



The lime sector strongly opposes the proposal of a “Border Adjustment Mechanism” as foreseen by the ENVI committee within the EU ETS.

It calls for a similar type of protection for all the sectors exposed to carbon leakage to save the integrity of the internal market.

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Implementing a “border adjustment mechanism” (BAM) restricted to a few sectors, as foreseen by the compromise amendment 13 adopted by the ENVI committee of the European Parliament, will create an asymmetric EU ETS and seriously endanger fair competition in the internal market.

EuLA therefore calls on the Members of the European Parliament to amend this provision during the plenary vote.

1. The introduction of a BAM for a few sectors only goes against the fundamental principles of EU law

a. Principle of non-discrimination

There is no environmental justification for the differentiated treatment of lime (which would no longer benefit from free allowances) and other competing products (which would retain free allowances).

b. Principle of proportionality

The principle of proportionality requires that the legislators ensure a balance between the legitimate aim pursued by the legislative measure (environmental protection) against other objectives deserving of protection (fair competition). A BAM as foreseen by the compromise amendment 13 will create distortive effects on fair competition and consequently outbalance the overall aim of the directive.

2. This provision is creating an unprecedented distortion of competition within the EU internal market

The text related to the BAM as submitted to the vote of the EU Parliament is strongly jeopardising the future of the ETS system as it creates an unbelievable distortion between EU sectors competing on its own internal market.

a. Between competing products in certain markets

Lime competes against several products on different markets (for instance, it competes with chemicals in markets such as capturing impurities in air emission and water treatment). These products would continue to receive free allowances and would therefore gain an advantage, without any sound environmental justification (LCAs).

b. Between captive and non-captive lime production

Millions of tons of lime are produced inside installations belonging to other sectors, such as steel, paper and sugar (captive production). These emissions will still benefit from free allowances as they are incorporated in the global position of integrated installations while

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lime (non-captive) producers will not. The EU is creating an absurd system where non-captive installations will receive no quotas, even if they are often more efficient in terms of emissions.

c. Between EU producers and importers within the lime value chain

Some importers may circumvent the BAM by importing lime-based products that are not covered by benchmarks in the EU ETS, such as hydrated lime, milk of lime, precipitated calcium carbonate. This would further undermine the competitiveness of EU lime industry.

3. Choosing a system of border adjustment mechanism rather than the current system of free allocation based on benchmark is a complex debate that cannot be seriously addressed without a preliminary in-depth analysis

The compliance of such mechanism with WTO rules still needs to be established. Furthermore, there are several methodology issues with the proposal, i.e. the inexistence of common Reporting and Monitoring methodology, or any register of emissions in non-EU countries. Finally, this proposal could have potential unpredicted impacts on global free allowances.

The BAM proposed by ENVI discriminates against the lime industry and jeopardizes its ability to compete globally and internally.

This is why the lime industry calls for a common treatment to protect sectors exposed to carbon leakage, in order to maintain the integrity of the internal market and ensure a global level playing field.