European Lime Association A.I.S.B.L.
Association Européenne de la Chaux
Europäischer Kalkverband
Member of IMA-Europe

28 February 2013

**EuLA opposes any intervention in the carbon market during the 3rd Trading Period**

The European Lime Association (EuLA) has carefully read the report from the Commission on "*The state of the European Carbon Market in 2012*", and is grateful for the opportunity to provide comments.

EuLA recalls that the EU ETS was constructed as a market-based instrument to achieve the EU's GHG reduction objective of 20% in a cost-effective and economically efficient manner. Now that the EU is actually on track to meet its GHG reduction target for 2020, the Commission proposes to further increase the burden for the EU energy-intensive sectors, including the lime industry. Contrary to others – such as electricity – it may be harder for these sectors to (even partially) pass through the additional costs due to the international competition they face. Therefore, EuLA insists that the Commission respects the 2009 EU climate package and opposes any interventions in the carbon market during the 3rd Trading Period (2013-2020).

**The EU ETS is delivering**

The total number of available carbon allowances is reduced each year to make sure that the GHG reduction target is achieved, independent of the carbon price. The price of a ton of $CO_2$ is determined by the classic market laws of offer and demand. Due to the economic recession GHG emissions probably decreased more than expected by DG Climate Action in 2009 – which lead to the current surplus of allowances in the EU ETS. However this surplus is caused by real GHG reductions, and will not put at stake the achievement of the EU's climate targets for 2020.

**Create the right investment climate – ensure legal stability**

The main reason for intervening in the carbon market seems to be a concern that the current carbon price does not sufficiently trigger investments in low carbon technologies in the timeframe 2013-2020. EuLA underlines that the link between a high carbon price and additional investments in low carbon technologies before 2020 was never investigated, and is not obvious. In the lime sector – as in most other capital intensive sectors – investment decisions are taken focusing on the long term. Therefore, EuLA is doubtful if "fixing the EU ETS" before 2020 will stimulate investments. For sure, an intervention will negatively impact entrepreneurs' perception of the EU's legal stability.

**Need for realistic and feasible long-term commitments**

Instead of a short-term intervention in the current EU ETS, EuLA suggests opening a debate on what reductions are still feasible in industry sectors after 2020. Such a reality-based approach should take account of the EU market which is open for foreign competitors; the competitiveness of the EU industry; as well as the remaining technical potential for reducing GHG emissions without cross-media effects. The upcoming Green Paper on energy and climate change towards 2030, expected in Spring 2013, will hopefully be a good basis for a careful evaluation of long-term incentives and commitments.

The European lime industry would be much interested in participating in such a co-operation.

**EuLA**, the European Lime Association, represents about 95% of the European lime production through its 21 national member associations. The European lime sector operates around 600 lime kilns in the EU, producing in total around 28,4 million tons of lime and dolime; and contributing around € 2,5 billion to Europe's GDP. More information on www.eula.eu