



ASSOCIATION OF CEMENTITIOUS MATERIAL PRODUCERS

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Portfolio Committee on Water and Environmental
Committee Section
Parliament of RSA,
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Attention: Ms Tyhileka Madubela

NATIONAL CLIMATE CHANGE RESPONSE GREEN PAPER 2010

The Association of Cementitious Material Producers (ACMP) recognizes the need for a ***predictable and gradual transition to a Climate Change Resilient Economy*** in South Africa and supports the country's national and international climate change objectives and obligations, recognising that climate change poses a global threat. An effective global solution requires action from all countries that must be aligned with agreed global and national objectives.

The global solution is, however, some time away. The economic crisis has shifted national priorities worldwide towards the recovery of economic activity and has resulted in wide resistance to an international price on carbon. Also, there remains significant disagreement between developed and developing nations about the respective responsibilities on accepting carbon reduction targets.

To this end, the ACMP acknowledges that South Africa needs to reduce its carbon emissions, as part of global efforts to combat climate change. To achieve this, the country must begin to restructure its economy for lower emissions in order to remain competitive in a future, carbon-constrained, world economy.

Further, the ACMP supports the development of the National climate change response green paper for the Republic of South Africa, which will certainly provide a useful framework to inform current and future climate change strategies and support compliance to the country's international obligations under the UNFCCC process.

The ACMP cautions that national government must keep in mind the ***country's developmental goals of job creation, poverty alleviation and equity when informing policy on climate change.***

Taking into account the need to remain internationally competitive, the ACMP supports a gradual, predictable and transparent carbon emission reduction path for South Africa over the next 50 years,. Making future carbon costs more transparent improves business predictability and facilitates investments that reduce emissions. Further, the proposed gradual change in carbon price will give the economy time to adjust.

The ACMP also urge that more work be undertaken into exempting the carbon emissions from the cement process from any regulatory or market restrictions. The motivation for the exemption includes:

- Carbon emissions inherent in the process;
- International precedent such as Canada for example
- South Africa leads the world in terms of emission level management South African emission levels per ton for cement are much lower than international averages. This is despite its average Specific Heat Consumption and its "very bad" fuel mix profile (100% coal).
- Inclusion of abatement technology would prove to be more energy intensive and consequently greater overall CO₂ emissions due to the higher energy demand..

General comments

1. General:

The paper provides a sound overview of the broad issues required to address climate change in South Africa and the approach is supported by the ACMP. However, it is recommended that the format be amended to deal with matters thematically. This will also ensure an accurate reflection of the processes already in place in South Africa. In some instances, policies and programmes are already in place and require improved implementation or mainstreaming climate change response during implementation.

2. Developmental objectives of South Africa:

The ACMP sees the priorities for a strong South African economy to be driven by:

- Security of energy supply;
- Sustainable economic growth
- A sustained reduction in unemployment;
- Technology and skills development through technology transfer,
- Research & Development, Technology development and social transformation.

The Green paper must thus place increased focus on the above factors in the White paper.

The paper recognizes *“that although there will be costs associated with South Africa’s greenhouse gas emission reduction efforts, there will also be significant short and long-term social and economic benefits, including improved international competitiveness that will result from a transition to a low carbon economy”*

The national climate change response Green Paper and strategy **must** address domestic trade barriers as import of cheap goods/materials **(including cement)** from countries with poor environmental regulatory framework results in unfair competitive advantage and contribution to possible unemployment. This remains a challenge in light of the country’s developmental goals and must be highlighted in the Green paper, particularly when some of the strategic response has been detailed. An example is one related to carbon pricing which is described more fully below.

3. **Plans and targets:** The Green paper does not provide certainty to both civil society and business with regards to plans, targets and timeframes. This was proposed in the 2004 South Africa’s national communication under the UNFCCC.
4. **National strategy on sustainable development:** The national strategy on sustainable development and various provincial governments sustainable development strategies have been published and reviewed and needs to be referred to and referenced. The Green paper must catalyze alignment of the different policies, programs and plans in the country and must be a key outcome of the review processes reflected in the Green paper.
5. **Energy vs electricity.** The Green paper must distinguish between the different energy sources viz, coal, electricity and liquid fuel. Many of the descriptions relating to energy are in fact focusing on electricity.

- 6. Carbon pricing:** *Establishing a realistic price on carbon is a key factor to cost effective climate action.* It is important to accurately price carbon through direct economic measures (either a carbon tax or a cap and trade system) with related incentives to encourage the pro-active adoption of low carbon technologies. The Green paper should allow for greater engagement and research to review different fiscal instruments and management options prior to focusing on one option such as carbon tax. International experience suggests that the carbon tax option may not necessarily be an appropriate choice to manage climate change.

The Green Paper does refer to Emission Trading Scheme (ETS) for the medium to long term and it implicitly confirms carbon tax in the short term. There are many international experiences which could be researched to guide the options and should be investigated.

- It is clear from the discussion paper that Treasury favours a resource based carbon tax, and that the tax will not be budget neutral. Although the arguments in the discussion paper are well stated, a carbon tax still has some disadvantages: **it does not focus the funds generated by a carbon price on the mitigation of carbon emissions.**

Our members are of the opinion that any economic instrument to price carbon should be ring fenced to facilitate the transition of South Africa into a carbon resilient economy. The carbon tax collected as an input into the overall government fiscus, will not achieve this goal.

- 7. Recognition of previous and current effort:** The Green paper must include recognition for the contributions made to date by various sectors to reducing greenhouse gas emissions. In the case of the cement sector, the ACMP as signatory to the Energy Accord have made significant strides towards implementing energy efficiency resulting in *little* opportunities for further efficiency interventions. South African emission levels per ton for cement are much lower than international averages.
- 8. Energy Security** *Energy Security is a top priority for a Carbon Resilient South African Economy and is key to attracting investment opportunities.* Targets for energy efficiency, carbon emissions and energy usage need to be implemented taking into account baseline values that allow industrial companies to be recognized for previous carbon reduction effort.
- 9. Energy and Transport:** The importance of the energy and transport sector to the economy as a whole must be amplified. There must be increased emphasis on commitment to transport of goods by rail. This focus area is at present important to ensure ease of business. Currently many businesses rely on road freight due to its access and reliability.

10. Public participation and engagement:

The South African Government approach in this paper demonstrates the government's commitment to engagement with all parties to contribute to the design of future climate related strategies. This is encouraging.

However, it is noted that there are various other regulatory processes being undertaken which also requires public engagement to inform the South African climate change Green paper response. It is thus important that realistic timeframes be set for commenting period and that the sequence of draft documents be reconsidered to ensure alignment. Examples include:

- Discussion paper for public comment: Reducing Greenhouse Gas Emissions: The Carbon Tax Option; December 2010, RSA Treasury, December 2010;
- South Africa's Second national communication under the UNFCCC;
- The LTMS (Long term mitigation strategy)
- Discussion paper: The Carbon Tax option

All of these processes and developments in our opinion are required to inform the development of the Green paper.

It is recommended that alignment between the different regulatory developments is improved to ensure comments are appropriately informed and considered.

11. Business as usual:

The baseline year must be confirmed unambiguously. The ACMP understands that this will be based on the projected trajectory informed by business as usual. There must be further clarity on the basis of determining what the deviation from that trajectory means at a sectoral level. Engagement with relevant sectors is recommended. In the case of cement production, CO₂ emissions are inherently related to the raw materials and hence the sector must be considered accordingly. Any targets set to reduce CO₂ emissions must be sensitive to the fact that production capacity will need to be reduced with potential consequences to the construction industry and to infrastructure development in the country and hence job protection/creation.

12. Sector specific measures:

The Green Paper has set out specific interventions per sector and some of these that could be supported by the cement sector include:

- a. Waste management
- b. Use of alternate fuels and resources such as fly ash and slag, and
- c. Energy efficiency

13. National developmental goals: The socio economic impacts of a lower carbon energy supply trajectory must be assessed before adoption. In this regard it is important to note that the costs associated with adaptation and mitigation in respect of climate change is not the only challenges facing business to remain globally competitive. There must be increased emphasis on the inclusion of an assessment of each action and associated economic risk.

14. Monitoring and evaluation: use of 2006 IPCC Guidelines to enhance accuracy and transparency is encouraging and should be actively promoted in South Africa to inform current and future GHG inventories. Note should be taken of ISO standards such as

- a. ISO14064:2006
- b. ISO14065:2007
- c. ISO14067 (To be published in 2011)
- d. ISO50001 for energy management systems

It is recommended that the following should be considered:

- Promotion of GHG validation and verification bodies for accreditation.
- Formalising a MOU with Industry for collaboration on GHG accounting standards.
- Incentive schemes to promote accurate and detailed measurements of GHG emissions to inform sound decision making possibly setting minimum GHG emission standards for prioritized activities.
- Formally establishing carbon accounting.
- Setting energy efficiency standards to inform cleaner production/technology.
- Support the development of the ISO50001 for energy management systems because of the consequential positive impact on GHG emissions through energy management.
- g. Promoting best practice in environmental management,
- h. Government support and facilitation to ensure ease to undertake business, and overcome regulatory barriers,

15. Regulatory challenges:

The ACMP welcomes the recognition of the department on the emissions of CO₂ from calcination as an integral part of the cement manufacturing process. The CO₂ emissions from the calcinations of limestone are integrally bound to current cement manufacturing technology. ***The ACMP recommends that any future climate economic instruments take this into account.*** It is noted worthy that the Treasury discussion document has referred to countries where sectors such as cement industry are excluded from carbon tax.

Although the publication of the National Policy on the High Temperature Treatment of waste marked a key development in waste management, the DEA has yet to roll the policy out to provincial governments. This policy has not improved the permitting situation for the SA Cement Industry. It is key to the success of energy recovery that the policy is rolled out to provincial and local level.

There are other examples, such as enhancing regulatory processes in terms of the National water Act. Many of the actions related to water, both in terms of mitigation and adaptation can already be supported by the current regulatory framework and requirements.

To ensure that the developmental objectives are not compromised when planning carbon management objectives, the Green Paper should consider the inclusion of improving capacity and capability of the state to ensure that the Industrial sectors are able to implement its objectives timeously.

16. Resources: Each strategy contained within the green paper must reflect resource mobilisation including finance, human and information and technological requirements

17. Government actions: It is recommended that the Green paper confirm efficient regulatory processes: There are also various opportunities if the efficiency of the implementation of current legislations by the relevant Regulators is undertaken efficiently. Examples include

- Efficient permitting, compliance monitoring and enforcement of legislations such as the Air Quality Act and the Water Act.

This entails improving capacity and capability of the government Departments to ensure efficient service delivery. Many actions described in the Green Paper are already related to current regulatory requirements (example Water use and discharge; agriculture management, etc).

18. The White paper on the national climate change response: It would be highly appreciated that the above comments are considered to inform the White Paper. Furthermore, careful consideration should be given to finalise the format and content details of the White paper.

Specific comments

5.4.3 Use of market base policy measures (such as escalating carbon tax) price.

The Green paper must confirm **robust** engagement in the review of market base policy measures in the context of the developmental state of the country. The transition to a low-carbon economy without compromising South Africa's competitiveness is critical. It is important that a review of the different fiscal

instruments currently implemented internationally is made available to inform debate in this country. While the urgency to finalise this is appreciated, national decisions must be well informed and supported by a thorough literature review of international experience both in developed and developing countries. There must be an unambiguous common understanding on the purpose and intent of the fiscal instruments of choice.

5.4.13 Set ambitious and mandatory targets for energy efficiency

Targets for energy efficiency, carbon emissions and energy usage need to be implemented taking into account baseline values that allow industrial companies to be recognized for previous carbon reduction effort.

5.4.19 The National Greenhouse Gas Inventory

The ACMP supports the establishment of a greenhouse gas monitoring and reporting system and believes that it is imperative to include allocation of reporting responsibilities to different players. In this regard it is important to ensure that where proxy data is collected by another government agency or department that data is used rather than requiring business to provide the information a second time. Duplicate collection of the same information is not only wasteful in terms of resources it also compromises accuracy.

Clear protocols need to be established for data management, for example the governance process involved in re-stating incorrectly stated numbers and ensuring that only one official data-set exists and is used.

It should also be made clear that this information system will form the basis of future national communications and that it must therefore be able to collate data in the format required by the IPCC guidelines. In addition a process should be initiated to ensure that where the default emission factors are not suitable for South African conditions a process to approve alternative factors can be formalised to inform the mandatory reporting system.

There must be an **accredited confidentiality information management system** established to ensure confidentiality of data submitted by individual companies. The mere stating that “data will be kept confidential” does not comply to regulatory requirements nor offer confidence to many companies who are sensitive to competition.

6.1. Mainstreaming response to climate change in the work carried out by government is noted.

The review and alignment processes reflected in 6.1.1 and 6.1.2 may, in our opinion, not be sufficient to achieve the desired outcomes. It is recommended that targets, national norms and standards need to be developed for compliance by authorities for the various services rendered by government. This should be stated as an outcome to ensure appropriate climate change response. There has been sufficient debate in the past few years to ensure

- Minimum building standards: eg north facing low cost housing

- Energy efficiency
- Water and sanitation

It is recommended that the Green paper direct finality on such matters to ensure progress towards implementation rather than debate. It may be argued that some of these standards exist. However, it is important to establish key indicators to monitor each of the services (eg In addition to number of houses built, the number meeting the criteria set (north facing, solar power, etc) should also be reflected.

9. Monitoring, evaluation and review: The inclusion of indicators for government service delivery projects must be included to confirm that the services and infrastructure built comply with best practice with regards to climate change response. Also see comments to 6.1 above.

9.2.4 Mandatory submission of greenhouse gas emission data:

Given the importance of this action (mandatory submission of greenhouse gas data) and the tight timelines being referred to, it is crucial that this be clearly defined as to who/what entities are considered as 'significant emitters and compilers of greenhouse gas emission related data and/or proxy data. Business requires certainly and hence clear definitions in this regard should be included.

5.9.23. Waste Incineration policy. The reference to this policy is incorrect and should be amended to read High temperature thermal treatment policy

Page 30. Waste. Co-generation has been described in the context of energy supply. It is recommended that cogeneration refer to both recovery of energy and/or materials.

RECOMMENDATIONS

It is recommended that the Department

- Continues active engagement with specific industrial sectors such as the ACMP. Thus 6.2 should specify direct government interaction with *key sectors identified*.
- Identify appropriate research needs to support specific sectors
- Identify and enable technology transfer
- Include improving capacity of government Departments to enable business to function efficiently (EIAs by Provincial Authorities; Water licensing by Department of Water, Waste permitting by Department of Environment, etc) (5.5.8). The interaction between Business and relevant environmental regulatory Authorities is

important and hence sections 5.5.8 and 6.2 require alignment to enhance direct government interaction with key sectors identified.

- Promote the use of Alternate fuels and resources such as fly ash and slag by ensuring correct interpretation of the Waste Act to overcome barriers in implementation and unnecessary increased cost to business without any additional environmental benefit
- While there are targets for GHG numbers, there are no targets set for green jobs. This must be included in the Green paper to keep the developmental objectives on the radar screen, etc.
- The Green paper must thus include the promotion of green jobs by, in the first instance, supporting consultants to carry out a due diligence of business plans of all government Departments in all 3 spheres to confirm or advise on mainstreaming climate change response and the way business is conducted. Budgets should only be allocated to the programmes that comply with appropriate climate change responses as substantiated by key indicators.
- The Green paper align policy and regulatory framework: adaptation and flexibility of policy development
- The White paper on the national climate change response: It would be highly appreciated that the above comments are considered to inform the White Paper. Furthermore, careful consideration should be given to finalise the format and content details of the White paper ensuring that certainty is provided to Investors for future business planning.

Please feel free to contact this office should you require any clarification. It would be highly appreciated if the ACMP could be included on your database as a key stakeholder for all future consultation processes with regards to environmental climate change. This is particularly important as the cement industry has been identified in the national inventory as a sector that requires attention.

Yours Faithfully

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