2018-IP10: 2017 A Critical Look at the Cement Industry

The Carbon Disclosure Project (CDP) is a not-for-profit organization whose aim is to study the implications of climate change for the world's principal publicly traded companies. Since 2003, the CDP has conducted an annual survey to collect information on greenhouse gas emissions by companies. In 2010, the CDP expanded its scope and now conducts an annual survey on water management by companies, called CDP Water and, since 2013, another on their impact on forests: CDP Forests.

The CDP has recently issued a new report entitled 'Building Pressure' which has analysed the greenhouse gas emissions of 13 of the world's largest publicly-listed cement companies. The cement sector itself accounts for 6% of global CO_2 emissions.

The Executive Summary of the report can be found at:

http://b8f65cb373b1b7b15feb-c70d8ead6ced550b4d987d7c03fcdd1d.r81.cf3.rackcdn.com/cms/reports/documents/000/003/277/original/Cement_Report_Ex_Summary.pdf?1523261813

The headline message from the report is that: cement companies need to more than double their emissions reductions if they are to limit global warming to below two degrees, as agreed in the Paris climate deal.

Further key messages include:

- Cement companies urgently need to more than double their emissions reductions or risk missing climate goals;
- Regulation is key - tightening building regulation and a rise in low carbon cities could drive change in the sector;
- Significant innovation in technology is required to reduce carbon emissions from cement;
- Strong regional trends are clear, with Indian companies taking the lead;

The report stresses that:

- Cement is the second most polluting industrial sector and is used in concrete, which after water is the most consumed product in the world.
- The built environment, which includes offices and residential buildings, uses concrete extensively and accounts for over a third of global emissions.
- Regulation of the sector so far has been light but rising ambitions for low carbon cities and tightening building regulations could drive change up the chain.
- Indian companies top the CDP league table thanks to reducing their carbon footprint during the cement making process, in part due to better access to alternative materials[4] from other carbon intensive sectors. They also benefit from newer and more efficient cement plants driven by high market growth in the region, in contrast to their European peers that rely on older cement plants.

The report highlights that there are opportunities for companies who act early on climate risk. Companies can reduce costs by making their cement plants more energy efficient and secure their position in future sustainable cement markets by investing in low-carbon products. Governments can facilitate the development of these markets through regulation and incentives.

The report also highlights other potential risks and opportunities for the sector:

- CCS is an important technology for creating low-carbon cement yet CCS projects are still largely at pilot stage in the sector. Heidelberg shows some investment in CCS across various technologies, but otherwise progress is limited.
- European players benefit from alternative fuels sourced from organized waste collection, which becomes the fuel source for cement production. Emerging market producers are behind on this, due to limited infrastructure.
- Some companies do not use an internal carbon price, which is a significant risk in a sector where carbon pricing legislation could have a material impact.
- Carbon regulation such as the EU's Emissions Trading Scheme is the key mechanism to regulate emissions from the sector in Europe. However, structural issues and lobbying of policymakers have undermined the potential for change for the sector.
- Cement companies are largely not incentivizing long-term climate risk management through executive level remuneration.

For more details on the CDP and its activities go to: https://www.cdp.net/en

John Gale
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