Applying the Carbon Border Adjustment Mechanism for Cement as of 2025 is a Win-Win for Industry and the Climate

Dear ENVI Committee Member,

In his draft report on Establishing a Carbon Border Adjustment Mechanism (CBAM), MEP Chahim proposed implementing the CBAM for cement as of 1 January 2025 and eliminating free allocations for cement manufacturers. He noted that cement represents a "specific case" that should be treated differently since cement is the "sector with the lowest trade intensity among goods covered by the CBAM."

The data backs up MEP Chahim's proposal: Per Eurostat trade data, between 2015-2021, a total of 32mt of cement was imported into Europe, compared to c. 1,173mt of cement produced within Europe. Accounting for cement exports from the EU, imports represented only 3% of EU cement consumption during that period, highlighting the low trade intensity of the product (see figure 1, below).
Cement has a relatively simple supply chain and most cement is produced and consumed locally due to its low value per unit weight, meaning transport makes up a disproportionately high percentage of its total manufacturing costs. In most cases, raw materials are extracted, manufactured, and sold locally, at a distance of 200 km or less from cement manufacturing sites, manifesting in a wide distribution of plants throughout Europe (see figure 2, below).

The low trade intensity and local production means that the risk of carbon leakage for the cement industry is low. The CBAM could therefore be applied at a faster pace than in other, more complex sectors. Implementing a robust and watertight CBAM for cement as of 2025 while eliminating free allocations would drive the deployment of low-carbon solutions. CBAM could compensate for decades of disfunction in EU carbon markets, and would be a win-win solution for the EU's decarbonisation efforts and for the industrial competitiveness of the EU. In addition, cement could serve as an ideal test case for the efficacy of the CBAM, yielding useful experience that could support effective implementation of the measure to other, more complex sectors.

Accelerating a shift away from carbon-intensive cement products is essential, as the cement industry is responsible for 7-8% of global CO2 emissions, more than shipping, aviation and long-distance trucking combined. The EU cement industry is currently nowhere near on track to achieve 55% greenhouse gas emissions reductions by 2030 compared to 1990. The slow progress can in large part be attributed to the continued provision of free allocations to the cement industry. The cement

industry is the second largest emitter of CO2 under the ETS, and is responsible for 21% of ETS industrial emissions. However, it will continue to receive its full allocation of free allowances up to 2025. As long as the cement industry is protected from carbon cost by the EU, there is a risk that the entire construction sector will continue to delay the implementation of available and affordable low-carbon alternatives, and with it the transition to a less energy and carbon intensive construction industry.

Alternatives to carbon-intensive cement and concrete products exist today and have the potential to scale and cost-effectively decarbonise the construction industry dramatically within the coming years. In order to bring about mass deployment, industry must be given the right signals to decarbonise as soon as possible. A rapid implementation of CBAM, coupled with a removal of free allocations, would send the correct signals to industry and help the EU become a world leader in low-carbon cement and concrete and other alternative construction technologies.

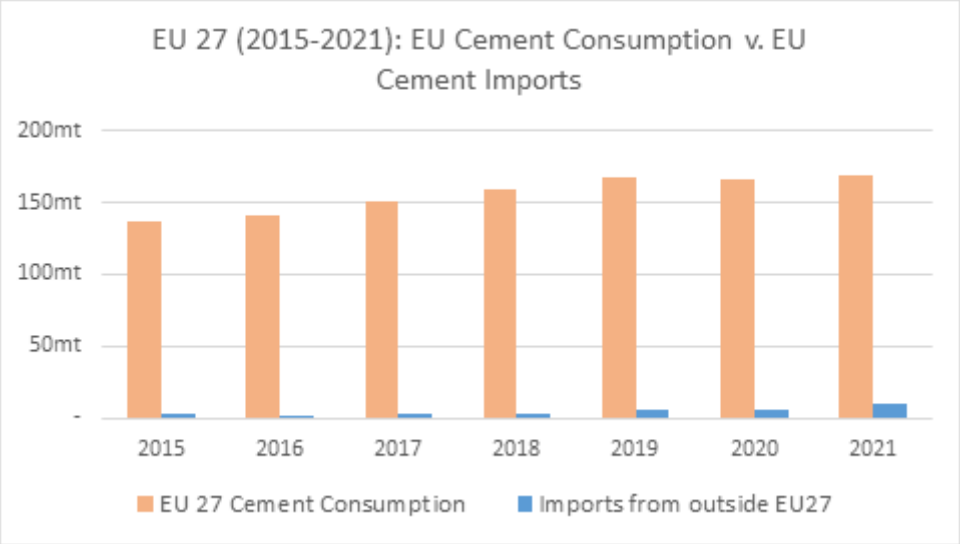
Ahead of the ENVI Committee vote, we therefore urge you to support a speedier implementation for CBAM for cement as per MEP Chahim proposal (i.e. 1 January 2025), taking into account its very low trade intensity, simple supply chain, and low risk of carbon leakage.

Yours sincerely,

Signatory organisations:

Carbon Market Watch
Cleantech for Europe
Climate Strategy
Ecocem
Environmental Coalition on Standards (ECOS)
Réseau Action Climat France
Sandbag Climate Campaign ASBL
Zero Waste Europe

Figure 1: Cement Imports Vs Total



Source: Cembureau and Eurostat Trade Data. 2020/2021 cement production assumed to be unchanged from 2019.

Figure 2: Cement production plants across Europe