EuLA Position on Free Allocation Conditionality in the Commission's Post-2030 EU ETS Framework Proposal

Brussels, 21/09/2026

EuLA, the European Lime Association, represents European non-captive lime production through its 24 covered Member States (companies & national associations). Lime is one of the essential building blocks of modern industry. It is used in many essential processes, such as making construction buildings, producing iron and steel, treating contaminated land, purifying drinking water, making sugar and even cleaning gases from powers stations. Lime and its derivatives are also important additives for making paper, glass, and agricultural products.

Key message: 69% of the lime sector's direct CO_2 emissions result unavoidably from the chemical transformation of limestone into lime. These process emissions cannot be eliminated through fuel switching, energy efficiency or electrification. Their abatement depends primarily on access to carbon capture, transport, utilisation and permanent storage solutions.

Three general conditions outside the scope of ETS are currently not fulfilled: 1. Willingness to pay for climate neutral products across the value chain. 2. Infrastructure for CO2, H2 or even sufficient electricity supply. 3. Competitive energy costs that reduce the additions cost for process changes.

Reducing free allocation because an operator cannot make an investment that is economically, technically or infrastructurally impossible would neither accelerate decarbonisation nor incentivise efficient investment. It would simply weaken carbon-leakage protection and increase the cost of industrial production in Europe. EuLA therefore calls for the deletion of the proposed conditionality provisions.

Due to the special challenge for lime producers, allowances corresponding to unavoidable process emissions must be the full amount of free allowances until the necessary CO_2 transport and storage infrastructure, or other technically and economically viable abatement solutions, are effectively available to the installation concerned.

Section 1: EuLA's Request & Justification

a) EuLA's Request

Conditionality is not an appropriate instrument for supporting investment in the abatement of unavoidable process emissions. Operators should not be penalised for failing to implement a decarbonisation project where the necessary technology, transport infrastructure, storage

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capacity or regulatory framework is not available to them. **EuLA therefore calls on the European Parliament and the Council to delete the provisions in Article 4 of the Commission proposal that would insert paragraphs 3b to 3f into Article 10a of Directive 2003/87/EC.**

b) Justification for Removing Conditionality

1. **Conditionality does not remove the real investment barriers:**

69% of the lime sector's direct CO_2 emissions arise from limestone calcination, the chemical reaction required to produce lime. These emissions cannot be eliminated through fuel switching, energy efficiency improvements or electrification. Their abatement depends primarily on carbon capture combined with permanent geological storage or, where permanence can be demonstrated, the binding of captured CO_2 in stable products.

Many lime installations are dispersed and located inland, far from developing CO_2 transport corridors and storage hubs. Access to a complete, operational and economically viable CCUS value chain remains uncertain. Installing capture equipment alone cannot deliver emissions reductions if the captured CO_2 cannot be transported and permanently stored.

Conditionality cannot make unavailable infrastructure accessible or enable investments that are not technically or economically feasible. Reducing free allocation in these circumstances penalises operators without resolving the barriers to decarbonisation.

2. **Carbon-leakage protection should not become an investment penalty:**

The ETS provides an economic incentive to reduce emissions: every tonne of CO_2 avoided reduces compliance obligations. Free allocation preserves this incentive while protecting European producers competing with imports that do not face comparable carbon costs.
Investment decisions depend on expected carbon prices, abatement costs, capital and operating expenditure, technological maturity, access to energy and infrastructure, permitting and viable markets for low-carbon products. An additional investment obligation does not make an otherwise unviable project commercially sustainable.

Free allocation should therefore remain predictable carbon-leakage protection. Where operators cannot reduce unavoidable process emissions, making this protection conditional increases production costs without delivering corresponding emissions reductions. It risks replacing European production with imports carrying an equivalent or higher carbon footprint.

3. **Five-year conditionality does not reflect industrial reality:**

The scale and timing of major decarbonisation investments are determined by technical requirements, financing, permitting, construction schedules and commercial viability. They do not follow the nominal value of free allocation over successive five-year periods.

CCUS requires coordinated investment across an entire value chain. A lime producer may be ready to install capture equipment but unable to proceed until transport infrastructure, storage capacity, grid connections and long-term contracts are secured. These dependencies can extend beyond the proposed assessment period.

Investment expenditure is also uneven. It may substantially exceed the value of free allocation during a major project, followed by years of significant operating costs without comparable capital expenditure. A rigid five-year test risks rewarding the timing of expenditure rather than actual emissions performance and encouraging premature or inefficient investments merely to preserve allocation.

4. **Conditionality risks reducing the resources available for decarbonisation:**

The proposed mechanism could reduce free allocation precisely when operators need financial capacity to develop and implement major projects. Additional allowance purchases increase compliance costs, weaken balance sheets and reduce the resources available for investment.

Uncertainty over future allocation also complicates financing and long-term planning. For internationally exposed producers, this weakens the competitiveness of European production and makes investment outside the EU comparatively more attractive.

These effects are particularly damaging for first-of-a-kind projects, which already face high capital costs, technological risks, uncertain operating costs and insufficient demand for low-carbon products. A mechanism intended to stimulate investment should not undermine operators' financing capacity where missing enabling conditions prevent them from acting.

5. **Operators should not bear risks outside their control**

CCUS deployment depends on transport-network operators, storage developers, energy suppliers, permitting authorities and public bodies. Individual lime producers cannot independently guarantee transport connections, geological storage, cross-border agreements, sufficient grid capacity, affordable low-carbon energy or regulatory approval.

A conditionality mechanism that disregards these dependencies transfers infrastructure and regulatory risks to operators that cannot manage or resolve them. Announced projects or

planned networks do not establish that an installation will have reliable, affordable access within the required timeframe.

Any retained mechanism must therefore include a clear exemption where implementation is prevented or delayed by circumstances beyond the operator's reasonable control. Assessment must reflect the solutions effectively available to the installation, rather than assume that regional infrastructure plans guarantee access.

EuLA's Recommendations

1. **Delete the proposed Article 10a(3b) to (3f)** and preserve free allocation as a predictable carbon-leakage protection measure.
2. **Recognise infrastructure availability as an objective precondition**, requiring effective access to operational CO_2 transport and storage infrastructure under reliable and economically viable conditions.
3. **Introduce a safeguard for circumstances outside the operator's reasonable control**, including delays in infrastructure deployment, permitting, grid connections, storage development or third-party investment.
4. **Avoid rigid five-year investment tests** that do not reflect industrial investment cycles, infrastructure dependencies or the long-term operating costs of CCUS projects.
5. **Ensure that any assessment is based on actual abatement potential**, rather than on a purely financial comparison between investment expenditure and the nominal value of free allocation.

Conclusion

The lime industry is committed to climate neutrality and is actively preparing the investments required to achieve it. However, unavoidable process emissions cannot be addressed through conventional measures such as fuel switching or electrification. Their abatement depends on the timely availability of a complete and economically viable CCUS value chain.

Conditionality will not create that value chain. Where the required infrastructure is absent, reducing free allocation would not lead to additional emissions reductions. It would instead increase costs, weaken European competitiveness and heighten the risk of carbon leakage.
EuLA therefore calls for the deletion of the proposed conditionality provisions. Furthermore, free allocation corresponding to unavoidable process emissions must be granted full amount of free allocation until the operator has effective access to the infrastructure and technically and economically viable solutions required to abate those emissions.

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Annex

1) EuLA Recommended Amendments

a. On the deletion of the conditionality

Commission Proposal	Amendment
Article 10a, paragraph 3b 3b. ***Operators of installations carrying out activities listed in Annex I shall establish, make publicly available and submit a plan to invest in decarbonisation in the EU ('Invest in EU decarbonisation plan') for the installations for which they apply for free allocation.*** ***Operators of incumbent installations shall submit the Invest in EU decarbonisation plan to the competent authority together with information submitted by 30 September 2029 and every five years thereafter pursuant to Article 11(1), second subparagraph. Operators of new entrants shall submit the Invest in EU decarbonisation plan to the competent authority together with their application for free allocation in accordance with the procedures established in delegated acts adopted pursuant to the first subparagraph of paragraph 1 of this Article.*** ***By way of derogation from the second subparagraph of this paragraph, the Invest in EU decarbonisation plan may be submitted at a later date, together with activity-level change reports submitted in accordance with the implementing acts adopted pursuant to paragraph 21.*** ***The plan referred to in the first subparagraph of this Article shall be consistent with the climate-neutrality objective set out in Article 2(1) of Regulation (EU) 2021/1119 and shall include all the following elements:*** ***(a) measures and investments in line with climate neutrality by 2050 at the level of the installation, considering the role of circularity measures, excluding the use of carbon offset credits ('decarbonisation measures and investments');*** ***(b) intermediate targets to measure, by 31 December 2035 and by 31 December of each fifth year thereafter, progress made towards reaching climate neutrality through the measures and investments as set out in point (a).*** ***For each five-year period for free allocation referred to Article 11, the decarbonisation investments referred to in point (a)***	Article 10a, paragraph 3b ***Deleted***

shall correspond to a volume at least equivalent to the economic value of 100% of the amount of free allocation under the relevant five-year period. These decarbonisation investments shall qualify as eligible costs, be implemented in the EU and lead to significant emissions reduction at the level of the installation within the relevant five-year period for which that installation is applying for free allocation, in accordance with the list and criteria established pursuant to paragraph 3e of this Article. ***3c. Upon submission of an Invest in EU decarbonisation plan that has been verified in accordance with Article 15 and approved by the competent authority, 80 % of the amount of free allocation to be received under the relevant five-year period shall be allocated annually to the installation.*** ***Where an installation has received allowances in accordance with the first subparagraph during each five-year period starting in 2031, but has then relocated or otherwise, directly or indirectly, transferred, in whole or in part, its relevant production capacity or the associated economic activity outside the Union, the Member State shall require the operator to reimburse the received allowances for the relevant allocation period. In the absence of reimbursement, the Member State shall deduct free allowances in the following years.*** ***The remaining 20 % of the amount of free allocation for that five-years period shall only be allocated to the installation after the confirmation, no later than two years after the end of the relevant five-year period, by the competent authority where the decarbonisation investments are implemented that the following conditions are met:*** ***(a) the decarbonisation investments were implemented by that time and they were implemented in the EU;*** ***(b) eligible costs corresponding to a volume at least equivalent to the economic value of 100% of the amount of free allocation under the relevant five-year period were invested;*** ***(c) the existing annual reports referred to in Article 15 show that significant emissions reductions were achieved at the level of the installation in the relevant five-year period.*** ***Allowances that are not allocated in accordance with the first and third subparagraphs or that are returned in accordance with the second subparagraph shall be made available for free allocation in the subsequent five-year period.***	

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By way of derogation from the first subparagraph, where a project that was selected for the award of support under the Industrial Decarbonisation Bank and Investment Booster established under Articles 10cc, 10cd and 10ce or the Innovation Fund referred to in Article 10cb is being implemented in the installation during the five-year period under which it applies for free allocation, the operator of that installation shall be exempted from the obligation to establish a plan in accordance with paragraph 3b and shall receive 80 % of the amount of free allocation as referred to in the first subparagraph without additional verification. By way of derogation from the third subparagraph, the remaining 20 % of the amount of free allocation for the relevant five-year period shall only be allocated to that same installation, after the launch of the disbursement of support to the project under the Innovation Fund or upon the start of construction regarding projects awarded support under the Industrial Decarbonisation Bank or Investment Booster, and after where the competent authority confirms in accordance with the third subparagraph that eligible costs corresponding to a volume at least equivalent to the economic value of 100% of the amount of free allocation under the relevant five-year period were invested in the EU. ***The requirements set out in paragraph 3b and in the first and third subparagraphs of this paragraph shall not apply to the 10 % most efficient installations in a sector or subsector in the Union referred to in the first subparagraph of Article 10a(2) and in respect of the years used to determine the revised benchmark values pursuant to the third subparagraph of that Article for the relevant five-year free allocation period, to zero emissions or low-carbon installations, to installations for which the operators, following a change in their production processes in accordance with Article 2(1), decide that they are is to remain within the scope of the EU ETS.***	

b. OR, on the exemption for process related allowances

Recital (new)

New recital

No corresponding text.	**Free allocation under the Union emissions trading system contributes to preventing carbon leakage while supporting industrial decarbonisation. The conditionality requirements applicable to free allocation are intended to incentivise investments and measures leading to greenhouse gas emission reductions. However, certain greenhouse gas emissions arise directly from chemical or physical reactions inherent in the production process and cannot be materially reduced through technically feasible and economically viable measures available at the level of the installation concerned. Applying conditionality requirements to the share of free allocation corresponding to such emissions would not result in additional emission reductions and would therefore not contribute to the objectives pursued by those requirements. In order to ensure the effectiveness and proportionality of the conditionality mechanism and maintain protection against carbon leakage, the corresponding share of free allocation should be excluded from its scope. The Commission should be empowered to adopt delegated acts establishing objective criteria and identifying the categories of emissions covered by that exemption.**
Rationale: Free allocation is intended to address the risk of carbon leakage, not to operate as a subsidy or a separate investment instrument. Making this protection conditional on additional requirements creates uncertainty over a significant share of an installation's allocation and may weaken operators' capacity to finance decarbonisation. The EU ETS carbon price already provides a clear and technology-neutral incentive to reduce emissions; carbon-leakage protection should therefore remain predictable and focused on maintaining industrial activity and investment in the Union.	

On the exemption of process emissions from the proposed investment conditionality for free allocation:

Article 10a(3a)	
3a. Starting in 2031, the third to sixth subparagraphs of paragraph 1 of this Article and the second to fifth subparagraphs of Article 10b(4) shall not apply.	3a. Starting in 2031, the third to sixth subparagraphs of paragraph 1 of this Article and the second to fifth subparagraphs of Article 10b(4) shall not apply. **The conditionality requirements referred to in this paragraph shall not apply to the share of free allocation corresponding to greenhouse gas emissions arising directly from chemical or physical reactions inherent in the production process, where such emissions cannot be materially reduced through technically feasible**

	and economcally viable measures that are available to the installation concerned. **The Commission shall be empowered to adopt delegated acts in accordance with Article 23 supplementing this Directive by establishing objective criteria and identifying the categories of emissions covered by the exemption referred to in the first subparagraph.**
Rationale: Free-allocation conditionality should reflect the abatement options available to an installation. Operators should not lose carbon-leakage protection for process emissions they cannot materially reduce because viable technologies or enabling infrastructure are unavailable. This targeted exemption preserves incentives to decarbonise, while objective criteria established through delegated acts ensure consistent application across Member States.	

2) CO_2 Infrastructure: Planned network 2035-2040



Source: European Commission, PCI-PMI Transparency Platform, Directorate-General for Energy (DG ENER)

The map highlights a gap between planned CO_2 infrastructure between 2035-2040 and the location of Europe's lime installations, many of which are located outside the main proposed transport corridors. A planned network does not guarantee timely, affordable access for individual sites. Operators still depend on connecting infrastructure, storage availability and delivery schedules beyond their control. Linking free allocation to emissions reductions within a fixed five-year period therefore risks penalising lime producers before they have a viable route to decarbonise.

3) UK ETS - Conditionality not introduced from 2027

The UK ETS Authority consulted on free-allocation conditionality in its 2023–2024 Free Allocation Review. The aim was to encourage decarbonisation and address concerns that free allocation could weaken incentives for long-term investment. Three options were considered: reducing allocation where installations had not achieved emissions reductions or resource efficiencies; protecting the most efficient installations from a cross-sectoral correction factor; and reducing allocation where operators lacked a decarbonisation plan.

Preserving Predictable Carbon Leakage Protection

The Authority subsequently decided not to introduce conditionality for the allocation period beginning in 2027, concluding that the potential environmental benefits did not justify the implementation challenges. Stakeholders highlighted administrative burdens, unequal access to infrastructure and technologies, long investment cycles and carbon-leakage risks. Linking conditionality to existing government schemes was also considered impractical because their coverage and timelines did not align with the allocation framework.

Even the decarbonisation-plan option, which received the most favourable stakeholder feedback, was judged to have a limited effect on decarbonisation relative to the costs and resources required from industry and regulators. Conditionality remains under consideration for future periods.

Although the UK options differed from the Commission's proposal, the decision offers a relevant lesson: **additional conditions on carbon-leakage protection require evidence of achievable emissions reductions and proportionate implementation, rather than an assumption that stronger obligations will deliver investment.**

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