

Meeting with Yara international – 17 march 2022, Brussels

DG AGRI: W. Burtscher, M. Scannell, [REDACTED], [REDACTED]
Yara: [REDACTED]), [REDACTED]), [REDACTED]
[REDACTED]

Minutes

Yara thanks DG AGRI to have an opportunity to dialogue around current challenges (rumours of contracts cancelled and plants closing, doubts an availability of fertilisers) generated by the war in Ukraine.

Russian nitrogen fertilisers producers have been benefiting since long of better gas prices than companies like Yara. Now the difference is 20 fold. But Yara compensates with higher efficiencies. It imports raw material (ammonia, but also potash and phosphates) from Russia and optimises the fertilisers formula in EU and Norway's plants. This shows the dilemma raised by EU sanctions on Russia for fertiliser production: they can harm the EU production potential. Sanctions may also affect EU producers owned by Russian capital (ie Eurochem).

Yara considers the surge of gas price is a big challenge: there is a level at which it is not rational anymore to produce nitrogen fertilisers. Right at the time of the Russian invasion, gas price reached disproportionate levels at which EU production of nitrogen fertilisers is not economically viable anymore. State aid approach under REPower EU will be critical for fertiliser companies.

According to Yara, there is also an issue for availability of AdBlue (for diesel engines), as this is produced from ammonia too. Concerning fertilisers, EU farmers have a potential to reduce the use of potash without significant yield impact, at least for one year. This is also the case to a lesser extent for phosphates (for which in addition Russia is a supplier for low Cadmium contents mineral). But for nitrogen there is hardly any flexibility without impact on yields.

DG AGRI asked whether EU farmers could still purchase at current high prices of fertilisers. Yara considers we are already at the edge of what farmers can afford. Yara will help on optimisation through precision farming (potential of 10% reduction according to Yara), will invest in organic fertilisers (from manure etc) and green ammonia based on hydrogen and renewables (hydro power, wind). But the risk for such diversification would be that gas price lower to their previous level, wiping off these innovative investments. Guarantees are needed to secure these investments.

To ensure food security, Yara would recommend to secure gas access for fertilisers companies if gas has to be rationed later in the year if Russia cuts off the supply, and to secure access to imported nitrogen from outside Europe (as ammonia, urea or other raw material or as fertilisers ready to apply), ie from their plants in Texas. AD duties on UAN and AN are however negligible and not necessarily the problem. Yara considers the situation in Africa is worrying on food security, where farmers may not be able purchase fertiliser for the next harvest (2023) by lack of liquidity.