

# The Cement Sustainability Initiative



## The performance penetration approach – Initial comments

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# CSI's objective for a standardized baseline methodology

1. Develop a mechanism that provides an effective economic incentive for companies to improve their CO<sub>2</sub> emissions intensity per unit of output beyond business-as-usual performance.
2. Provide a market based incentive that is compatible with normal business decision principles.
3. Provide an adequate balance between economic incentive and emission reduction ambition.
4. Provide a methodology that solves the problems that make the current CDM methodologies and procedures ineffective in the cement industry.
5. Provide a methodology and thresholds that are commensurate with a Framework for Various Approaches (FVA) including Emission Trading Systems, NAMAs and NMMs.

# Current ineffectiveness of CDM in the cement industry

Cement industry's direct CO<sub>2</sub> emissions account for ~5% of global manmade CO<sub>2</sub> emissions, trend increasing in Kyoto non-Annex 1 region.

During 2006-2010 on average 320kCER/year for direct emission reductions were issued to the cement industry, along with ~860kCER/year for electric power from wind and waste heat recovery.

Only ~0.01% of cement direct CO<sub>2</sub> emissions in non-Annex 1 region were reduced thanks to CDM.

CDM is not effective to incentivize CO<sub>2</sub> reductions because:

1. The unrealistic requirements and procedures to demonstrate financial additionality and / or barrier analysis.
2. Too long, bureaucratic and complicated procedures
3. The disconnect of CDM from business reality

# CSI's purpose for developing a new SB methodology

The CSI's purpose to (contribute to) developing a new standardized baseline methodology is:

1. Precisely to be an alternative to the current methodologies for the demonstration of financial additionality and / or barrier analysis.
2. To demonstrate additionality and set the baseline in an objective, transparent and predictable way
3. To simplify and shorten the procedures

# CSI's initial comments to the draft guideline: **objective**

- CSI welcomes the cooperation with the UNFCCC.  
We share the same objective.  
We are interested to work together until we have reached a solution that achieves the objective.

# CSI's initial comments: Performance Penetration Approach

- CSI acknowledges the concept of the Performance Penetration Approach (PPA) to demonstrate additionality, elaborate a positive list and set the baseline.
- The PPA could be developed not only for technology switch, but also for fuel and feedstock switch
- The practical and operational aspects of the draft PPA should be tested in reality and improved where necessary to achieve the said objectives. These aspects include, among others:
  - The definition of the performance indicators
  - The normalization of the performance axis
  - The dimensions of the box used to define the Common Practice Segment
  - The notion and use of design versus actual performance data
  - The inclusion of installations and companies (especially when covering multiple interconnected installations)
  - ...

# CSI's initial comments: Database

- The availability of a sectoral performance database is the critical success factor of the whole approach. Essential aspects include:
  - The availability of a sectoral MRV standard
  - The use of this standard by the companies in the sector
  - The existence of a professional, centralized database
  - The ownership, management, good corporate governance and quality assurance & control of the database
  - The participation of (a majority of) installations and companies to the database, ensuring sufficiently representative coverage
  - The national, regional and multinational scope of the database
  - The role, responsibility and accountability of the DNA and the industry sector organization
- The WBCSD – CSI “Getting the Numbers Right” database is a solid foundation for such a database.

# CSI's initial comments: financial additionality and barrier analysis

- The CSI is of the opinion that the additional requirement to include financial additionality and/or barrier analysis in the SB PPA methodology is not consistent with the objective and purpose of the concept to use standardized baselines for the demonstration of additionality.

It is precisely intended to replace this.

- Collecting information on investment and operational cost and / or market barriers is likely to be challenged by fair competition legislation.

There is no harmonized methodology to define and monitor such costs.

The WBCSD – CSI “Getting the Numbers Right” database does not include information on Capex and Opex costs.

As a consequence, the CSI cannot collect or cooperate to the collection of such cost information.



# CSI's initial comments: quantification of the thresholds

- The draft guidelines include a proposal for the quantification of the additionality and baseline thresholds.
- These thresholds remain to be tested in practice, evaluating which threshold values will deliver an adequate balance between economic incentive and (pace of) environmental ambition.
- Such thresholds should be commensurate with a Framework for Various Approaches (FVA) including Emission Trading Systems, NAMAs and NMMs.

## CSI's initial comments: conclusion

- While the concept and approach seem to have the potential to enable incentivizing reductions they remain to be tested and improved before adoption, to bring them to the market.
- If the concept does not work in the cement industry, it is unlikely to work in any other industrial sector.
- CSI is willing to cooperate with the UNFCCC and other stakeholders with the purpose to conclude by end of 2013 a workable approach that meets the initial objectives and that can and will be brought into practice.
- Offsetting mechanisms should be commensurate, compatible and complementary to compliance mechanisms such as Emissions Trading Systems, NAMAs and New Market Mechanisms.

# *Thank you*

*CSI is a sector project of the  
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For further information: [www.wbcasdcement.org](http://www.wbcasdcement.org)

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