



28th June 2010

Mr. James McSherry
Commission for Energy Regulation
The Exchange
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Tallaght
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Irish Cement Limited
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**Re: Public Service Obligation (PSO) Levy 2010/2011 – Proposed Decision Paper
(CER/10/086)**

Dear James,

Irish Cement Limited (ICL) is a producer of cement in two locations, Platin Works, Drogheda and Limerick Works and has been in operation now for 72 years. As a cement producer we wish to comment on the proposed changes to the PSO rebate this autumn.

Ireland has one of the highest electricity charges in Europe and these are already contributing disproportionately to our industry's cost base and to its competitiveness. Any increase in the current level of charges will constitute a very significant cost increase to ICL and the cement industry in general.

The proposed charge will add an additional annual cost to ICL of €1.4 million per annum. The current total market for cement production in the Republic of Ireland for 2010 is estimated at only 1.5 million tonnes and this number is predicted to fall again next year with further declines in the construction market.

Cost increases of this level severely impact the competitiveness of cement plants operating in the Republic of Ireland. The cement market in Ireland has fallen by 70-75% in the last 3 years and as a result our cost base is already under significant pressure. This additional charge will add significantly to our costs as it is based on a capacity charge which is currently totally under utilized.

Whereas we can see the justifications that are being used to support the changes to the PSO levy, we must counter that increases at the level envisaged will push the cement industry into a completely uncompetitive state with the very real threat that the Irish cement industry will be displaced by imports from other EU and non-EU states.

The timing and the level of the proposed changes must be reconsidered.

We hope that you will take our concerns into consideration and would welcome the opportunity to discuss these further with you.

Yours sincerely,

Seamus Lynch
Managing Director

A handwritten signature in black ink, appearing to be 'SL', written over a large, stylized circular flourish.

Directors
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S. Lynch *Managing*.
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