

**DHoC Lucia CAUDET meeting with Cembureau
CAB room, 20th April, 2020**

BRIEFING (*Commission Internal*)

Scene setter/Context of the meeting:

You will meet with [REDACTED] and [REDACTED] [REDACTED] from Cembureau, to discuss how a robust EU industrial policy can support deep decarbonisation in the sector, as well as the implications of such significant industrial transformation for Europe's competitiveness.

Cembureau has sent a letter to Commissioner Breton on 5.12.2019, explaining how the cement sector intends to play a leading role in the European Green Deal. The cement industry is one of the most CO₂ emitting sectors and is heavily concerned by requirements of climate-neutrality. It is a key economic actor in Europe, employing directly over 35,000 people. The combined cement and concrete industry generates a total value added of €56bn in the EU28 and over 1.1 million jobs.

Cembureau has played an active role in the High Level Group of Energy Intensive Industries when developing the energy-intensive industries' 2050 transformation masterplan that was published in November 2019. Over the past months, the cement sector has worked on a revision of its low carbon roadmap targets with the intention to bring it in line with an ambition to achieve carbon neutrality along the cement and concrete value chain.

This meeting was initiated when COVID-19 crisis was still at its early stage. Cembureau will certainly raise issues on the impact of this crisis on cement sector. Their reporting on this matter is included in the background of this briefing.

[REDACTED], [REDACTED] Heidelberg, was one of the EII's in the COVID-19 call with TB on 7/4. He highlighted the major disruption to the construction sector, the need to get Europe building again

(especially infrastructure) and to tackle SMEs' urgent liquidity problems. He highlighted the need to do something about construction activity being shut down in some member states (FR, IT, ES), while it is operating almost as normal in DE, PL and NL, and the need for more consistency on safety of operations and free movement of goods.

The key messages:

- The Green Deal for Europe will be the new growth strategy for the next 30 years and an ambitious industrial pillar is a prerequisite for a successful transition towards a climate-neutral and circular economy. We need industries to play their role in this transition; industry must be at the core of it.
- Transforming our industrial base on this scale requires long time – at least some 25 years - and consistent efforts by all industrial actors and different government levels. We need to get better at scale-up and investment in low carbon technology. One of the instruments mentioned in the new Industrial Strategy is the Industrial Alliance on Low-carbon Industries. We assume cement industry to be one of the key partners in delivering it.
- In addition to horizontal measures creating favourable framework conditions, the EU Industrial Strategy provides more targeted actions along value chains. For example, addressing the dependency of European value chains on foreign suppliers of critical raw materials and ensuring strategic autonomy. Improving the diversification of raw materials' sourcing and good circular economy practices that result in higher recycling rates could both help to reduce our dependencies.

- Energy-intensive industries are indispensable to Europe's economy, as they supply several key value chains. The decarbonisation and modernisation of this sector is essential.
- I have been happy to hear about the active role Cembureau has played in the High Level Group of Energy Intensive industries when developing the energy-intensive industries' 2050 transformation masterplan. In addition, it is reassuring to know that, despite all disruptions in the operating environment, the cement sector has worked on a revision of its low carbon roadmap targets, to bring it in line with an ambition to achieve carbon neutrality.
- The COVID-19 crisis have affected heavily all European industries, including cement. I wish to thank you for your co-operation in sustaining an up-to-date view on the situation by contributing regularly to our analyses. Be reassured that addressing the industry's needs in the midst of crisis is the first priority on Mr Breton.

BACKGROUND

Name of the HoU who has cleared the briefing: [REDACTED]

BASIS request ID: CAB BRETON/64

Room, time: CAB room, Brussels, 20.04.2020 at 11.30

Participants: [REDACTED], Cembureau

Name of main contact person: [REDACTED]

Telephone number: 80867

Directorate/Unit: GROW C2

Cembureau and European cement industry

The European Cement Association based in Brussels is the representative organisation of the cement industry in Europe. Currently, its Full Members are the national cement industry associations and cement companies of the European Union (except for Malta and Slovakia) plus Norway, Switzerland and Turkey. Croatia and Serbia are Associate Members of CEMBUREAU.

The European cement industry is a key economic actor, employing directly over 35,000 people in the EU, whilst the combined cement and concrete industry generates a total value added of €56bn in the EU28 and over 1.1 million jobs. The sector is going through its own digitalisation, impacting both the usage of their products (3D printing) and the way the overall construction supply chain operates (for instance through the use of Building Information Modelling).

Capital intensity: The cost of cement plants is usually above €150M per million tonnes of annual capacity, with correspondingly high costs for modifications. The cost of a new cement plant is equivalent to around 30 years of turnover, which ranks the cement industry among the most capital intensive industries.

Transport: Land transportation costs are significant and it used to be said that cement could not be economically hauled beyond 200 or at most 300 km. Bulk shipping has changed that, however, and it is now cheaper to cross the Atlantic Ocean with 35 000 tonnes of cargo than to truck it 300 km.

Energy intensity: Each tonne of cement produced requires 60 to 130 kilogrammes of fuel oil or its equivalent, depending on the cement type and the process used, and about 110 KWh of electricity.

Over the past months, the cement sector has worked on a revision of its low carbon roadmap targets with the intention to bring it in line with an ambition to achieve carbon neutrality along the cement and concrete value chain. The document looks in detail at how CO₂ emissions can be reduced by acting at each stage of the value chain – clinker, cement, concrete, construction and recarbonation – to achieve the objective of carbon neutrality.

Economic impact of COVID-19 on EU cement industry (update 02/04)

The EU cement industry supplies 12 million customers along the construction value chain and continuity of operations in the construction sector is essential for the economy and for employment in local communities.

Cement companies have seen a decline in demand in countries outside the EU. The cement demand in China has dropped by 30%, cement production by 40%. In a limited number of EU countries, operators are sourcing raw materials from China and supply chains have been affected.

The outbreak of COVID-19 in EU Member States is affecting cement companies across Europe. Some cement plants have been shut down in the most affected regions. As EU countries have had major drops in demand it becomes harder to have the required workforce to operate the plants. Among the most relevant problems that the cement industry is facing there are problems in the construction activity due to the fact that construction is not being regarded as vital in many countries/areas; difficulty of many companies to produce and shutting down of companies caused by less business; significant sales drops place high pressure on our companies and cost reductions are not instantly possible; severe measures in human resources and significant impact in product flows attributable to closure of borders.

On the demand side, across Europe, cement sales have dropped about 40% with a variety among the EU Member States, but since the situation changes every week, those numbers could variable change in the upcoming weeks.

Closure of borders delay the availability of supplies and delays have large impacts on the construction sector. Disruptions in raw materials supply, fuel supply, spare parts deliveries and engineering equipment might disrupt the production process of cement companies. Furthermore, the cement industry is experiencing a serious problem of labour force due to closure of borders some workers could not go to work, quarantine of personnel as a consequence of contagion in a plant and strikes of some employees. Teleworking is not always feasible because the presence in the plants is mandatory for operations; therefore, in some countries they established the temporary unemployment regimes and reduction of workers or mandatory holidays.

The cement sector seeks for measures in relation of temporary unemployment; free movements of goods; flexibility on regulatory compliance deadlines; the launch of an economic recovery plan from the EU.

Energy Intensive Industries' 2050 Transformation Masterplan

In February 2019, at its 4th meeting, the High Level Group on Energy Intensive Industries decided to produce an Industrial Transformation Master Plan to deepen analytical base and operationalize possible pathways for the transition of these industries towards climate-neutral and circular economy. The Masterplan was published on 28.11.2019.

The Masterplan presents an integrated policy framework with recommendations to ensure that these industries can contribute to Europe's 2050 climate-neutrality ambitions. It outlines actions that could provide the right market signals to attract new investments in Europe, help companies implement cost-effective pathways towards climate-neutrality and seize new business opportunities in Europe and abroad. The Masterplan also focuses on the need to ensure a just transition and considers the need to equip workers with new skills and help communities dependent on these industries to manage the transition.

The Master Plan offers actions with three dimensions that were covered by 3 sub-groups. In each group the EUs, Member States, NGOs, academia and relevant Commission services have been represented.

1. Creation of markets for climate-neutral, circular economy products;
2. Developing climate-neutral solutions and financing their uptake;
3. Access to resources and deployment.

New Industrial Strategy

On March 10, 2020, the Commission adopted a New Industrial Strategy for Europe. With this new strategy, the Commission is ready to do what it takes to make sure European businesses remain fit to achieve their ambitions and cope with increasing global competition.

European industry

- represents 20% of total EU value added;
- provides 35 million jobs;
- accounts for 80% of exports
- 99% of EU firms are SMEs.

The twin ecological and digital transitions are key drivers for the strategy. These transitions will take place in a time of moving geopolitical plates, which affect the nature of competition. The need for Europe to affirm its sovereignty and fight for a level playing field is more important than ever.

The industrial strategy provides a combination of horizontal measures creating favourable framework conditions and a set of more targeted strategic actions along value chains. In parallel with the EU Industrial Strategy, a number of related initiatives have been developed such as the Single Market Enforcement Action Plan, Single Market Barriers Report, Circular Economy Action Plan, Skills Agenda, or a list of critical raw materials for the EU.

The right conditions are needed for entrepreneurs to turn their ideas into products and services and for companies of all sizes to thrive and grow. The EU must leverage the impact, the size and the integration of its single market to make its voice count in the world and set global standards.

The European Green Deal is Europe's new growth strategy. At the heart of it is the goal of becoming the world's first climate-neutral continent by 2050.

Digital technologies are changing the face of industry and the way we do business. They allow economic players to be more proactive, provide workers with new skills and support the decarbonisation of our economy.

New type of governance structures are needed to achieve the twin transition towards climate neutrality and digital leadership. Where identified as necessary, the approach of industrial alliances could be the appropriate tool. This has already shown its benefit in the area of batteries, plastics and microelectronics. Alliances can steer work and help finance large-scale projects with positive spill over effects across Europe, using the knowledge of SMEs, big companies, researchers and regions to help remove barriers to innovation and improve policy coherence. In this spirit, the Commission will shortly propose to launch the new European Clean Hydrogen Alliance bringing investors

together with governmental, institutional and industrial partners. The Alliance will build on existing work to identify technology needs, investment opportunities and regulatory barriers and enablers. Future alliances should also include low-carbon industries, Industrial Clouds and Platforms and raw materials.

Built environment (buildings, infrastructure and construction)

Buildings, combining the residential and services sectors, currently represent the largest share of final energy consumption in the EU (about 40%). We already have 80% of the 2050 building stock. An integrated approach and consistency across all relevant policies is necessary for the modernisation of the built environment and the mobilisation of all actors. This is the first priority in the 2050 climate strategy. The coordination and funding mechanisms between public and private actors are key challenges on top of the availability of the right workforce and new affordable building materials and processes.

Moreover, the built infrastructure will be highly exposed to the consequences of climate change (such as coasts and cities) on top of the cost of normal maintenance. Construction worker productivity can also be affected. This is why DG GROW is proposing to design a more integrated approach for the built environment in partnership with other Commission services and stakeholders. The current High-Level Group for construction is already used for this purpose, since this sector will be a key enabler of the modernisation of climate change.

Construction currently represents between 6 and 10% of GDP and is the biggest market for the building materials and equipment provided by energy intensive and engineering industries (steel, cement, glass, chemicals, heat pumps and other digital appliances).

Horizon Europe will be key to develop the next generation of climate neutral building materials and processes.

CVs of the participants

