

June 18, 2004

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Mr. Secretary:

The National Lime Association ("NLA"), representing approximately 95% of U.S. commercial lime production, is very pleased to submit its first biennial report on lime industry trends in greenhouse gas intensity of lime products. This report is made pursuant to NLA's June 2003 commitment under the President's ClimateVISION program.

BACKGROUND

In our June 11, 2003 letter, NLA members committed to reducing greenhouse gas emissions from fuel combustion per ton of product by 8% between 2002 and 2012, on an aggregate basis. NLA agreed, by October 2003, to develop a protocol for quantifying greenhouse gas emissions and emission reductions from lime manufacturing plants, which would be used to measure progress in pursuing the numerical intensity goal. NLA further agreed that by July of 2004, it would report to DOE on aggregate industry trends in greenhouse gas intensity (emissions per unit of production) and submit biennial reports thereafter.

NLA completed its quantification protocol in the fall of 2003, and began collecting data for 2002. Collection and analyses of both the 2002 and 2003 data were completed in the spring of 2004.

INTENSITY TRENDS

NLA is pleased to report that between 2002 and 2003, combustion-related greenhouse gas intensity of the lime produced by NLA member companies was essentially unchanged, despite dramatic increases in demand for steel-grade lime and other factors that could have led to increased intensity, as described below.

The energy efficiency of the lime industry, and thus its combustion-related CO₂ intensity, is strongly affected by the changing demand for certain types of lime. In 2003, due to the unexpectedly strong recovery of the U.S. steel industry, NLA member companies produced six percent more steel-grade lime than in 2002. This rebound in U.S. steel production is welcome news for our economy, steel employees, and the U.S. lime industry. However, it also resulted in higher energy use by our industry because the steel industry specifies a harder calcined (or burned) lime product than other end users. Thus, it is notable that despite this surge in demand for steel-grade lime, the lime industry's CO₂ energy-related intensity remained stable between 2002 and 2003.

This result is additionally encouraging, given that the ClimateVISION commitment was signed in June 2003, thus providing only six months for companies to begin to undertake intensity-reducing activities. Lime companies have begun to institute projects and strategies that will result in reduced emissions intensity over the course of the 10-year commitment period. Some efforts may result in improvements in the short-run, but a number of the most significant changes will occur over a number of years. Several of these approaches are described in more detail below.

1. Capital Projects

In many cases, intensity reductions can only be achieved by means of physical changes to lime plants, including replacement or modification of kilns and other equipment. Most such changes involve several years from concept to completion.

First, companies must identify energy efficiency opportunities, and this involves benchmarking similar plants and kiln equipment against each other. Because lime companies did not have the benefit of industry CO₂ intensity data until after the first commitment year, this benchmarking could not be performed until 2004. NLA anticipates that the 2002-03 data will assist lime companies to identify effective steps to reduce fuel-related CO₂ emissions in 2004 and beyond.

Once a project has been identified, funds must be allocated (and often borrowed) to carry it out. Next, it must be planned and engineered, a process that often takes months. At this point, the company must apply for permits to perform the project. In addition to construction permits, most projects will require permits under environmental regulations, often from federal, state, and local authorities. Some permit applications require complex air dispersion modeling, and multiple interactions with permitting agencies to select appropriate modeling parameters. In many cases, prolonged environmental reviews have delayed projects—sometimes by years—that would improve energy efficiency in the lime industry. Once permits are issued, construction often takes more than a year to complete.

Lime prices are just now recovering to where they were in the mid 1990s, and both bottom lines and balance sheets will often need to be repaired before capital-intensive investments on the scale necessary to meet the industry's ClimateVISION goal can be

made. Nonetheless, across the lime industry, companies are preparing or have begun projects that will improve energy efficiency and reduce emissions intensity. While most of these projects did not show benefits in 2003, they will yield accumulating benefits in future years within the commitment period.

2. Long-Term Fuel Procurement Strategy

Obtaining solid fuels, such as coal, with lower carbon content is another important part of a greenhouse gas emissions reductions strategy. Fuel procurement is a long-term process, and current fuel contracts in the lime industry are typically multi-year. Most of these contracts do not contain specifications for carbon content, and thus coal suppliers may increase the carbon content in the fuel without the consent of the lime company. As new coal contracts are developed, and fuel efficiency strategies are pursued, significant improvements in fuel efficiency, and thus greenhouse gas intensity, will be achieved.

It should be added that fuel prices and availability are unpredictable in the short-term, and unexpected changes can have an impact on greenhouse gas intensity. For example, two lime plants were using landfill gas as a major source of fuel—an activity that actually reduces the levels of greenhouse gases emitted to the atmosphere. However, the reservoirs of landfill gas serving these plants were significantly decreased in 2003, and the plants were compelled to offset the reduction in supply with conventional fuels. Despite such short-term fluctuations, however, a long-term fuel procurement strategy can reduce emissions intensity.

3. Cooperation with Lime Customers

As noted above, the steel industry is a major market for lime, and its requirements can affect the energy efficiency of lime companies. But the steel market is also a prime example of opportunities for lime companies to reduce their emissions intensity by obtaining the cooperation of their customers. Steelmakers have historically purchased lime with very low levels of sulfur, and low-sulfur lime is generally made in relatively inefficient straight rotary kilns. Lime producers could modify such kilns to perform more efficiently if the steel industry would accept lime with slightly higher levels of sulfur. NLA and its members are working closely with steel companies and with the American Iron and Steel Institute to determine whether steelmakers can tolerate increased sulfur levels. Physical modifications to the lime kilns in question can be made only after this issue is resolved. The lime industry will explore other opportunities to work with customers (and suppliers) to improve efficiency and reduce intensity.

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THE LIME INDUSTRY'S ONGOING COMMITMENT

This first year has been a year of exploration as the industry and its member companies have learned much about their operations and the steps necessary to meet or exceed our commitment to the Administration. NLA and its members reaffirm their intention to use their best efforts to achieve our ClimateVISION goals.

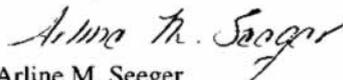
Among its other commitments, NLA pledged to "provide support and education for its members in their efforts to achieve its goals, through meetings, publications, and other methods." NLA continues to fulfill this pledge, making the global climate issue its top regulatory priority. NLA has covered climate issues and strategies extensively in its publications and at its meetings, and carbon dioxide reduction methods will be the key topic at the Association's 2004 Operating Meeting this fall.

The ability of the lime industry to achieve, or even exceed, its goals will depend on many factors, including partnership with the government and other entities, the state of the economy, and the economic health of the lime industry. NLA and its members look forward to working with your Department on meeting the goals of the program together.

Very truly yours,



Oscar Robinson
Austin White Lime
President, National Lime Association



Arline M. Seeger
Executive Director, National Lime Association