



Position Paper

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Knowledge grows

Ukraine invasion:

Addressing food, fertilizer & AdBlue^{®1} 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 (trucks and delivery vans; tractors and harvesters; fire engines and ambulances; passenger cars and buses) require AdBlue[®] to function.

Both of the above are today critically challenged by the war in Ukraine. As Europe's leading fertilizer and AdBlue 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, we have at one point been forced to curtail production this winter. Resulting in a reduction of Yara's European ammonia production by more than half (see [Yara Press Release](#), 9 March 2022). Fortunately, we have been able to resume production and are currently up and running.

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.

¹ AdBlue[®] is a registered trademark of the VDA (Verband der Automobilindustrie)

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Our recommendations – short term crisis management

1) Ensure the continued and undisrupted access to natural gas

Gas is the primary and critical input factor for nitrogen production. If gas supply falls away in Europe, two fundamental aspects of life in Europe are under threat:

Food supply: a functioning food system forms the very basis of a functioning society. The fertilizer industry supplies the nutrients needed to feed the crops that feed people. The pandemic and increased European gas prices have however exposed the weaknesses in the food system.

Transportation: functioning road transport is a must for the movement of goods and people. Virtually all modern diesel vehicles and machinery require AdBlue to function. Without AdBlue, supply chains and mobility would grind to a halt.

2) Encourage EU Member States to assign funds for fertilization under the crisis reserve

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. The European Commission should encourage EU Member States to allocate parts of the funds arising from the Crisis Reserve to support farmers for fertilizing their fields along good agricultural practices and with the support of precision farming and digital tools.

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. In short, it is essential to support farmers in ensuring that every nutrient counts. 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.

3) Secure a functioning road transport

Nitrogen chemicals are irreplaceable components in several sectors, and crucial for a functioning transport sector in Europe. Weighing the benefits of undisrupted availability of gas against the consequences to society of a shortfall of AdBlue, the cost/benefit equation appears convincing. Without AdBlue, the European transport sector would literally grind to a halt.

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.

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".



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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.

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.

For more information:

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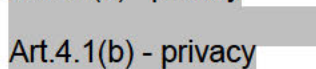


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