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Europäischer Kalkverband
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Public Consultation on Carbon Border Adjustment

Position of the European Lime Sector

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Lime is a key enabling material, active in a number of important industrial sectors, such as steel, cement, non-ferrous metals, paper, glass, etc. Ensuring the competitiveness of these lime consumers and the continuity of their operations in Europe is absolutely essential for our sector. That being said, the lime industry is a strong supporter of and invests continuously in carbon footprint reduction technologies; these investments and the viability of our industry should be protected.

- **Context**

The Paris Agreement is the cornerstone of an ambitious global program to address climate change mitigation. Avoiding carbon leakage is, in this context, essential from an environmental point of view: it ensures that companies financially contribute to the low-carbon transition without running the risk of being unfairly competed out. Against that background, the lime industry supports efficient mechanisms that protect EU major industrial sectors from unfair competition from outside of the EU (where competitors do not bear the cost of CO_2). The following insights aim to support the efficiency of a future Carbon Border Adjustment (CBA).

- **Problem the initiative aims to tackle**

A CBA should be introduced in a fair manner: as such, it is essential to identify the drivers of production displacement, and the CBA should be applied down at the product level.

Beside the overarching climate commitments of non-EU countries, similar products in these countries may indeed fall under different regime of environmental standards: product A may not bear any carbon cost (or a much lower one that the EU ETS price) while product B may be under a similar carbon burden. In this example, there may a risk of displacement for product A from the EU to non-EU countries, while product B would not be displaced.

It is equally essential to ensure that any CBA considers the global context of carbon leakage and production displacement.

Facing carbon leakage, European producers may lose their market share being be forced to close and promote a non-intended carbon leakage either:

- In their domestic market share because that has been captured by a non-EU producer which imports the product with higher carbon intensity; or
- In a non-EU country where they were exporting, because its market has been captured by a local producer having much less carbon constraints.

Accordingly, the CBA mechanism should both:

- **Be applied for imports** from countries without (or limited) carbon constraints, as well as
- **Exempt domestic EU-producers exporting** in countries with significant lower carbon constraints.

To avoid any long-term effect on the structure of EU imports, the CBA mechanism should take into account the full GHG-related content of imported goods across value chain (from the creation to the importation of the product, including transport).

Should only the raw materials or semi-finished products be subject to the CBA, imports to the EU will likely change to finished products – with a very detrimental impact on the EU's manufacturing sector.

This will require having access to a full, accurate, harmonised and comparable dataset and to have full knowledge of the regulatory regime of the country from which the product is imported.

- **Likely economic impacts**

EuLA supports the necessity to analyse the situation with regards to the overall value chain. Some sectors are crucial to be maintained in Europe because they create prosperity upwards and downwards. The IA should define these sectors and suggest specific protective measures, due to the key impact they have in the whole EU industry (steel might be a good example).

The CBA shall also provide legal certainty, i.e. the carbon leakage list and the free allowances as a consequence, should remain intact for its intended duration.

- **Likely impacts on simplification and/or administrative burden**

The IA must analyse in detail the different elements of the administrative system to protect against import and equally, not to penalise export.

The IA must also look deeply at the complexity of the system: different products from a same country might have different regimes for import/export. For example, electricity from Algeria produced only with solar panels would be exempted while cement should be refrained due to lack of advance technology in carbon reducing techniques.

International standards (e.g. ISO) should, when they exist, be applied to domestic and external production importing to Europe in order to evaluate the carbon footprint of a product and make them comparable.

These standards should, whenever possible, replace the current burdensome monitoring and reporting guidelines. This would lead to a simplification for EU producers, especially for SMEs, and lesser costs

- **Preserving the internal market**

The CBA mechanism must avoid any distortion of competition or discrimination between domestic production of competing products in the EU market.

When evaluating the selection of different sectors that could be subject to the CBA, the IA should closely analyse this risk of distortion of competition. Lime, for example, is a strong competitor of some chemicals, with a relatively similar carbon footprint; if a CBA for lime reduces its level of free allowances, a distortion of competition in the EU domestic market will be generated without appropriate justification.

EuLA, the European Lime Association, represents about 95% of the European non-captive lime production through its 21 national member associations. The European lime sector operates around 160 sub-installations covering 436 kilns in the EU, producing a total of 22 million tons of lime and dolime (2016), and contributing around € 2,5 billion to Europe's GDP. 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.