

# Achieving Climate-Neutral and Circular Construction by 2050

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LafargeHolcim

The European Green Deal can provide the necessary policy backbone that will make the transition towards a climate-neutral and circular economy the foundation for a competitive European industry in the long-term. LafargeHolcim, leader in building materials and major industrial partner in Europe with more than 20,000 employees and 900 industrial facilities, fully embraces the ambition of developing a competitive and climate-neutral Europe by 2050.

The European Green Deal, and associated regulatory initiatives, must provide the foundation for **a transition period that responds to short-term needs** (enabling investments to expand the potential of available technologies) **and longer-term ambitions** (accompanying risks and commitments associated with the deployment of advanced technologies, products and solutions).

As a leader in building materials and construction innovation, LafargeHolcim believes that achieving climate-neutral and circular construction is within our grasp. This, however, will require unprecedented collaboration:

- Between industry and policy makers who will play a leading role to facilitate the development of the business case that is necessary to guarantee **short and long-term investments and develop market demand for low-carbon and circular products and solutions**.
- Across the construction sector to fully **integrate sustainability performance across the construction value chain** and alongside existing criteria (such as safety, cost and durability), **in a way that respects the principles of material neutrality and lifecycle performance**.

## Short-term EU policy priorities

- **Establishment of a Carbon Adjustment Mechanism (CAM):** this forms a cornerstone for Europe's competitiveness in a carbon neutral economy. As existing regulatory tools are bound to evolve, it will provide the carbon level playing field that is necessary for EU-based manufacturing to compete fairly with non-EU imports that do not have equivalent carbon costs. This is a must-have policy tool to secure continued investments in low carbon technologies across European assets.
- **Integration of carbon performance in building standards and codes, ensuring the principles of material-neutrality, life-cycle performance and full value-chain mobilisation.** It forms a fundamental step to develop customer acceptance and market-demand for low-carbon solutions, which today remain the exception rather than the rule.
- Enable resource-efficiency and fossil fuels substitution in energy-intensive sectors (such as cement manufacturing) by **providing equal treatment across all sectors regarding the carbon-neutrality of non-fossil alternative energy sources**. This is particularly important for residual waste streams that are co-processed in industrial activities and would otherwise be landfilled or incinerated.

## Longer-term EU policy priorities:

- **Shift the focus of carbon pricing mechanisms from emissions to consumption.** The adoption of carbon-neutrality in construction is tributary to the acceptance of carbon constraints and costs by all actors of the highly fragmented construction value chain. Carbon costs must progressively be absorbed in products and

solutions in order to render the carbon-efficient products and solutions more competitive (thus reversing the current situation). This is necessary to build the necessary business case to deploy, on a large scale, advanced technologies such as Carbon Capture Utilization and Storage (CCUS) on the manufacturing side and low carbon binders on the product side. It requires a **dynamic carbon pricing mechanism that is centered on carbon consumption, integrated across value chains and addressing both supply and demand.**

- **Lastly, the Green Deal provides the opportunity to lay the foundation for transforming Europe's industry around the strategic management and use of carbon as a resource. The deep transformation of Europe's industrial tools will have to be facilitated by adequate State Aid mechanisms and lead to the development of strategic carbon utilization clusters across the EU.**

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