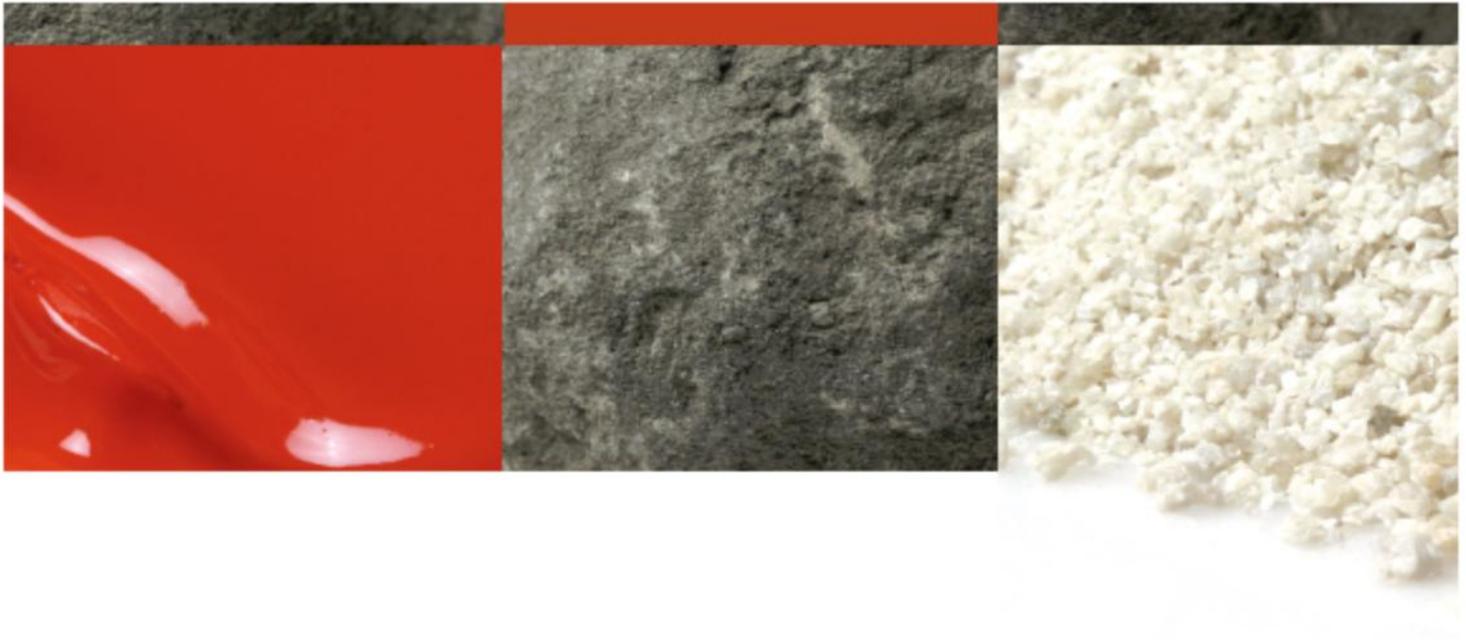




**CEMENT INDUSTRY  
FEDERATION**



**Cement Industry Federation**

**Submission:**

**VICTORIAN RENEWABLE ENERGY AUCTION SCHEME**

**New Energy. New Jobs**

***September 2016***





## 1. Introduction

The CIF is the national body representing the Australian cement industry, and comprises the three major Australian cement producers - Adelaide Brighton Ltd, Boral Cement Ltd and Cement Australia Pty Ltd. Together these companies account for 100 per cent of integrated clinker and cementitious supplies in Australia.

CIF member companies have five integrated manufacturing facilities located in Berrima (NSW), Gladstone (Queensland), Railton (Tasmania), Birkenhead and Angaston (South Australia).

CIF members also have five stand-alone cement mills, eight limestone mines and a national distribution network to move raw materials, as well as our intermediary and finished products.

Sales of cementitious materials were 9.1 million tonnes in 2014-15, with an annual industry turnover of \$2.4 billion. The cement industry is also a key employer providing over 1,300 directly jobs in Australia, and many thousands more involved in the downstream production and distribution of concrete.

Cement is a critical input into concrete – the most used man-made material in the world due to its unique properties (strength, durability, thermal mass, affordability and abundance of raw materials). The versatility of concrete is evident in its widespread use in our houses, schools, hospitals, pavements, roads, bridges, dams and sewage systems.

## 2. Cement Industry and Climate Change

### Australian Cement Manufacturers' Contribution to Reducing Emissions

The Australian cement industry has long recognised the challenge that climate change poses to our natural environment, both at the regional and global scale. As such, our industry has been at the forefront of domestic action to monitor and reduce emissions through programs such as Greenhouse Challenge, the National Greenhouse Reporting Scheme, and the Asia Pacific Partnership on Clean Development and Climate.

The CIF has also been an active and ongoing participant in the development of the Government's Emissions Reduction Fund and its safeguard mechanism.

Strong action already taken by the Australian cement industry has resulted in significant carbon emissions reductions – with a greater than 20 per cent reduction in terms of total emissions from the sector since 2005<sup>1</sup>.

### Potential Future CO<sub>2</sub> Emission Reductions

Alongside existing and ongoing actions to reduce emissions, there is an opportunity for Australian cement manufacturers to significantly reduce CO<sub>2</sub> emissions further through the increased substitution of clinker<sup>2</sup> with other materials in the cement manufacturing process.

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<sup>1</sup> CIF Annual Survey

<sup>2</sup> Clinker is the main ingredient used to produce cement. It is a pebble-like material made by heating limestone, clay and sand in a kiln at around 1,450oC. Clinker is ground with gypsum and other materials to make cement. It is the main ingredient that gives cement its binding properties.



The Australian Cement Standard 3972<sup>3</sup> currently allows up to 7.5% mineral addition (limestone, slag, fly ash) GP cement. In the US and Canada roads and buildings are regularly constructed with up to 15% mineral addition without impacting performance or application.

The Australian cement industry is now advocating for this to be increased to 12% mineral addition to enable further significant reductions in emissions.

### **3. Government Responses and Action on Climate Change**

**The CIF considers that climate and energy policy should be developed and applied in a consistent manner across all jurisdictions with a preference for a single, national climate and energy policy supported by all states and territories.**

How the various levels of government in Australia chose to respond to the issue of climate change is critical in maintaining key industries and to the continuation of Australia's economic prosperity. However, the CIF is currently concerned that the current approach to climate policy development and action is disjointed and uncoordinated, which is not conducive to determining the most effective and sensible pathway forward for the nation.

Climate policies, by their very nature, have the potential to directly and indirectly impact on the international competitiveness of important Australian industries such as cement manufacturing. For example, policies that target increased renewable energy sources in the market, whilst typically having the effect of lowering wholesale prices due to the low marginal cost, have nevertheless introduced other issues around intermittency, availability of baseload, and the overall stability of the national electricity market (NEM).

Multiple, uncoordinated approaches to greenhouse gas reduction can only serve to increase the regulatory burden on industry and are likely to lead to market distortions that result in higher, unnecessary input costs.

A single, national approach to climate and energy policy is the only approach to ensure policy and program consistency, avoid costly duplication and to minimise the impact on the Australian economy and the Australian manufacturing industry.

### **4. Victorian Renewable Energy Auction Scheme**

The Victorian Renewable Energy Auction Scheme (VREAS) – developed to support Victoria's ambitious renewable energy targets – is an example of individual, state-based action that has the potential to impact on the competitiveness of Australian manufacturing industries.

The VREAS, as outlined in the consultation paper, will lock in long-term (10 and 20 year) contracts and will result in increased energy costs to households and businesses through scheme administration as well as cost recovery.

Manufacturing in Australia is currently operating in an environment of rising energy costs. These increasing costs have been fuelled by a number of factors, not the least of which is the increasing uptake of intermittent renewable energy which is, by policy design, forcing closures of low-cost, baseload-providing fossil fuel generators.

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<sup>3</sup> AS3972-2010: General purpose and blended cements



Recent events in South Australia provide an example of this, where the high percentage of intermittent renewable energy sources played a part, along with other factors, in creating a potential electricity shortage and subsequent price volatility.

The significant growth in intermittent renewable energy sources – encouraged by the State's climate policy – helped to force out fossil fuel-based, baseload-providing electricity generators, as was the policy intent. This has significantly reduced South Australia's electricity generating independence and opened the door to price volatility during times of market stress.

Climate policy across all Australian jurisdictions should aim for the development of stable and predictable programs and measures that aim to minimise market disruption as well as the regulatory and cost burden on industry.

The VREAS, as a state-based measure to support state-based targets, is a prime example of the uncoordinated approach to climate policy and action in Australia that has the potential to fuel further, unsustainable increases in energy costs with predictable flow on effects in terms of the competitiveness of Australian industry.

**The CIF supports the proposed position to exempt emission intensive trade exposed (EITE) companies (as defined under the federal Renewable Energy Target scheme) from paying scheme costs. This is consistent with existing State and Federal schemes that recognise the impact of such schemes on key industries such as cement manufacturing.**

**This exemption should remain in place for the duration of the scheme.**

However, even with exemptions for EITE industries, this measure will result in an overall increase in energy costs in Victoria that will be passed on to consumers. As such, this measure and related policies should be reconsidered as part of a move to a single, national approach to climate and energy policy.

### **Further contact**

Thank you for the opportunity to provide the above comments - the CIF welcomes the opportunity to discuss any of the comments included in this submission.

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