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Lithuanian nitrogen fertilizers producer SC Achema as well as Lithuanian Confederation of Industrialists would like to express its position on the European Green Deal Package, presented on 11<sup>th</sup> of December, 2019. SC Achema understands influence of emissions from production facilities to Climate Change and supports efforts to mitigate negative effect of it. The maintaining of competitiveness of the companies is crucial aspect. We partly support the EU Green Deal and EU emissions trading system (EU ETS) as the measures for climate change mitigation. Otherwise the greatest ambitions for decarbonisation targets should be harmonized with technological progress in industry, competitive economy in EU and globally and the adequate financial support as well.

Ammonia is the key building bloc in the production of fertilizers and the significant greenhouse gases (GHG) emitter. SC Achema emits about 2 million tons of CO<sub>2</sub> per year from 2 large scale ammonia plants based on steam methane reforming process. The lack of about 500 000 European Union Allowances (EUA) per year occurs from ammonia production facilities. It creates significant cost. The benchmark of CO<sub>2</sub> emission established as per Directive 2003/87 EU is not realistic and not achievable. There are no commercialized technologies to avoid CO<sub>2</sub> during ammonia production process. No evidences about invention of competitive decarbonized technologies in short term.

According to the study of the Navigant Company "Ecofys" in the end of 2014 the fertilizers sector (NACE 20.15) has a negative balance of EUA, while other sectors (cement, paper) have surplus till 2030. What clearly confirms the differentiation of industry sectors. Based on what is said above we strongly insist do not change existing targets for 2030 for fertilizers sector.

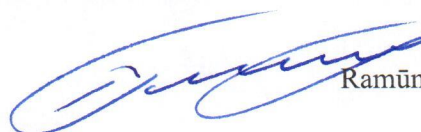
In order to be able to contribute to climate-neutrality by 2050, fertilizer industry needs adequate protection and financial support to avoid carbon leakage. Fertilizers sector is exposed to a high trade intensity (around 40% in 2016) and very high process emissions which makes it practically impossible to significantly further reduce emissions. Around 60 % of CO<sub>2</sub> emissions from ammonia production is unavoidable because it is derived directly from the process not from the burners.

The European Commission (EC) is currently working on the guidelines on state aid measures in the context of ETS Phase 4 (2021-2030). As per initial quantitative assessment the fertilizer sector is not sufficiently exposed to indirect carbon leakage risk to qualify for state aid. We strongly oppose this statement – it is obligatory to check the existing data and calculations. Indirect emission intensity factor in years 2013-2015 is 10,49 kg. CO<sub>2</sub>/EUR (GVA), for the period years 2016-2019 is 2,6 kg. CO<sub>2</sub>/EUR (GVA) as per Achema's estimate. This shows more than necessary quantitative indicator.

The investment of 15 million EUR is necessary to reduce about 24 500 t of CO<sub>2</sub> per year in ammonia production as per prepared studies. Further decarbonization possibility - Green ammonia – via water electrolysis to produce hydrogen. Investment of 38.5 million EUR require to replace 10 % of hydrogen and 110 000 EUA reduce CO<sub>2</sub> emissions. The Innovation fund, Modernisation fund and Just Transition fund should be available for scientists and industrialist to reach common aims – CO<sub>2</sub> reduction and fertilizer industry competitiveness.

Current protection measures under EU ETS are not enough to limit fertilizers sector exposure. Imported fertilizers with higher carbon footprint have increasingly substituted domestic EU production, resulting in a net increase of GHG emissions. Therefore, we support the idea of applying Carbon Border Adjustment Mechanism to our sector. We propose that such a measure is built by exposing importers to European benchmarks for fertilizer production and charging them for excessive emissions like European producers. Technical and administrative details need to be resolved for such a policy to become reality, and that will be complex.

General Director of SC Achema



Ramūnas Miliuskas