EuLA
European Lime Association

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Carbon Border Adjustment Mechanism – Position of the European Lime sector on scope enlargement

The Carbon Border Adjustment Mechanism (CBAM) aims to prevent carbon leakage by encouraging environmentally responsible manufacturing in the EU and globally. The CBAM imposes costs on imports into the EU based on their direct and indirect emissions, leveling the competitive field for EU manufacturers.

Following a thorough analysis, European Lime producers assess that **expanding the CBAM scope to lime and related products[1] within the next ETS revision is premature** and would serve neither the EU climate objectives nor the development of the EU lime industry and several user industrial sectors.

The EU lime industry is committed to climate goals and sees CBAM as a potentially useful tool. However, entering the system prematurely would impose unnecessary costs on industry and consumers without corresponding environmental benefits while preventing the lime sector to invest in carbon capture and storage (CCUS) technologies. Instead, a phased approach aligned with infrastructure development and financial viability is the more pragmatic path forward.

The grounds and arguments on which this position is based are developed in this document.

Introduction: Setting the Stage - The Uniqueness of the EU Lime Sector

EuLA, the European Lime Association, represents European non-captive lime production. The lime industry is unique due to its structure of numerous small plants operating close to customers and its level of unavoidable process emissions, making it fundamentally different from other CBAM-covered industries.

Lime plays a critical role in Europe's industrial value chains as it is an indispensable input for iron and steel manufacturing, a vital component in flue gas treatment to improve air quality, and essential in agriculture to improve soil health and productivity. Additionally, lime contributes to circular economy initiatives by enabling material recycling in construction and wastewater treatment. It also ensures food security through its role in sugar refining, soil enhancement, and livestock feed.

Despite its importance, the lime sector faces significant financial and structural challenges in decarbonization. The industry is characterized by a high proportion of process emissions – in fact, 69% of emissions in lime production are unavoidable as they originate from the calcination process (a

[1] Such as hydrated lime and milk of lime

fundamental chemical reaction where limestone ($CaCO_3$) is heated to produce lime (CaO), that releases CO_2 as a byproduct.

Unlike energy-related emissions that can be mitigated by switching to renewable sources, process emissions require technological breakthroughs such as CCUS.

Position of the Lime Industry: delay inclusion within CBAM

The lime industry acknowledges the intent of CBAM and sees its potential benefits for ensuring fair competition. However, it is not the right time for lime to be included. The sector's unique characteristics and financial realities necessitate postponing inclusion until the next review cycle when more robust decarbonization infrastructure is in place.

1. Lack of readiness of CCS infrastructures

Large-scale CCUS infrastructure is still in its early stages and will not be ready for full deployment before 2030-2035. In addition, lime production facilities are geographically dispersed, making it difficult to establish the infrastructure needed to transport and store captured carbon.

The absence of mature CO_2 mitigation infrastructure means that the immediate inclusion of lime in CBAM would impose significant additional costs on EU producers without achieving tangible climate benefits. Instead of reducing emissions, the sector would be forced to pay higher EU ETS costs, ultimately passing these costs onto downstream industries and consumers. The phase-out of free allowances by 2035 is projected to result in a 32% cost increase for lime producers, equivalent to a €4.7 billion rise in operational costs.

This would ***increase the costs and weaken the competitiveness of several EU industrial sectors***, such as steel, that represents +- 37% of the market for non-captive lime producers, with no climate-related effects. Moreover, higher production costs could reduce the competitiveness of EU lime exports in non-EU markets; historical data shows that a 30% price increase has previously led to an equivalent reduction in export volumes.

Therefore, the industry's ability to invest in innovation and decarbonization technologies could ultimately be undermined by the financial strain of premature CBAM inclusion.

A more pragmatic approach would be to ensure that the necessary infrastructure and regulatory frameworks are in place before subjecting lime producers to CBAM obligations.

2. Threat of market distortion

The inclusion of lime in CBAM could threaten the competitiveness of the EU lime industry, particularly against substitutes and captive production.

- Substitutes: lime substitutes may continue receiving free allowances for a longer period, leading to higher costs for lime and incentivizing companies to switch to, in several cases, more carbon-intensive alternatives. This creates a risk of market distortion in which those using substitutes gain an advantage, undermining the goal of reducing carbon emissions.
- Captive production: major lime consumers would be incentivized to produce their own supply of lime that would benefit from free allowances for a longer period, and therefore fragmenting even more the sector and scattering investments towards smaller, less-efficient units while not reaching the sufficient scale to invest in and implement carbon capture technologies.

Conclusion

EuLA supports the overall goals of CBAM but requests that inclusion of lime and related products to be deferred until:

- **CCUS and other CO_2-reduction infrastructures are operational at scale** to enable effective decarbonization of a hard-to-abate sector such as lime
- **A fair competitive framework is guaranteed**, ensuring that EU lime producers are not unfairly disadvantaged compared to substitutes and captive production.

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