Association Européenne du Ciment The European Cement Association
CEMBUREAU

WHAT'S NEW IN EUROPE?
February 2017

With this brief summary, CEMBUREAU, the European Cement Association, aims to update its broader membership on a monthly basis on relevant developments in Europe. We very much appreciate input and comments at aj.johnson@cembureau.eu

- **EU climate change legislation / revision of EU ETS / cement-sector specific amendments rejected**: the EU is currently revising one of the cornerstones of its climate change legislation, more particularly its emissions trading scheme (EU ETS). A legislative proposal by the European Commission is currently being amended by the European Parliament and the Council (Member States). Once adopted, the revised EU ETS will cover the 2020-2030 period. CEMBUREAU's main plea in the debate is that free allowances should be available at the level of the best performing plant, thus preserving the international competitiveness of the cement sector.

  In December 2016, the lead Committee in the European Parliament had suggested to replace the free allowances for the cement sector by an importer inclusion mechanism whereby importers of cement would pay a levy. Details of such regime were not set out in the proposals which were a knee-jerk reaction from some policymakers in the European Parliament following largely unsubstantiated allegations by NGO's on an alleged EUR 5 bn windfall profit from the current ETS system by the cement sector.

  CEMBUREAU strongly advocated against the proposed measures which it considered discriminatory, not only in relation to other sectors covered by EU ETS but also in relation to competition on downstream (construction) markets. The cement-specific amendments were ultimately rejected in the European Parliament's Plenary Session on 16 February.

  The Council (Member States) reached an agreement on its suggested amendments to the text on 2nd March. Both Parliament and Council will now, each with their suggested amendments, start discussions with a view to coming to an agreement on the final text. One of the most relevant discussions will center around the percentage of free allowances available as against allowances in the auctioning pot. Both Parliament and Council keep the 57% auctioning share proposed by the Commission intact but the Parliament suggests a 5% flexibility, compared to a 2% in the Council, to be taken out of the auctioning share in case there are not sufficient free allowances to allow for full free allocation to the level of best performer for energy-intensive industries. As to the other items, both institutions agree on the use of real data for benchmarks, electricity compensation and innovation funding (including for carbon capture and use) but still differ on more detailed modalities for each of these items, a debate which CEMBUREAU continues to monitor closely.

- **Energy consumption in the EU below its 1990 level / increased dependence on fossil fuel imports**: in 2015, gross inland energy consumption in the EU was 2.5% below its 1990 level. Germany is the largest energy consumer in the EU (19%), followed by France (16%), the UK (12%) and Italy (10%). Fossil fuels continued to represent the main source of energy although its weight decreased from 83% in 1990 to 73% in 2015. Fossil fuels made up less than half of the energy consumption in only three countries: Sweden (30%), Finland (46%) and France (49%). The EU's dependency on imports of fossil fuels has increased significantly from 53% in 1990 to 73% in 2015.

  See the full press release with data per country here.

- **Global competitiveness performance of Europe - Businesseurope Barometer**: the EU economy grew by 1.8% in 2016 (2.2% in 2015) and 3 million jobs were created with unemployment falling from 9.4% to 8.5% in 2016. However, the cost of starting up a business in the EU is three times higher than in the US and takes twice as long. Industrial energy prices are more than twice as high in the EU than in the US. EU R&D spending (2% of GDP) is well below Japan (3.6%) and the US (2.7%) with patent applications stagnating in the EU (up 70% in the US). For every Euro borrowed by European companies, around EUR 8 come from banks and only EUR 2 from capital markets. The inverse happens in the US. Europe accounted for 12% of global venture capital investment against 55% for the US.

  Further data can be found in the full version of the Businesseurope Barometer, published by the European Employers Federation Businesseurope.

- **EUR 34 million in EU funds to finance affordable housing in Poland:** on 13 February the European Investment Bank announced that it will lend EUR 34 million to the Polish municipal housing company Poznańskie Towarzystwo Budownictwa Społecznego Sp. z o.o. (PTBS) for the construction of approximately 1 300 affordable housing units with ancillary infrastructure in Poznań.

  See EIB press release

- **SEK 900 million in EU funds to finance local infrastructure in Nordic Countries:** on 16 February, the European Investment Bank announced that it has completed a SEK 900 million agreement to support investment in local infrastructure in the Nordic countries through the "Infranode" investment platform. Infranode has extensive experience in engaging in long-term partnerships with public sector bodies that have significant investment needs, but limited capital resources. In the past, their investments have focused on urban development and environmental improvement projects.

  See EIB press release

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