EU ETS review fails to address fertilizer sector realities, risks shifting carbon costs to European farmers

Brussels, 17 July 2026: Fertilizers Europe notes today's proposal by the European Commission to reform the EU Emissions Trading System (ETS). Slowing the withdrawal of free allocation for CBAM sectors and extending its phase-out until 2038 is a necessary correction. However, the proposal still fails to address the specific technological and competitive realities of fertilizer production, leaving European producers and farmers exposed to rising carbon costs.

"Slowing the phase-out of free allocations for CBAM sectors and extending it until 2038 recognises that industrial transformation requires time, investment and commercially available technologies" said Antoine Hoxha, Director General of Fertilizers Europe. *"However, this proposal does not reflect industrial reality and does not resolve the fundamental challenges faced by fertilizer producers and farmers across Europe. Without benchmarks reflecting actual technological progress and without an effective export solution, EU producers will face carbon costs that their international competitors do not bear. This weakens our ability to compete and invest in Europe, in turn having a detrimental impact on EU farmers"* stated Hoxha.

Since 2005, the sector has reduced its greenhouse gas emissions by almost 50%.

"Our industry acted early, invested and delivered substantial emissions reductions" Hoxha stressed. *"The ETS must continue to drive decarbonisation, but it cannot penalise producers for emissions that cannot yet be eliminated with commercially available technologies. A climate policy disconnected from technological and economic reality will not reduce global emissions. Instead, it will drive production, investment and emissions out of Europe."*

The proposal also fails to address the effect of higher carbon costs across the agricultural value chain. Rising ETS costs for European fertilizer production will ultimately increase pressure on fertilizer prices and farmers' production costs.

"The carbon cost does not disappear; it moves through the value chain and ultimately reaches farmers," Hoxha said. "*The Commission's Fertiliser Action Plan recognised the specific challenges of the fertilizer value chain. The ETS review should have translated that recognition into concrete action".*

Hoxha stated "*We recognise EU's efforts to channel additional funding, including ETS revenues, towards industrial decarbonisation. Such support must be accessible, technology-neutral and cover both the investment and operating costs of low-carbon fertilizer production".* He underlined "*Funding is essential, but it cannot compensate for a regulatory framework that weakens the business case for producing in Europe. Companies will not invest billions in European assets if those investments cannot remain competitive".*

Today's proposal is a missed opportunity. Instead of providing relief and creating fertile ground for investments, it adds pressure through conditionality without creating a market for decarbonized products first. *"European farmers currently have very limited capacity to pay a premium for decarbonised fertilizers"* Hoxha highlighted. *"Investment conditions must be accompanied by policies that create demand and bridge the cost gap. Conditionality alone will not create a market".*

Fertilizers Europe calls on the European Parliament and Member States to fundamentally alter the proposal by delivering a policy framework that supports industrial decarbonisation while safeguarding European fertilizer production, agricultural competitiveness and food security.

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