European Lime Association A.I.S.B.L.
Association Européenne de la Chaux
Europäischer Kalkverband

Member of IMA-Europe
Transparency register ID: 780146710855-91

November 2015

Position of the lime industry on Commission Proposal for a Directive of the European Parliament and of the Council amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments

The European Lime sector (represented by EuLA, the European Lime Association) is detailing in this paper its positions on the EC proposal revising the EU ETS Directive.

While EuLA supports the aim of the EU ETS as a cost competitive instrument to reach GHG reductions at EU level, it believes that a number of key aspects of the EC proposal need to be addressed:

Considering that lime is one of the most energy intensive products subject to potential carbon leakage specially to neighboring EU countries,

- Lime installations should receive **100% carbon leakage protection** at the level of the best performers (benchmark). This implies:
  - **no adjustment to the level of free allocation for the best performers (no CSCF)**
  - ensure that there are no direct and indirect costs at the level of the most efficient European installations in sectors at risk of carbon leakage **by creating a "reserve for growth"**
  - the allocations constituting the **innovation fund should not come** from the share of allocation dedicated to the industry since the fund will concern both the industry and the power generation
- The **benchmarks** should be:
  - Realistic (based on a data collection from the EU companies)
  - updated maximum once per trading period
  - being representative of technologies that have been implemented in the market

  The update methodology proposed by the Commission, based on a uniform reduction rate, constitutes a breach of the principle of equal treatment, contradicts in many ways the *ratio legis* of the Proposal, and is not compliant with the legal base of the Proposal.
- The **process emissions** of lime production, coming from the raw material used (limestone), needs to be recognized and taken into account within the revised Directive. These process emissions are unavoidable due to the intrinsic properties of the raw material. The only possible mitigation measure against these emissions

nowadays is Carbon Capture and Storage or Utilization or any other future relevant technology.

- Lime installations should therefore receive 100% free allocation at the level of the benchmark, based on a real data collection (not a standard reduction rate). No further cost should apply to the best performers (i.e. no CSCF).
- In case that the two following principles cannot be respected, EuLA calls for a specific recognition of its process emissions in the revision of the Directive:
  - If the "standard reduction rate" is applied to the benchmark values, it should not apply on the part of emissions that comes from the raw materials, as these emissions cannot be avoided
  - If the "cross sectoral correction factor" is applied to the free allocation of the lime sector, it should not be applied on the part of emissions that comes from the raw materials

- The **allocation methodology** should be closely aligned with real production levels to reflect market reality. Instead of an update every five years, the allocation should be based on the production data of the year n-2. This will not create additional administrative burden as process CO2 is already transmitted yearly to the national authorities. Process CO2 is calculated and verified on actual production levels.
- The revenues from auctioning earmarked for **innovation** should be re-directed towards the industry for low carbon technology support and should be used by Member States to stimulate economic growth and relevant R&D investments. Innovation funding under EU ETS should be allocated to energy intensive sectors, especially for the deployment of CCS (carbon capture and storage) and CCU (Carbon Capture and Utilisation) technologies and any other future relevant technology