



# Ensuring Europe's fertiliser industry remains competitive – Yara's recommendations to the EU and national governments

## Introduction – reducing the dependency on Russia for food and fertilisers

The cruelty and suffering Russia continues to inflict on Ukraine is deeply troubling. Concerned also about the wellbeing of our Ukrainian colleagues in the war zone, we at Yara stand fully behind Norway's and the EU's condemnation of the Russian military invasion.

Aside from the immediate threat to life, few things are more important than access to food. Russia and Ukraine are world powers in a global and fragile food system. The long-term consequences of the war on global food supply will impact both the rich and the poor parts of the world. This is why the dependency on Russia for food and fertilisers must be reduced.

Yara has stopped all sourcing from Russian sanctioned entities and persons. By utilising our global production system, we are doing our utmost to keep supplying customers, ensuring Europe has a well-functioning food and transport sector. In parallel, we are working on structurally reducing our dependency on Russian raw materials.

Europe now also faces record-high gas prices, worsening an already tight supply situation. This has forced Yara, along with other European fertiliser producers, to drastically curtail production in Europe. **Curtailed production in Europe reduces worldwide availability of fertilisers and has direct consequences for the global food system, hitting the poorest hardest. Fertilisers provide 50% of the food grown today with essential nutrients.**

We all acknowledge the importance of not being overly dependent on single regions or countries, such as Russia, for Europe's food security. Now Europe is at risk of weakening its own fertiliser industry, **another step on the path towards losing autonomy on food and fertilisers**, making similar errors as when Europe became overly dependent on Russian energy. This would have very negative consequences because the European fertiliser sector is crucial for food security and a resilient, low carbon food system, both in Europe and globally. At the same time, Yara is actively working on building a more resilient food system by decarbonizing the production and use of fertilisers; contributing to the circular economy by recycling nutrients; and encouraging efficient farming practices through the use of digital tools. However, this **needed green transformation of the fertiliser sector in Europe can now be jeopardised** by the high gas prices and resulting economic difficulties. Therefore, it is imperative for the EU and national governments to put in place a set of short- and long-term measures to ensure the continued competitiveness of Europe's fertiliser industry. This is crucial to strengthen Europe's strategic autonomy and to prevent the global food system from becoming even more dependent on Russia.

### Secure critical supplies for food, clean air and road transport

- Ensure continued access to natural gas for nitrogen production, critical for food, transport & clean air
- Support farmers for fertilizing their fields

### Invest in a future-proof fertiliser industry

- Increase and earmark funding for the green transition of the fertiliser industry
- Remove bureaucratic hurdles for the build-up of renewable power generation capacity

### Manage trade with Russia to avoid new dependencies

- Control the inflow of Russian fertilisers into Europe and activate the full trade defence toolbox
- Prioritize the supply of raw materials and intermediates for European fertilizer production

### Help the European fertiliser industry survive the crisis

- Soften the conditions of the Temporary Crisis Framework
- Maintain free ETS allowances for curtailed facilities and reintroduce indirect cost compensation



### Secure critical supplies for food, clean air and road transport to safeguard a well-functioning society

**National and European authorities must ensure continued access to natural gas, which is key to produce fertilisers and is also crucial for lowering the environmental impact of other sectors. Fertiliser producers are for instance used to supply Europe with carbon dioxide for food and beverages, and with the nitrogen chemicals required for abating dangerous nitrogen oxide emissions in transport.**

AdBlue, a diesel exhaust fluid used in vehicles to reduce harmful gases being released into the atmosphere, is critical for a well-functioning transport sector. Virtually all modern diesel vehicles and machinery require AdBlue to function. Ammonia and urea, produced using natural gas, are also essential for cleaning emissions from combustion plants, including coal-based electricity power plants now used to fill the electricity production gap. Carbon dioxide, a by-product of ammonia production, is an essential component in food and drink manufacturing and preservation. Unlike fertilisers, which are globally traded commodities, these chemicals are manufactured locally. Should gas become unavailable, these critical chemicals will quickly be in short supply.

As the global food crisis worsens, it is essential that farmers in Europe make the most of every hectare. That means feeding their crops with the nutrients necessary and the support of precision and digital farming tools, to optimise yields and quality, while minimizing the impact to the environment. The European Commission should encourage EU member states to allocate funds from the Crisis Reserve to **financially support European farmers in fertilizing their fields in line with good agricultural practices and to foster widespread use of precision farming and digital tools to make every nutrient count.**

### Invest in a future-proof fertiliser industry in Europe

To reduce the dependency of Europe's fertiliser industry on Russian gas and raw materials, we must accelerate the use of renewable electricity and recovered nutrients. **The transition to a more sustainable and resilient fertiliser production requires large-scale investments. This is why we call on the European Commission to increase the funding available for the fertiliser sector.** Innovation and investment support should be earmarked for sectors that rely on natural gas and which demonstrate a high emission and trade intensity. Here, nitrogen fertilisers are among the industries that deserve special attention.

Contracts for differences must consider sector-specific needs beyond the cost per carbon emission avoided. In addition, investment support and incentives should be provided for upgrading recovered nutrients and organic waste materials to circular fertiliser products. The purchase and use of fertilisers made with renewable electricity – which are the same as conventional alternatives made using natural gas just with a much lower carbon footprint – should be incentivised through demand-side measures, as they have a climate footprint 80 to 90% lower than fertilisers produced with natural gas.

Abundant and affordable renewable electricity remains the main bottleneck for large-scale development of green hydrogen and green ammonia. Therefore, **bureaucratic hurdles need to be removed to speed up the expansion of renewable power generation.** Unnecessary complexities around certifying green hydrogen, such as proposed in the RFNBO delegated act, slow down the energy transition and should therefore be avoided.

### Manage trade with Russia to avoid new dependencies

Russian fertiliser producers, who are strongly linked to Russian authorities, have a dominant position on the world market. **The Commission must monitor and control the volumes of fertiliser products coming into Europe from Russia and Belarus, especially as Russian fertilisers have twice the greenhouse emissions of fertilisers produced in Europe.** To prevent Russian fertiliser exports from rising above historic levels, the full toolbox of existing trade defence instruments must be activated. Within the current hostile environment, the EU may also have to equip itself with new tools to protect its strategic autonomy and prevent the European food system's dependency on Russia from worsening.

Access to raw materials and intermediate products is essential for European fertiliser companies to continue producing and competing with imports. European authorities should prioritize the supply of raw materials for European fertiliser production to avoid new dependencies, instead of lowering barriers of imports of finished fertilizers (from Russia or elsewhere).

### Help the European fertiliser industry survive the crisis

With the curtailment of European fertiliser production, the world's food system has lost one of its pillars. Financial support from governments must be made available for restarting curtailed production units. **To enhance the effectiveness of the Temporary Crisis Framework, the framework conditions must be more flexible.** Currently only partial financial compensation for losses is available. However, this is not sufficient for ensuring continued production over an extended crisis period.

To enable a smoother restart of fertiliser production units, authorities should lessen the triple burden of high gas prices, high ETS prices and high electricity prices. Therefore, **we call on the EU Commission to maintain the full quota of free**



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**allowances when factories restart after curtailment, to disregard current crisis production levels for the update of the Historic Activity Level and to reintroduce indirect cost compensation for fertiliser production to accelerate electrification.**

### About Yara

Yara grows knowledge to responsibly feed the world and protect the planet. Supporting our vision of a world without hunger and a planet respected, we pursue a strategy of sustainable value growth, promoting climate-friendly crop nutrition and zero-emission energy solutions. Yara's ambition is focused on growing a climate positive food future that creates value for our customers, shareholders and society at large and delivers a more sustainable food value chain.

To achieve our ambition, we have taken the lead in developing digital farming tools for precision farming, and work closely with partners throughout the food value chain to improve the efficiency and sustainability of food production. Through our focus on clean ammonia production, we aim to enable the hydrogen economy, driving a green transition of shipping, fertiliser production and other energy intensive industries.

Founded in 1905 to solve the emerging famine in Europe, Yara has established a unique position as the industry's only global crop nutrition company. We operate an integrated business model with around 17,000 employees and operations in over 60 countries, with a proven track record of strong returns. In 2021, Yara reported revenues of USD 16.6 billion.

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