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Sent: mercredi 26 mai 2021 16:26
To: CAB TIMMERMANS CONTACT
Cc: CAB GENTILONI CONTACT; THOMAS Gerassimos (TAXUD);
PETRICCIONE Mauro Raffaele (CLIMA); [REDACTED]
Subject: Letter to EVP Timmermans on CBAM model - ETS reform
Attachments: 2021-05-26 Timmermans.pdf

Enclosed, please find letter to EVP Timmermans on CBAM model – ETS reform.



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26 May 2021

Executive Vice-President
Frans Timmermans
European Commission
Rue de la Loi 200
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Via e-mail

Concerning our meeting on 15 June on the decarbonisation of the economy and the necessary accompanying measures in form of CBAM model/ETS reform

Dear Executive Vice-President Timmermans,

Fertilizers Europe is very much looking forward to the meeting on Tuesday 15 June at 15h30 where we hope to be able to discuss CBAM/ETS reform and green ammonia with you in more detail.

As industry, we are happy to invest in and contribute our technological and management capabilities to the climate effort.

Through the production of green and blue hydrogen and even more importantly green and blue ammonia the fertilizer industry will play a key role in the decarbonisation of the economy. Green and blue ammonia is not just important for green fertilizers, but also as fuel for deep-sea shipping and as energy-carrier for hydrogen. In short, green and blue ammonia will become the work horse of the hydrogen economy of the future.

The availability of green electricity will be a key element in this effort and should be supported by transition funds, taking into account the very different situation across member states.

The fertilizer industry is an energy intensive industry. It should be noted that through the use of fertilizers, the agricultural crops bind about eight-fold more GHG than was released during the production of the mineral fertilizer and the working cultivation of the crop.

However, in order for the fertilizer industry to play this positive role, it is necessary to establish a responsible and predictable regulatory framework for CBAM and ETS reform going forward.

It is imperative for the fertilizer industry that the following conditions are pillars of the design of a future CBAM-model. Without such conditions this industry cannot commit to being a test sector for CBAM.

1. Free allowances must be maintained to minimum 2030, and sectors within the CBAM should be granted free allowances on an identical basis to other ETS sectors. A combination of CBAM and free allowances is necessary, as only under such conditions will the fertilizer sector stay competitive and remain a responsible supplier to the European agri-food and other value chains.
2. The scope of a CBAM should encompass not only the basic products of ammonia and nitric acid (CN codes chapter 28), but also all finished fertilizer products encompassed by CN codes chapter 31 and selected technical products with a nitrogen percentage above a certain level to be established. Since about 2/3 of nitrogen is imported as finished fertilizers products, this extension of the scope is needed to avoid that a CBAM is simply circumvented.
3. An export mechanism must be introduced to ensure that the fertilizer sector remains competitive on the world market. The European fertilizer industry has an important export of value added fertilizers and selected technical products and these markets must be maintained.

In this context, the fertilizer industry does not agree with general references to WTO compatibility claiming that a CBAM model cannot be combined with free allowances. On the contrary, our independent expert legal study clearly states that "WTO law does not per se prohibit such co-existence of measures..."

As a final note, let me add that the design of the CBAM model is not only about carbon leakage and competitiveness, but perhaps even more so about investment leakage. In order to continue to invest in industrial plants in Europe going forward, we need a predictable regulatory framework and a CBAM design that works to secure us against carbon and investment leakages.

Looking forward to discussing these issues in more detail during our meeting in June, I remain



Copy: Commissioner for Economy Paolo Gentiloni
Mr. Gerassimos Thomas, DG TAXUD
Mr. Mauro Petriccione, DG CLIMA