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Ammonia Europe's position on the European Commission's Net-Zero Industry Act proposal

Ammonia Europe believes that the proposed Net-Zero Industry Act is a missed opportunity to equalise the US IRA in attracting investments, ensure deployment of Net-Zero technologies and enable green transition financing for industries of strategic importance to Europe, such as ammonia and its downstream applications for fertilisers and other chemicals, as a sustainable alternative fuel, and for long-term energy storage.

The European ammonia industry supports the European Green Deal ambition of climate neutrality by 2050. Already today the main European ammonia producers for fertiliser products have a climate footprint that is typically half of the global average, having reduced their scope 1 emissions by 49% compared to 2005. Our industry is continuing to change and innovate to completely decarbonise while trying at the same time producing fertiliser products from ammonia to ensure food security, EU strategic autonomy, and remain competitive on a global scale in spite of the energy crisis and the enormous challenges ahead. In order to become climate neutral by 2050, major investments, the creation of market demand for renewable and low-carbon products, and access to renewable and low-carbon hydrogen and power at reasonable prices are needed.

Ammonia Europe welcomes the focus on CCS and its pivotal role in the decarbonisation of Europe. Nonetheless, it regrets that the EC proposal of the Net-Zero Industry Act only considers the manufacturing of specific technologies without taking into consideration the deployment and use of those technologies in key manufacturing sectors. For instance, **RFNBOs and low-carbon ammonia production will be vehicles of decarbonisation for industry, transport, and the economy as a whole and should therefore be considered as "strategic" in the Net-Zero Industry Act.**

For a Net-Zero strategy that promotes the decarbonisation of European industry, Ammonia Europe believes that the following areas need to be addressed:

RFNBO and low-carbon ammonia production should be considered as “strategic” in the Act to ensure that the scale up of manufacturing capacity supports the Union’s annual deployment needs, safeguarding food security and strategic autonomy.

a) Being a crucial precursor to fertilizers, renewable and low-carbon ammonia is a vital product for European food security. Being a hydrogen carrier and a zero-carbon fuel, RFNBOs and low-carbon ammonia will also play a central role in the decarbonisation of hard to abate industries and the shipping sector. Moreover, hydrogen in the form of ammonia is easier to transport and store than hydrogen itself. **The RED III directive mandates that RFNBOs must account for at least 42% of hydrogen used in the industrial sector by 2030, and at least 60% by 2035. The Net-Zero Industry Act should be coherent and aligned with this target and establish a parallel production target.** We believe reporting measures and the corresponding electricity and infrastructure needs for projects manufacturing RFNBOs should be introduced in a similar fashion to the provisions on the transparency of CO2 storage capacity (art. 17).

b) Ammonia Europe acknowledges that **RFNBO technologies** are considered as Net-Zero technologies in the Act but is of the opinion that they **should be considered “strategic” and included in the annex** benefitting from streamline permitting, recognition, priority status and coordinated financing. This is especially important in view of the key role that RFNBOs have to play in the future decarbonisation of the EU.

c) **Ensuring the availability and affordability of low-carbon and renewable electricity** is crucial to enable the transition to Net-Zero of EU strategic manufacturing sectors, create a level playing field with international competitors, and keep industries in Europe.

d) In addition, existing ammonia production is, to a large extent, based on steam methane reforming. In order to decarbonise these assets and ensure the industry’s viability, it is imperative to incentivise their decarbonisation by **supporting usage of low-carbon products in specific sectors.**

The scope of the Net-Zero Industry Act must be increased to focus on the decarbonisation of the entire industrial value chain.

While the focus on technologies to deliver Net-Zero is required, attention must also be given to the whole value chain in order to decarbonise and **create demand for renewable and low-carbon products**. Energy intensive industries, like ammonia production, are the cornerstone of the European industry and they will require investment into the whole production process to decarbonise. While it is understandable that the act aims to support hydrogen producing technologies (such as electrolyzers), this merely passes the burden on to the next step in the value chain and any resulting product will necessarily be more expensive to produce as a consequence of the higher operating cost associated with the use of the Net-Zero technologies. **The act should address both the CAPEX and OPEX needs for deployment of Net-Zero Technologies in key industries and focus also on downstream markets.**

Substantial investments are required to ensure the European industry's competitiveness on the global market and new EU funds should be made available and accessible, in addition to State Aid.

The financial cost for our industry decarbonisation will be significant. This is especially important with a view to the high energy costs and curtailed capacity the industry is faced with. Additional funding will be required in order to meet the 55% greenhouse gas emission reduction by 2030 and net-zero emissions by 2050, while maintaining a competitive industry in Europe. While the ammonia industry will strive to decarbonise its existing assets with investments in CCS technologies, plants will require to be practically rebuilt in order to start both producing and using renewable hydrogen. The industry is faced with high CAPEX and OPEX alongside no guarantees on downstream markets. **There is therefore a critical need for the Act to be specifically linked to clear funding mechanisms and to have a dedicated sectorial strategy. Any future funding mechanisms (e.g., Sovereignty Fund) should consider the financial needs of the ammonia sector.** Whilst instruments such as the Innovation Fund are very welcome, it is worth noting they carry extensive administrative burden. As such, it is imperative to ensure funds are easily accessible.

Carbon Capture and Utilization should be included as a 'Strategic' Net-Zero technology.

The EU fertilizer industry fully supports that the Act recognizes Carbon Capture and Storage as a Strategic Net-Zero technology. This will surely go some way to levelling the geographic disparities on access to renewable energy. At the same time, Carbon Capture and Utilization should not be disregarded as a decarbonisation option by separation into a different category.

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