CEMENT INDUSTRY FEDERATION

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SUBMISSION

Productivity Commission

Interim Report: Investing in cheaper, cleaner energy and the net zero transformation

15 September 2025

1. EXECUTIVE SUMMARY

The Cement Industry Federation (CIF) welcomes the Productivity Commission's interim report and strongly supports its focus on achieving net zero at the lowest possible cost through consistent, technology-neutral and economy-wide policies.

Australian cement producers form part of a **critical manufacturing industry of national importance**, especially given the need for sovereign capability to support Australia's infrastructure (e.g., roads, bridges, water supply structures, medical facilities, defence structures, housing and commercial buildings) and as part of the overall transition to net zero.

For emissions-intensive and trade-exposed sectors such as cement and lime, policy misalignment across jurisdictions and the absence of effective carbon leakage protections remain major risks to competitiveness and investment.

The CIF urges the Commission to recommend urgent implementation of a border carbon adjustment mechanism (BCA) for clinker, cement and lime. A BCA would safeguard regional jobs, prevent unfair competition from imports, and give industry the confidence to invest in decarbonisation.

We also call for a national Carbon Capture, Use and Storage (CCUS) Roadmap, recognising CCUS as essential to decarbonising cement process emissions. Targeted measures such as accelerated depreciation for low-carbon investments, streamlined reporting aligned with NGERs, and reforms to speed approvals for alternative fuels would further unlock cost-effective abatement.

Reliable and affordable access to energy, including gas during the transition, is another urgent priority. Without this, the cement industry cannot maintain production while investing in cleaner technologies.

By addressing these priorities – BCA, CCUS, investment incentives, energy security and efficient approvals – Australia can meet its climate targets while preserving a strong and competitive domestic manufacturing base.

2. COST-EFFECTIVE AND ALIGNED POLICY SETTINGS

The CIF supports the Commission's finding that enduring, broad-based and technology-neutral market mechanisms represent the most effective way to reduce emissions across the economy. The current mix of overlapping and jurisdiction-specific policies creates distortions that undermine investment certainty. We agree that the transition will be delivered at lower cost if incentives are nationally consistent and aligned across electricity, industry and transport.

For the cement sector – a critical but emissions-intensive industry – misaligned policies present a material risk to competitiveness, particularly when international competitors are not subject to equivalent decarbonisation costs.

Close coordination between industry, energy and climate policy is essential. Reliable access to affordable fuels and electricity, consistent carbon pricing signals, and investment support for emerging technologies must all be designed to work together if we are to achieve deep decarbonisation while maintaining a strong domestic manufacturing base.

3. ADDRESSING CARBON LEAKAGE

The Commission rightly emphasises the need to fill policy gaps and eliminate overlaps. For trade-exposed, hard-to-abate sectors such as cement and lime, the largest gap remains the absence of an effective carbon leakage mechanism. Without timely intervention, the Safeguard Mechanism will accelerate the risk of production shifting offshore to jurisdictions with weaker climate policies.

We therefore strongly endorse urgent implementation of a BCA, at least for clinker, cement and lime.

A BCA would:

- prevent unfair competitive advantages for imports not facing a carbon price
- support the viability of Australian cement and lime production, and the 1,400 direct regional jobs it sustains
- reduce the risk of "investment leakage" by providing confidence to commit capital to decarbonisation projects and
- ensure that Australian emissions reductions are genuine, rather than displaced offshore.

The CIF urges the Commission to recommend that Government legislate a BCA without delay, recognising its centrality to safeguarding industry competitiveness and ensuring that decarbonisation strengthens rather than undermines the Australian economy.

4. SAFEGUARD MECHANISM

In the absence of step-change emissions reduction options such as Carbon Capture, Utilisation and Storage (CCUS), Australian cement manufacturers will be exposed to significant carbon costs through the Safeguard Mechanism. Importers of clinker, cement and lime will not be subject to these costs.

In the absence of a BCA, further measures may be required to ensure the Safeguard Mechanism does not cause the off shoring of clinker, cement and lime manufacturing.

The CIF notes that the Productivity Commission recommends lowering the coverage threshold to 25,000 tonnes of carbon dioxide equivalent. While expanding coverage could be justified, this needs to be weighed against compliance costs and the relatively small share of additional emissions involved.

5. ROLE OF CARBON CAPTURE, USE AND STORAGE (CCUS)

The cement and lime sectors face unique technical challenges. Around 70 per cent of our direct emissions are from the chemical process of converting limestone to lime and cannot be avoided by fuel switching or electrification. CCUS is therefore indispensable to achieving net zero in our sector. CIF calls for the development of a detailed national CCUS Roadmap that:

- identifies infrastructure, transport and storage requirements,
- establishes clear regulatory and investment frameworks, and
- prioritises deployment in industrial hubs, particularly on the east coast.

Such a roadmap would provide a credible pathway to commercialisation and attract the significant private capital required. Until CCUS becomes commercially viable in its own right, ongoing government support – through grants, incentives, and coordinated infrastructure planning – will be critical.

6. SUPPORTING INVESTMENT THROUGH ACCELERATED DEPRECIATION

Cement manufacturing involves long-lived capital assets with lifetimes typically exceeding 30 years. However, new investments targeting emissions reduction are likely to be overtaken within the decade by emerging technologies such as CCUS.

Allowing accelerated depreciation for decarbonisation-related investments would enable firms to invest earlier without being penalised when assets reach obsolescence ahead of traditional schedules.

We encourage the Commission to explore this mechanism as a practical way to unlock near-term abatement opportunities and de-risk early investments in transformative technologies.

7. ENSURING AFFORDABLE AND RELIABLE ENERGY SUPPLY

The interim report highlights the importance of reliable energy to support the transition. For cement and lime, affordable access to gas is a critical short-to-medium term requirement. Gas remains essential both as a process fuel and as a transition fuel as the electricity sector decarbonises. Supply adequacy remains a pressing concern, and without clarity on future availability, investment confidence will erode.

CIF encourages the Commission to emphasise the importance of ensuring secure, affordable gas supply through the transition period, alongside efforts to scale up alternative fuels and renewable electricity.

8. STREAMLINED REPORTING AND REGULATORY EFFICIENCY

We agree with the Commission that transparency and cost-effectiveness in climate policy are paramount. Reporting obligations must also be efficient.

The well-established National Greenhouse and Energy Reporting scheme (NGERs) should form the backbone of emerging financial and climate disclosure requirements, avoiding duplication and unnecessary administrative burden.

Aligning emissions and energy reporting with financial reporting cycles would further reduce compliance costs, freeing resources for investment in decarbonisation.

The CIF notes the PC recommendation that national environmental laws should be reformed and that a 'well-resourced strike team' put in place dedicated to high-priority national projects. The CIF posits that a similar model should be used to address approvals-related issues for industrial decarbonisation projects, which are also essential to the transition to a lower emissions economy.

9. APPROVALS AND ALTERNATIVE FUELS

Finally, we note the Commission's recommendations to expedite approvals for priority clean energy projects. The CIF supports reforms that speed up approvals without compromising environmental standards.

For our sector, a particularly urgent reform is streamlining licensing and approvals for alternative fuels such as refuse-derived fuels and demolition waste. International experience shows that these fuels can safely and effectively displace coal and gas while reducing emissions and waste.

10. CONCLUSION

The Productivity Commission has correctly identified that achieving net zero at least cost requires consistent, technology-neutral policies, streamlined approvals, and targeted support for adaptation.

For hard-to-abate industries such as cement and lime, this must be complemented by urgent action on carbon leakage, a national CCUS roadmap, accelerated depreciation for low-carbon investment, and reliable energy supply during the transition.

CIF urges the Commission to reflect these priorities in its final recommendations so that Australia can both meet its climate targets and maintain a globally competitive manufacturing sector.