

Ammonia Europe's response to the Communication on the Competitiveness Compass for the EU

Ammonia Europe welcomes the Communication on the EU Competitiveness Compass, which will form the direction of EU policy in this new term.

We are particularly pleased to see that the Compass recognises the need to reconcile decarbonisation of energy intensive industries with competitiveness and viable business cases. In doing so, we welcome the much-needed emphasis on regulatory simplification, better coordinated policies and financing of industry.

We believe that with appropriate measures at both European Union and Member State levels, ammonia can:

- Enhance European energy and food security, with existing production capacity, know-how and infrastructure, particularly relevant in times of geopolitical tensions and budget scarcity
- Support cost competitive decarbonisation efforts across multiple sectors such as fertilisers and chemicals, as well as shipping, renewable energy storage and power production

In order to support the industry and to ensure both competitiveness and sustainability we would like the Competitiveness Compass to consider these key matters:

Horizontal enablers of competitiveness: regulatory simplification and better coordinated policies

The success of the Competitiveness Compass depends on streamlined and well-coordinated regulation. The current regulatory landscape is complex and overburdens industry stakeholders, particularly those already driving decarbonisation efforts, like the ammonia sector. Simplified frameworks and coherent implementation across Member States are essential to creating a conducive environment for industry transformation (see next section). Importantly, the EU must prioritise measures to reduce the administrative and financial burden of compliance. This will allow for the ammonia industry to decarbonise, survive and thrive in Europe.

A joint roadmap for decarbonisation and competitiveness – clean industrial deal

The Clean Industrial Deal will be essential to support European industry to reach its decarbonisation goals. We also believe that coherent and cost-effective implementation of Green Deal legislation should remain a central focus to safeguard EU industries:

1. **Climate law:** The law sets 55% emission reduction targets by 2030 and net-zero by 2050. The competitiveness compass mentions that “Europe has set out an ambitious framework to become a decarbonised economy by 2050. It will stay the course, including through the intermediate 2040 target of 90%.” This intermediate 2040 target of 90% needs to be properly considered in light of current climate legislation which lacks coordination, is over complex, costly and hampers the European industry’s ability to compete globally. Technology neutrality should be a cornerstone of the climate law.
2. **Energy Costs:** Addressing high energy costs is imperative for enhancing EU competitiveness and we were glad to see that the Compass highlights that the “EU needs to tackle upfront the issue of high and volatile energy prices for European companies.” Policies under the Affordable Energy Action Plan identified in the Competitiveness Compass should prioritise reducing energy costs and inputs, particularly for energy-intensive industries.
3. **Carbon pricing level playing field:** Currently, European producers face an uneven playing field compared to third countries both in terms of energy price and carbon price. This combined with the phase-out of ETS Free Allocations, risks EU ammonia producers being unable to compete on the global market. This undermines existing decarbonisation investments and disadvantages EU industries. As a result, policy instruments such as the CBAM and ETS need careful attention to ensure that their provisions protect EU producers against unfair competition from third countries whilst enabling investments in decarbonisation to take place in Europe in line with the Draghi report.
4. **Technology Neutrality:** As identified in the Competitiveness Compass, “regulation must be proportionate, stable, coherent and technology neutral” to empower industries to adopt the best available technologies. However, the Renewable Energy Directive targets, and its Delegated Acts, restrict technology options, increase costs and hinder competitiveness. The strict rules on additionality and temporal correlation are hampering investment in EU industries and we urge the European Commission to take rapid action to address the emerged challenges and facilitate market

development. In addition, we believe that low-carbon hydrogen and ammonia technologies should be fully recognised as contributing to the 2030 and 2050 emission reduction targets. Notwithstanding, that we still await the rules and definitions on low-carbon hydrogen and ammonia, without which investments in low-carbon technologies cannot take place in Europe.

5. **Targeted funding for ammonia production:** The Compass recognised that “targeted financial support is necessary to accelerate the decarbonisation of key assets, ensuring that legacy industries remain viable while decarbonising and should be a priority of the next Multi-annual Financial Framework.” As a result, funds should target ammonia production specifically alongside other legacy industries. Schemes like the European Hydrogen Bank, the Innovation Fund and the upcoming European Competitiveness Fund need to ensure easy access and technology neutrality for industry to make the best use of these financial instruments; thus, increasing the overall impact of those instruments in line with the Draghi report. Decarbonising European ammonia assets requires colossal investments and EU funding alone will not be sufficient. As a result, we welcome the Commission’s willingness to put forward a New State Aid Framework and simplify the IPCEI process. Finally, we support the Commission’s call to “invite Member States to ensure that the elements of their tax systems which impact private investment incentives, such as depreciation rules and tax credits, are conducive for clean production business cases.”
6. **Stimulating Demand for Decarbonised Products:** Creating lead markets for decarbonised products is essential to stimulate demand and foster economically viable downstream ammonia markets in sectors such as maritime, energy, and fertilisers. In that regard we are pleased that the Compass recognises the need “to develop lead markets and policies to reward early movers” with “new measures to encourage demand for low-carbon products” such as “contracts for difference” or “benchmarking/labelling”. In this regard, certification of clean ammonia is essential to jump start the clean economy, ensure transparency and build trust with low-carbon product end-users. For that purpose, Ammonia Europe recently launched its [certification scheme](#).
7. **Technology and infrastructure development:** Steady investments in ammonia technologies - ammonia synthesis and cracking, ammonia propulsion or ammonia turbines for example - is a necessity and needs to be included in the upcoming Industrial Decarbonisation Accelerator Act.

In parallel, investment in infrastructure is essential to connect supply and demand. Ammonia, as an already traded commodity, has existing infrastructure (>30 terminals, ammonia vessels, rail and road

January 2025

transport facilities) that require scaling-up to anticipated demand; this is particularly the case for ammonia terminals which can provide large scale storage for clean energy. Additionally, the development of ammonia maritime bunkering facilities and crackers, which are vital for advancing Europe's energy transition and security should also be supported as part of the European Port Strategy and Industrial Maritime Strategy.

We welcome the European Commission's focus on competitiveness and strengthening Europe's energy and industrial resilience. As rightfully mentioned in the competitiveness compass, "the window of opportunity is narrow. The EU must choose to act in unison for a future of sustainable prosperity for all or accept division and economic decline." Indeed, without a level playing field, there is a risk that investments and industrial activity could shift elsewhere, undermining both climate goals and economic stability. An approach that balances technology-neutral sustainability with competitiveness is essential to keeping European industry strong and at the forefront of the clean transition for the benefit of Europe's economy and its citizens.