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The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam

Cement Australia Submission: Senate Economics Committee inquiry into the exposure drafts of the legislation to implement the Carbon Pollution Reduction Scheme

Cement Australia welcomes the opportunity to provide this submission to the Senate Economics Committee inquiry into the exposure drafts of the legislation to implement the Carbon Pollution Reduction Scheme ("the exposure drafts").

Cement Australia is the leading manufacturer of cementitious products in Australia. The company supplies 47% of the Australian market. Its international shareholders provide the business with world-class global support on related technical, environmental and climate change issues.

Through early action, Cement Australia has maintained total carbon dioxide emissions at less than 1990 levels while achieving sales increases of over 49%. This improvement in greenhouse emissions intensity has been delivered by significant investment in new technology processes, cementitious material substitution advances and market demand education. 90% of Cement Australia's clinker production comes from best-practice kiln technology.

Cement is a strategically important commodity – the security of supply of cement is critical to social and economic infrastructure, a major commitment of the government in coming decades.

As members of both the Cement Industry Federation and the Australian Industry Greenhouse Network, we commend and support the viewpoints outlined within the respective submissions of those two organisations. We would also take this opportunity to refer the committee to Cement Australia's submission made in respect of the Carbon Pollution Reduction Scheme (CPRS) Green Paper.

Cement Australia has welcomed the improvements in certainty that the CPRS White Paper has provided over the Green Paper proposals, particularly in relation to the provision of emissions-intensive, trade-exposed ('EITE') transitional assistance and the improved understanding of emissions-intensive, trade exposed industries such as cement that this demonstrates. We are however, concerned that the exposure drafts relegate the EITE assistance program to regulations - yet to be made - that "may", or may not result in the creation of such a program (Section 167). Given this situation, it is not possible to comment on the eventual impact of the exposure drafts as they currently exist, on our company.

We can however, make the following points we believe to be of critical importance for Cement Australia in relation to the CPRS:

- The White Paper rationale for the inclusion of an EITE assistance package is appropriate:

The ultimate objective of the introduction of a carbon constraint in Australia is to contribute to reductions in global emissions. If the introduction of a carbon constraint in Australia ahead of key international competitors simply results in EITE industries contracting in Australia and relocating offshore and using similar or worse emissions-intensive fuels or technologies, it will weaken Australia's effective contribution to the global emissions reduction effort. This is often referred to as 'carbon leakage'. Since Australia is committed to contribute towards a comprehensive global solution to the climate change problem, the potential for carbon leakage provides a rationale to act to reduce this risk. (From the White Paper, Section 12.1.1 Rationale for EITE assistance)

- The proposal to assess emissions-intensive, trade-exposed (EITE) status on an activity-basis only serves to erode the effectiveness of EITE assistance program. Given that EITE assistance is provided to maintain the competitiveness of EITE industries – in our case against imports, this proposal simply renders the EITE assistance program ineffective - potentially doubling the effective cost of the scheme to Cement Australia (in real cost terms to jobs and revenues). Fundamentally, we believe that it is cement products that are trade-exposed as opposed to specific cement manufacturing activities.

The government proposes to assess cement according to individual activities such as limestone extraction, clinker manufacture and cement milling. By way of example, the current scheme activity definition is for limestone extraction for cement manufacture to not be considered an EITE activity. However, owing to the significant mass reduction that occurs during calcination, it is critical (for both energy- and cost-efficiency purposes) that limestone extraction operations exist in proximity to the rest of the manufacturing process. There is no clinker manufacturing operation that exists with a long-haul limestone supply, and globally there

is no existing trade in the limestone /clay blend used as a raw material by the cement industry. Should clinker manufacturing become uncompetitive under the scheme, Australia will also lose the associated limestone extraction operations.

The current activity proposal also suggests the exclusion of cement milling operations as a trade-exposed activity. We believe this will result in a trend towards cement imports over clinker imports with a commensurate loss in the abatement opportunities afforded by supplementary cementitious materials (such as fly ash and slag), and a resultant worsening of global greenhouse gas emissions.

Cement Australia's Green Paper submission focussed on a further significant concern; the difficulty associated with financing new investment in clinker manufacturing capacity – for us; Australia's next cement kiln. Our Green Paper submission highlighted that total global greenhouse gas emissions would be worse if investment in Australia was forced offshore by the scheme. An investment analysis, undertaken for Cement Australia highlights that future Australian clinker investment would be unviable under the CPRS.

To assist in promoting the early uptake of improved greenhouse-efficient technologies and importantly, keeping employment in Australia, it is our position that new, world-best-practice, greenhouse-efficient, investment should be exempted from the scheme (either by direct exemption or through full allocation) for a period of time.

Any inquiries in relation to this matter may be directed to the undersigned.

Yours faithfully,



Stuart Ritchie,
National Sustainability Manager