

Revised EU ETS State Aid Guidelines to distort internal market and disincentivize investment

Brussels, 22 September 2020: The European fertilizer industry is baffled by the decision of the European Commission to exclude fertilizer sector from the updated EU ETS State Aid Guidelines. The sector finds that a decision based on incomplete data puts producers who partly electrified their production in a competitive disadvantage. This decision is in contradiction with the EU's push to electrify and decarbonise EU industry.

The European Commission's decision to remove fertilizer industry from the list of sectors exposed to carbon leakage due to indirect carbon costs will put at competitive disadvantage industry players that are partly electrified. Such decision is at odds with EU's climate goals, as fertilizer industry will also rely on electrification and will need state support to meet the additional costs incurred in the industry decarbonisation transition.

Jacob Hansen commented *"Given that electrification is one of viable decarbonisation options for fertilizer sector, it is hard to understand the Commission's decision to remove NACE 20. 15 from the list of sectors eligible for the EU ETS indirect cost compensation"*. He added *"such decision is in contradiction with the Commission's overarching objective of incentivising European industries to invest in low-carbon technologies, including electrification"*.

The industry performed its own analysis in parallel to analysis commissioned by the European Commission. Jacob Hansen underlined *"our detailed analysis clearly show that the electricity consumption of our sector has been grossly underestimated by the Commission Consultant. Based on three different sources our analysis provides conclusive evidence that the electricity consumption as assumed by the Commission is too low. When using complete and accurate data, we demonstrate that our sector meets a newly set threshold"*.

The Commission's decision will also create a competition distortion in the Single Market between different European fertilizer manufacturers. *"What a Commission's decision means in practice is that for the next 10 years ammonia producers based on fuel will be eligible for free allocations whereas those who partly electrified their production would bear indirect CO₂ costs. In absence of this State aid compensation for the cost of CO₂ in electricity, the ETS system would unduly discriminate the electrified plants"* said Jacob Hansen.

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About Fertilizers Europe

Fertilizers Europe represents the majority of fertilizer producers in Europe and is recognized as the dedicated industry source of information on mineral fertilizers. The Association communicates with a wide variety of institutions, legislators, stakeholders and members of the public who seek information on fertilizer technology and topics relating to today's agricultural, environmental and economic challenges.

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