

1 October 2021

## **EuLA Position on the European Commission (EC) Proposal amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading ([COM \(2021\) 551 final](#)).**

- Under the current framework, it is essential for hard to abate sectors with a high share of irreducible process CO<sub>2</sub> to have **large and affordable access to a global infrastructure to collect the CO<sub>2</sub> and transport it** with the view to utilise or store the captured CO<sub>2</sub>.
- **Recognition of CCU and the role of carbon removals** is essential to support the decarbonisation of the lime sector under the ‘fit for 55’ package.
- A **feasible benchmark update** should **not go beyond of what is technically feasible**.

One of the reasons for the success of the European Emission Trading System (EU ETS) has been setting a progressive and smooth implementation of the ETS Directive and related secondary legislation through a “trial and error process”. **Never before has the ETS experienced such a drastic set of changes in such a short period of time.** Considering the need to adapt the current framework to the current climate ambition, we call on the policy maker to focus on the **potential impact that not setting the right incentives could have on the day-to-day operation of lime installations.**

### **EuLA’s Priorities**

#### **1. Carbon circularity, including Carbon Capture Utilisation (CCU) and Carbon removal recognition.**

The production of lime is a simple chemical reaction: fuel is used to reach the optimal temperature where CaCO<sub>3</sub> separates into CaO (lime) and CO<sub>2</sub>. CO<sub>2</sub> produced during this chemical reaction is called ‘**process emissions. It represents around 0.745 tonnes CO<sub>2</sub> emissions per 1 tonne of lime** and is the natural result of the chemical decarbonation; as such, **these emissions are not reducible.** The combustion of fuel also results in CO<sub>2</sub> emissions depending on the nature of the fuel. Our sector has and is implementing Best Available Techniques (BAT), switching to alternative fuels and process efficiency as much as possible. Nonetheless, the **only way to fully decarbonise our sector is the use of CCU/S (for process emissions) and to get recognition of carbonation**, that is, how lime performs as a natural carbon sink/removal in its various applications. In this sense, **carbon circularity and carbon utilisation are key to ensure the survival of dependant products such as steel, paper, chemicals, pharma and food;** from here to 2050. Only then can our industry and its products continue to have a positive impact on climate, human health and the environment.

##### **1.1. Carbon Capture and Utilisation**

**EuLA’s members are working on innovative projects to concentrate and capture CO<sub>2</sub>.** While the techniques might differ, the result is the same: CO<sub>2</sub> will no longer be emitted but captured and either re-used through mineralization (permanently chemically bound), other types of re-use (cfr. e-fuels) or stored permanently. Given the fact that for these projects CO<sub>2</sub> is not emitted by the lime producer, logic dictates no duties or accompanying obligations for this CO<sub>2</sub> placed on for lime producers using these technologies. This should apply regardless of where the CO<sub>2</sub> is further utilised.

Either somewhere down the value chain where is released (and should be accounted for there) (e-fuels) or whether it is stored underground or permanently chemically bound.

The introduction of **article 12 (3b)**<sup>1</sup> in the current EC proposal **addresses only part of the problem** as it seems to indicate that in the case of e-fuels or other ways where the CO<sub>2</sub> is later released into the atmosphere, that the lime producer, rather than the product user (i.e. the user of an e-fuel) is still liable to surrender allowances, even if no CO<sub>2</sub> is released by the lime producer. CO<sub>2</sub> should be priced only once, where it is emitted and avoiding double counting. This represents a significant barrier to the deployment of these technological solutions. The responsibility for the emissions should be on the product user. According to recital 40, renewable fuels of non-biological origin and recycled carbon fuels can be important to reduce greenhouse gas emissions in sectors hard to decarbonise. However, where recycled carbon fuels and renewable liquid and gaseous fuels of non-biological origin are produced from captured CO<sub>2</sub> within an ETS installation, the emission should not be accounted for under that activity where the CO<sub>2</sub> is not emitted.

EuLA urges the EC to extend and follow the logical reasoning mentioned above.

### **1.2. Recognition of carbonation via the Carbon Removal Certification Mechanism.**

**EuLA has commissioned the Politecnico di Milano (PoliMi) to conduct a literature review on robust data on carbonation rates in various lime uses**<sup>2</sup>. Carbonation rates are defined as the percentage of captured CO<sub>2</sub> compared to emissions generated during the decarbonation of limestone in a lime production cycle. The findings of this study show that **on average 33% of unavoidable process emissions emitted during production are captured using lime in various applications. Legislative recognition of the ability of lime to capture CO<sub>2</sub> will provide industry with significant incentives to further foster investments in net-zero or even net-negative processes to deliver a sustainable contribution towards European climate targets.** Therefore, carbon removal credits could be granted certifying that by using lime in a certain application, this application absorbs CO<sub>2</sub> from the atmosphere permanently, thus compensating the CO<sub>2</sub> emitted during the production process of lime.

**EuLA is willing to assist the EC to work out a robust and consistent certification mechanism** for this aspect.

### **2. Limit the reduction of free allowances to the maximum technically feasible through irreducible process emissions and energy efficiency consideration.**

The EU ETS provides a strong and rapidly growing price signal for the transition. **Free allowances protect sectors which are at risk of carbon leakage** – such as the lime sector, with high emission-intensity caused by non-mitigatable process emissions, while providing incentives for emissions reduction and energy efficient techniques. **For the ETS to be an effective tool** and to protect the lime sector against carbon leakage, **the benchmark should be based on feasibility**, as provided by the ETS Directive.

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<sup>1</sup> “3b. An obligation to surrender allowances shall not arise in respect of emissions of greenhouse gases which are considered to have been captured and utilised to become permanently chemically bound in a product so that they do not enter the atmosphere under normal use”. EC proposal amending Directive 2003/87/EC and, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve. COM (2021) 551 final (pp.50).

<sup>2</sup> The study from Polimi and other documents on carbonation are available on EuLA’s website:

<https://www.eula.eu/politecnico-di-milano-literature-review-on-the-assessment-of-the-carbonation-potential-of-lime-in-different-markets-and-beyond/> (Accessed on 3 September).



A fair and feasible solution could be limiting the benchmark to the cap of process CO<sub>2</sub>, this is, the application of article 16 (2e) of Regulation 2019/331<sup>3</sup>. This will limit the reduction of free allowances to the maximum technically feasible and will contribute to generate a level playing field with other ETS sub-installations.

Providing a minimum level of free allowances as proposed above will create support to invest in expensive and at the moment non-competitive capture technologies. Knowing the climatic challenges such an approach could accelerate the transformation process.

### 3. Other considerations

EuLA also calls for the development of an appropriate level of **infrastructure** to enable the transport of CO<sub>2</sub> in a cost-efficient way and close to installation sites, **targeting the support** to sectors most at risk of carbon leakage, **fair burden sharing** and **using the 3% flexibility buffer** (Article 10a), to avoid a potential Cross Sectoral Correction Factor in the second subperiod of Phase IV and otherwise additional pressure for carbon leakage. Given the complexity and the huge investment required to develop a transportation network, any single sector cannot face this challenge without strong support from European and national administrations.

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#### About EuLA

*EuLA, the European Lime Association, represents about 95% of the European non-captive lime production through its 23 covered Member States (companies & national associations). The European lime sector operates around more than 160 sub-installations (plants) in the EU, producing a total of more than 22 million tons of lime and dolime (2019). Lime is an essential but often unseen ingredient, which possesses many applications for downstream industries. As a strong "enabler", lime is used from steel to water treatment and pharmaceuticals, environmental protection, glass and paper industrial processes, in the construction and civil engineering and in agriculture.*

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<sup>3</sup> Where “for process emissions sub-installations, the preliminary annual number of emission allowances allocated free of charge for a given year shall correspond to the process-related historical activity level multiplied by 0,97”. Regulation (EU) 2019/331 of 19 December 2018 determining transitional Union-wide rules for harmonised free allocation of emission allowances Accessible at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0331&from=EN> (Accessed on 3 September).