

## Holcim Position Paper on Climate Change:

### 1. The Efficiency Principle and Policy Instruments

<p><b>The Efficiency Principle</b></p>	<p>Holcim recognizes the need to reduce global CO<sub>2</sub> emissions and fuel consumption while fostering economic and social development.</p> <p>Combining CO<sub>2</sub> emissions reduction with economic growth requires each sector of society to take responsibility for improving the CO<sub>2</sub> and energy efficiency of their consumption and production.</p> <p>CO<sub>2</sub> and energy efficiency of all products, production and consumption processes and services must be improved, notably through innovation and investment. The mere existence of the most efficient technologies is insufficient. Government policy must also be geared to bringing the most efficient technologies to the market, into daily application.</p> <hr/> <p>Holcim believes that the most effective way to decrease the <i>absolute</i> emissions of <i>society</i> is via <i>policy</i> and <i>regulated market instruments</i> that set CO<sub>2</sub> and/or energy <i>efficiency</i> targets for <i>companies, products and services</i>, within worldwide international frameworks.</p>
<p><b>A multitude of Policy Instruments</b></p>	<p>No single policy instrument can fit all sectors. Different instruments are needed to provide effective incentives to reduce CO<sub>2</sub> emissions and fuel consumption in the three major sectors: industry, transport and buildings.</p>
<p><b><i>Industry</i></b></p>	<p>A policy based on “Command &amp; Control” delivers a predictable environmental objective but at what cost? Taxation delivers a predictable cost but does not guarantee environmental results. Voluntary initiatives by leading companies can be very useful for knowledge and policy development, but are insufficient to engage an entire industry sector in reductions that go beyond ‘business as usual’ or prevent free riders.</p> <p>A regulated, mandatory Emission Allowance Trading System adds a market dimension to “Command &amp; Control”, ensuring achievement of environmental objectives while adding the power and flexibility of the market to achieve it at lowest cost. As such, Emissions Trading is in fact “Command, Trade &amp; Control”.</p> <hr/> <p>Holcim prefers regulated market instruments based on CO<sub>2</sub> and energy efficiency for decreasing emissions of industrial activities, and therefore welcomes the <i>concepts</i> of Emissions Trading (ET), Clean Development Mechanism (CDM) and Joint Implementation (JI). While the theory underlying these instruments is appealing and promising, their effectiveness and efficiency are largely dependent on the practical implementation. Here, important improvements are still needed.</p>

<p><b><i>Transport</i></b></p>	<p>The transport sector is fundamentally different from the industry sector. Alternative policy instruments are needed to reduce its CO<sub>2</sub> emissions and fuel consumption – from aviation, shipping, public and private sources.</p> <p>If the concept of Emissions Trading could work for aviation, shipping or public transport, the system’s architecture would still differ significantly from the industrial emissions trading architecture. Therefore, emissions trading systems for industry and aviation should best be separate and the allowances should be non-fungible between the systems.</p> <p>The private road transport would require other policy instruments such as fuel efficiency standards for cars and trucks, and fuel and car taxation measures.</p>
<p><b><i>Buildings</i></b></p>	<p>There is significant room for improvement in energy efficiency and CO<sub>2</sub> emissions of residential and commercial buildings.</p> <p>Policy measures should include energy and CO<sub>2</sub> efficiency building standards - mandatory for new buildings and renovations, and transition periods for existing buildings - as well as financial incentives, such as subsidies, and taxation.</p>
<p><b>Sectoral approach</b></p>	<p>The application of different policy instruments could achieve efficiency gains and emission reductions by different sectors of society. Such a “sectoral approach” could be the basis for a post 2012 architecture.</p>

Further information on Holcim’s CO<sub>2</sub> objective and strategies can be found at: [www.holcim.com/sustainable/](http://www.holcim.com/sustainable/) or by contacting Bruno Vanderborght at: [bruno.vanderborght@holcim.com](mailto:bruno.vanderborght@holcim.com)

Zurich, 24 April 2006