



Position Paper

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Knowledge grows

Ukraine invasion – addressing food, fertilizer & AdBlue® supply risks

Our recommendations to EU Policy makers

Introduction

We are extremely concerned about the grave situation which is now unfolding in Ukraine and stand fully behind the Norwegian government's condemnation of the Russian military invasion. Yara has been directly hit by the conflict both by having employees in the war zone in Ukraine and by a missile that hit the Yara office building in Kiev. Fortunately, none of our employees were physically harmed. At the same time, we are sourcing a considerable amount of essential raw materials from Russia, used for food production worldwide. In addition to the immediate threat to life, and the gruesome sufferings that we are witnessing in Ukraine, few things are more important than access to food.

Yara's business is closely linked to two fundamental aspects of life in Europe:

- **Food supply:** a functioning food system forms the very basis of a functioning society. The fertilizer industry supplies nutrients to feed crops that feed people. The pandemic and increased European gas prices have however exposed the weaknesses in the food system and the urgency for change (see [op-ed by Svein Tore Holsether](#), President and CEO of Yara International, 1 March 2022).
- **Transportation:** functioning road transport is a must for the movement of goods and people. Virtually all modern diesel vehicles and machinery (such as trucks, delivery vans, fire engines, passenger cars or buses) require AdBlue® to function.

Both of the above are today critically challenged by the war in Ukraine. As Europe's leading fertilizer manufacturer, Yara International takes its role seriously. Our operational crisis team is working to adjust our production system, inter alia by seeking other sources of raw materials to remain in full compliance with the sanctions against Belarus and Russia (see [Yara Press Release](#), 11 March 2022), with the ultimate goal of reducing our dependency on the latter. While Yara's goal is to continue supplying European farmers with fertilizers and the transport sector with AdBlue, the European gas prices now however force it to curtail production. This results in a reduction of Yara's European ammonia production by more than half (see [Yara Press Release](#), 9 March 2022). Should technical ammonium nitrates for use in explosives also suffer as a consequence, European mining activities would come to a halt – impacting industry widely, including Yara's own Phosphate mine and leaving few, if any, alternatives to Russia.

The current situation calls for the urgent need to improve the resilience and sustainability of the food system. This is why we are calling the European Commission, EU Member States, and the Norwegian government alike to protect the global food production and work together to decrease dependency on Russia.

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Our recommendations – short term crisis management

1) Support for European farmers

Considering the growing risks related to worldwide food security, it is essential that farmers feed their crops with the nutrients necessary to reach their maximum genetic growth potential. Fertilizers are critical for self-sufficiency in Europe and for worldwide food supply because the essential plant nutrients provided by mineral fertilizers are estimated to produce 50% of the food grown today (Erisman et al., 2008). The current uncertainty must not result in lower food production in the EU and where necessary the EU Commission should activate existing aid mechanisms under the EU Common Agricultural Policy (CAP), such as the crisis reserve mechanism, to support farmers and maintain productivity.

2) Secure a functioning road transport

The EU Commission and National Governments have a duty to monitor the availability of fertilizers, AdBlue and chemical reagents and prevent shortages, considering the common interests of the European Union. The fertilizer industry also supplies Europe with the chemicals required for abating dangerous NOx (nitrogen oxides) emissions. AdBlue is critical to road transport. Urea and ammonia are essential reagents for clean air, used to clean the emissions from combustion plants, incl. electricity power plants, waste-to-energy plants, cement plants, etc. Market mechanisms in an open internal market offer the most efficient tool in rebalancing the economic system. But during price shocks it may become uneconomic for individual economic actors to continue operating installations or delivering products even if the product is a critical input factor for the European economy.

3) Promote the efficiency of the nutrients used at farm level in the CAP Strategic Plans

All studies on the impacts of the different non-binding targets under the Farm to Fork (F2F) Strategy show that the biggest factor impeding farm productivity is the goal of halving nutrient losses by 2030. The best way forward is to support farmers with agronomic advice, precision farming and digital tools to make every nutrient count – and this can be done via dedicated eco-schemes in the CAP national Strategic Plans and incentives to upscale precision farming. Considering the need for the EU to offset the lack of crops from Ukraine, we believe it is becoming even more important to optimize the ratio between crop yield and nutrient supply, securing good harvests and long-term soil fertility.

Our recommendations – a robust European economy built on renewable energy

1) Increase the EU Innovation Fund & focus on sectors relying on natural gas

The European Commission should further increase the overall funding of the EU Innovation fund for the upcoming 3rd call for large-scale projects, e.g. by expanding the sources of the Innovation Fund beyond revenues from the EU's Emissions Trading System. In addition to developing a supply of affordable renewable energy, the conversion of the industrial infrastructure will require large-scale investments. Contracts for differences must consider sector-specific needs beyond the cost per carbon emission avoided, because “hard-to-abate” sectors are per definition “expensive-to-abate”. In addition, a significant share of the 3rd call of the Innovation Fund should be earmarked for sectors particularly relying on natural gas, and which demonstrate a high emission and trade intensity. Here, nitrogen fertilizers are among the industries that deserve special attention.

2) Adjust the ETS methodologies to the current, exceptional circumstances

The reforms of the Emission Trading System and the allocation of free emission allowances rightly take into account production figures and capacity utilization. However, the EU Commission should exclude from its assessments the unrepresentative production figures resulting from the gas price surges. Otherwise, the negative consequences of the gas price surge are magnified and therefore further discouraging investors to take investment risks.



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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, fertilizer 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 2020, Yara delivered more than 38 million tons of product and reported revenues of USD 11.6 billion.

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