Deal should announce a series of measures:

- ⇒ **Expediting EU CO2 storage plans and the objectives of the Net Zero industry Act:** The Net Zero Industry act provides a solid basis to grow Carbon Capture, Utilisation and Storage (CCUS). Faster permitting rules, transparency and reporting obligations for Member States on CCUS projects and infrastructure, and obligations imposed on oil and gas producers when it comes to their contribution to

CO2 storage (including ensuring open and fair access to storage sites), all need proper implementation at national level.

- ⇒ **Developing the EU's CO2 transport and storage infrastructure through efficient regulation:** De-risking the full CCUS value chain is key. This necessitates proper attention for the specific transport needs (including standardisation of CO2 specification for transport and storage), fair access conditions for CO2 storage and regulatory regimes incentivising all actors in the value chain. A 'CO2 transport and storage package' should be developed as soon as possible.
- ⇒ **Simplifying and accelerating permitting conditions for energy and decarbonisation infrastructure:** The possibility of a "simplified and fast-track permitting" for installation of renewable energy assets and decarbonisation technologies on industrial sites is critical, and should be a key priority of the upcoming Industrial Accelerator Act. The use of regulatory sandboxes should also be encouraged.
- ⇒ **Protecting European industries from energy price hikes:** The decarbonisation of the cement industry will entail an increase in energy demand from 20 TWh in 2021 to a range between 47 TWh and 113 TWh in 2050. Energy-intensive sectors need access to decarbonised energy at a reasonable price. The Clean Industrial Deal and the upcoming Action plan for affordable energy prices should look at all options to reduce energy prices – including structural market design reforms, PPAs, and compensation for industrial customers.

Supporting low-carbon and circular industrial products through lead markets

The creation of lead markets is indispensable to support the development of new technologies and processes and foster a long-lasting demand for decarbonised construction products. The Clean Industrial deal should feature decisive policies from this perspective:

- ⇒ **Driving the circular use of waste in industrial products:** as shown in the case of co-processing in cement kilns, the use of waste in industrial products makes a decisive contribution to the circular economy and to reduce CO2 emissions. In addition, an increasing quantity of secondary materials will be necessary reduce the clinker content of cements. As part of the upcoming revision of the Waste Framework Directive, the Commission should ban landfilling, support better waste sorting systems, and recognise the mineral part of co-incineration in cement plants as counting towards recycling targets.
- ⇒ **Stimulating demand for low-carbon products through new initiatives on lead markets:** Policy, as well as the purchasing power of public authorities and private buyers, have a strong potential to stimulate the demand for low carbon/circular cements. In particular, the revised Energy Performance of Buildings Directive (EPBD) will drive the decarbonisation of Member States' building stock with its global warming potential (GWP) requirements. Similar policies at national level, as well as private initiatives, are being developed and should be further encouraged.
- ⇒ **Implementing swiftly the Construction Products Regulation (CPR):** the CPR, which requires manufacturers to declare environmental essential characteristics, including mandatory GWP, in their declarations of performance and conformity, should be swiftly implemented.
- ⇒ **Public procurement as a lever for decarbonisation:** Today, 55% of procurement procedures use the lowest price as the only award criterion for public contracts. We would recommend a review of the Public Procurement Directive to ensure that contracts are awarded to only the best price-sustainability-technical performance ratio in order to pay more attention to quality, sustainability and innovation.

Removing administrative and legal barriers to decarbonisation investments

Last but not least, the Clean Industrial Deal is also an occasion to revisit a number of legislative measures which hamper investments. CEMBUREAU provides below some concrete examples of such rules, which should be re-assessed under the Clean Industrial Deal framework:

- ⇒ **The RFNBO Delegated Act should be reviewed:** the decision to consider captured industrial CO₂ emissions in Renewable Fuels of Non-Biological Origin (RFNBO) as not avoided from 2041 is not justified and should urgently be reviewed. This 2041 cutoff date has led to the collapse of carbon use projects in the cement sector and is unacceptable since the need for CO₂ in a variety of applications (chemicals, e-fuels, food...) is beyond any reasonable doubt and studies have demonstrated that CO₂ from biogenic sources or direct air capture will be insufficient to meet the demand. The phase-out for unavoidable cement production CO₂ (i.e. the geogenic CO₂) should be extended at least till 2050 and then assessed again in 2045 for the post-2050 period in function of the development of the e-fuels role in the energy transition. A review clause on the 2041 date is foreseen as part of the Delegated Act and should be activated as soon as possible.
- ⇒ **EU ETS rules on CO₂ accounting need a reset:** the CO₂ accounting rules in the ETS Directive should be reviewed to ensure that CO₂ allowances are surrendered by the 'emitter' of the CO₂ contained in a CCU product, and not by the capturing installation. The CO₂ accounting needs to be done at the point where CO₂ is released into the atmosphere. There is no such release into the atmosphere when CO₂ is captured in a cement plant and transferred to a third entity for further use. While we agree that accounting of CO₂ needs to happen at one point in the lifecycle, it does not make legal sense to link it to a point where there is no release into the atmosphere. This way of accounting de facto hampers the business case for any CCU project in the cement sector, as plants would have to surrender allowances for the captured CO₂.
- ⇒ **Requirements to publish 'transition plans' for companies under EU legislation are not aligned and overly burdensome:** European companies are flooded with requests to develop 'transition plans' under different regulations including the Taxonomy requirements, the Corporate Sustainability Reporting Directive (CSRD), or the obligation for the most polluting installations to issue climate neutrality plans under the Emission Trading Scheme (ETS), as well as transformation plans under the Industrial Emissions Directive (IED). These reporting requirements are not streamlined and cause significant burden for European companies, with little to no benefits.
- ⇒ **Unnecessary reporting requirements under the Renewable Energy Directive (RED):** the calculation of the Green House Gas (GHG) savings for the biowaste used in the cement industry is an unnecessary bureaucratic and cost burden, because the savings will almost by definition result in values above the respective thresholds.
