

Holcim's position on climate change:

Q 1 What is Holcim's position on Climate Change?

Holcim believes society must take responsibility for greenhouse gas emissions, and Holcim will play its part.

Q 2 What actions is Holcim taking on climate change?

Holcim has a voluntary corporate world-wide CO₂ emissions reduction objective. It is on target to reduce the global average net specific CO₂ emissions by 20% by 2012, with 1990 as the base year, reported according to the WBCSD/WRI Cement CO₂ Protocol.

Furthermore Holcim is active in all three of the essential elements of climate change policy that the Stern Review identified:

1. Carbon Pricing:
 - It has direct experience of emissions trading in the European Union Emissions Trading Scheme (EU ETS);
 - It has been a strong advocate on streamlining the Kyoto Protocol Clean Development Mechanism (CDM);
 - It realized the first Joint Implementation (JI) project ever in the cement industry;
2. Technology:
 - It is directly engaged in the Cement Task Force of the Asia-Pacific Partnership on Clean Development and Climate (AP6);
3. Behavioural Change – removal of barriers and provision of information:
 - It was a lead contributor to the WBCSD/WRI Greenhouse Gas Protocol for greenhouse emissions accounting;
 - It is a foundation member of the WBCSD Cement Sustainability Initiative;

Q 3 Where do Holcim's greenhouse gas emissions come from in New Zealand?

The major contributor is cement manufacture.

Cement is a key but minor component of concrete (7-15% of it). Making cement releases carbon dioxide from the fuel burnt and the chemical reaction (calcination). There are also indirect emissions from electricity used and fuel for transporting raw and finished materials.

Holcim manufactures cement at its Westport site.

Holcim's position on emissions trading:

Q 4 Why does Holcim favour emissions trading?

Holcim believes that the most effective way to reduce emissions is through policy and regulated market instruments.

By giving an economic value to emissions, emissions trading creates an incentive to find easy to lower the cost of emission control technologies and to implement measures that reduce emissions

Q 5 What direct experience of emissions trading does Holcim have?

It has direct experience of emissions trading, with 23 installations covered by the European Union Emissions Trading Scheme (EU ETS) through 2005-6 with a further 3 installations being introduced in 2007 following Bulgaria and Rumania's entry into the EU;

When should emission trading be introduced in New Zealand

Q 6 When should emissions trading be introduced in New Zealand?

Holcim recommends that a broad based emissions trading system should be introduced in 2013; a New Zealand Emissions Trading Scheme (NZ ETS).

We propose "broad based" as for the scheme to cover a significant proportion (e.g. >25%) of New Zealand's emissions, we would have to include non industry sectors and non CO₂ gases as well.

Q 7 What needs to be done before we start trading?

We need to design an emissions trading system that is appropriate for New Zealand. This will take time to get right and we should take that time.

International experience tells us that even when starting from a stronger foundation of emissions inventory data and resources than we currently have in New Zealand, five years is the minimum period.

Q 8 What should we do until we have emission trading?

We must ensure that we put the foundations in place for emission trading and that we do not disincentivise emissions reductions between now and 2013.

We propose mandatory reporting of greenhouse gas emissions for all sectors likely to be incorporated in a future NZ ETS. Reporting should on a calendar year basis, in line with international ETS trading periods, and should meet agreed international standards.

Q 9 How would voluntary measures work?

In the transition period to a regulated emissions trading scheme, it is important to give the correct signals to firms.

For the industrial sector we recommend that Government signals that any initial allocation in the NZ ETS will be based on performance and not historical emissions.

A voluntary agreement programme based around performance was applied in the 1990s. It provided Government with data and the cement industry reduced its emissions in line with its voluntary obligations. Since that time the NGA programme was developed.

We proposed that the best elements of the NGA programme, including benchmarked Worlds' Best Practice performance targets, be applied to ensure an appropriately high degree of stringency for any voluntary commitments.

Emissions Trading Design

Q 10 How should allowances be allocated?

Holcim recommends that allowances should be allocated on a gratis and performance based basis.

Q 11 Why does Holcim oppose auctioning?

Auctioning of allowances would withdraw huge volumes of capital from energy intensive industries. This capital would then not be available anymore for CO₂ emission reduction initiatives in those industries

Note that for internationally traded commodities such as cement, the costs associated with purchase of allowances through auctioning cannot be passed through and recovered from customers.

Q 12 Why does Holcim oppose grandparenting?

Grandparenting is the gratis allocation of allowances based on historical emission levels.

Holcim opposes grandparenting as it rewards those with high historical emissions; typically those firms who have been slow to act on climate change.

A better way is benchmarking or "Performance Based Allocation" where allowances are allocated based on a measure of emissions intensity. This approach sends the right signals: Efficient plants benefit, while inefficient ones are penalised.

Q 13 Are international competitiveness issues real?

Until we have a worldwide agreement to address climate change, with comparable stringency in domestic policies, competitiveness issues for internationally traded commodities remain real.

Q 14 What are other countries doing to recognize competitiveness issues

In both existing emissions trading schemes and those in development, competitiveness issues are recognised and addressed.

In the EU, competitiveness is being addressed through using gratis allocation. Our analysis of the UK allocation plans shows that cement plants there have been allocated nearly 100% of their historical emissions to protect them from international competition.

In Australia, the states led "National Emissions Trading Scheme" (NETS) trading initiative also proposes gratis allocation to protect the industrial commodity sector.

Q 15 Are Holcim's views shared by others?

Yes.

In the paper we highlight supporting information from literature on emissions trading with full references to ensure transparency.

Q 16 What does Holcim stand to gain from these suggestions?

Holcim will benefit from sustained economic growth in New Zealand.

Growth requires investment.

The absence of long term durable policies that send the right signals could stifle this.