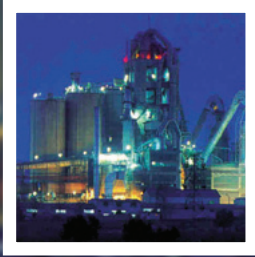


The Cement Sustainability Initiative



Sectoral Market Mechanisms

An effective way forward
for climate mitigation



In Favor of Sectoral Market Mechanisms to Facilitate Climate Mitigation Efforts

- The Cement Sustainability Initiative (CSI) and its members are committed to reducing carbon emissions and support the establishment of a global climate agreement. The CSI also recognizes that large-scale emissions abatement starts at regional/country-level.
- The CSI considers sectoral market mechanisms as the most effective and efficient tool, as they can build on national priorities and leverage existing emissions reduction efforts, while rewarding emissions reduction efforts with tradable credits.
- Sectoral market mechanisms need to be based on a consistent measurement, reporting and verification (MRV) system so that a later linking to a global market is possible. The United Nations Framework Convention on Climate Change (UNFCCC) has a role to play in developing this global MRV system.



In the current climate policy environment, country-led sovereign market mechanisms are the most realistic and effective path to emissions reductions. Apart from the already existing systems in the EU, India and New Zealand, systems are under development or implementation in countries such as Australia, Canada-Quebec, South Korea, USA-California, and several provinces and cities in China.

Market mechanisms should provide effective and efficient incentives for industries to reduce their

CO₂ emissions beyond a business-as-usual pace of improvement. Successful market mechanisms should:

- Guarantee free trade and fair competition;
- Prevent carbon leakage;
- Reflect the socio-economic development of the regional economy;
- Be tailored to the characteristics (i.e. reduction levers) of different sectors and target the legal entity / operator that has control over operations and investments.

The CSI considers sectoral market mechanisms as the most successful schemes to reduce carbon emissions

A sectoral market mechanism consists of emissions reductions goals jointly set by governments and companies for industry sectors. It is applied at regional or national level and includes sectoral emissions reduction targets, rewarded by tradable credits provided that emissions are reduced below agreed benchmarks.

To implement a sectoral market mechanism, a database is needed to collect accurate and verifiable information on CO₂ and energy performance of industrial installations at sector level. On this basis, sectoral performance metrics can be developed, expressed as an improvement objective towards a business-as-usual trajectory. While the performance metrics should ideally be the same globally, the values attributed to performance improvements can be set nationally / regionally, in accordance with the technical and economic capabilities of a country or region.

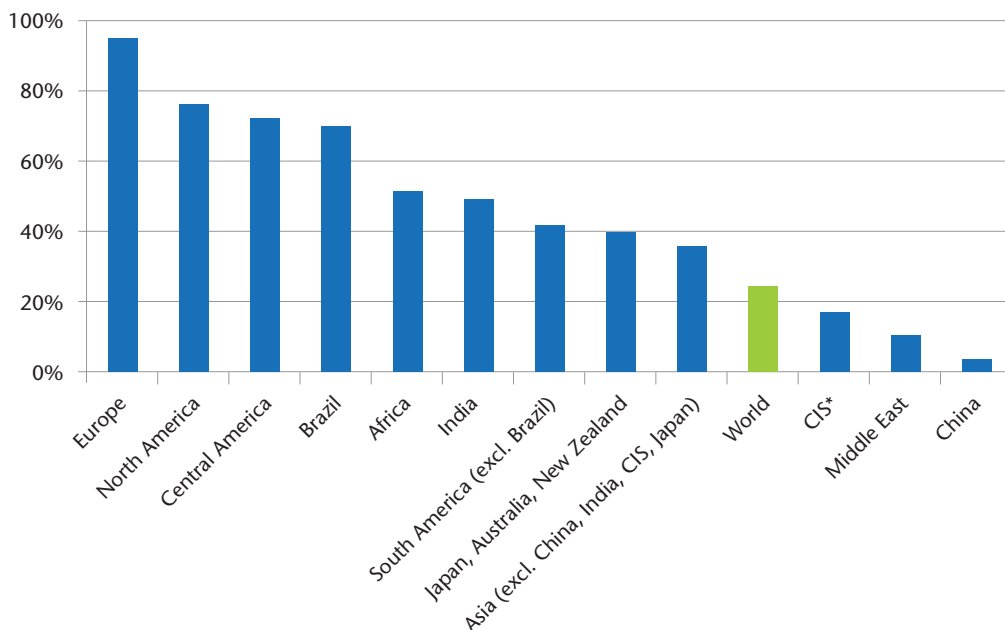
Sectoral market mechanisms require strict measurement, reporting and verification (MRV) standards. Ideally, these standards should be globally harmonized, or for the least be compatible and comparable, as diverging standards would lead to concerns over the environmental quality of credits.

The role of the UNFCCC is to develop an international registry for MRV

The development and implementation of sectoral market mechanisms are a matter of national or regional sovereignty. However, a global framework requires the setting up of an international registry where national and regional systems are registered and where emission reductions are reported.

The development and operation of such a global registry system should be under the guidance of the Conference of the Parties and the UNFCCC.

Share of regional cement production included in GNR database (% of cement production, 2010)



Source: CSI Global Cement Database "Getting the Numbers Right" (GNR), www.wbcsdcement.org/gnr

* CIS: Commonwealth of Independent States (former Soviet Union countries)

This database covers 25% of global cement production, ranging from over 95% in Europe to over 70% in the Americas to below 20% in the Middle East, Commonwealth of Independent States (CIS) and China. The CSI is working to increase coverage in these regions. 79% of data in GNR is verified independently at the level of participating company. Latest available data is from 2010. The database is updated annually.

The Cement Sustainability Initiative can contribute its expertise in developing common MRV methodologies and a sector database

The CSI is willing and able to work with governments to elaborate practical aspects of a suitable sector participation scheme and appropriate carbon commitments.

The CSI is a proven forum to convene industry on sustainability topics and has developed a number of tools that can support action. Indeed, under the leadership of the CSI, the cement sector has developed:

- a common MRV methodology (“The Cement CO₂ and Energy Protocol”),
- a global database on CO₂ and energy performance for the sector (“Getting the Numbers Right”),
- a global technology roadmap for the cement sector until 2050, assessing the technical feasibility of the various levers for emissions reductions in cement production. This work was developed together with IEA and is currently being replicated in India.

The CSI can thus facilitate the data collection and management to establish national and regional benchmark levels.



About the CSI

The Cement Sustainability Initiative (CSI) is a global effort by 24 leading cement producers, with operations in more than 100 countries. Collectively, these companies account for around 30% of the world’s cement production and range in size from large multinationals to smaller local producers.

All CSI members have integrated sustainable development into their business strategies and operations, as they seek strong financial performance with an equally strong commitment to social and environmental responsibility. The CSI is an initiative of the World Business Council for Sustainable Development (WBCSD).

www.wbcscement.org

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