Workshop on Innovation Funding under ETS IV

Minutes

17 September 2019, 9h00-12.00 hrs.

Fertilizers Europe offices, Brussels

Opening and welcome – Jacob Hansen, Director General

Jacob Hansen welcomed the participants and opened the workshop. He explained that Fertilizers Europe organized the workshop on Innovation Fund following a suggestion by the Director-General of DG Climate Action, Raffaele Mauro Petriccione. Jacob Hansen explained that the fertilizer industry is facing high energy costs, which are a key challenge despite European fertilizer plants being among the most energy-efficient in the world. He pointed to the European Green Deal proposed by the president-elect of the European Commission, Ursula von der Leyen, and most importantly, her proposal concerning the carbon border tax. Jacob Hansen argued that as the sector with the highest risk of carbon leakage the fertilizer industry should be the first one to be covered by this proposed taxation scheme while maintaining the current free allocation system. He reminded the participants that Fertilizers Europe is also working on getting CCU in the fertilizer industry recognized under the new ETS.

Presentation of the Innovation Fund Regulation – Maria Velkova, DG Climate Action

Maria Velkova and Melina Boneva from DG Climate Action introduced "A Clean Planet for All", a European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy. Then, they presented the key features of the Innovation Fund. The focus of the Fund is on large-scale demonstration projects, first-of-its-kind, in the last stage before commercialisation. The representatives of the European Commission pointed to the compatibility of the Innovation Fund with other funding instruments such as Connecting Europe Facility, Modernisation Fund, Cohesion Fund, InvestEU, and funding supplied by members states. They also explained that Fertilizers Europe could assist members by collecting information on their projects, on confidential basis. Both individual companies and by consortia can apply for funding.

Presentation of the Innovation Fund – EIB

Fertilizers Europe asbl
Avenue des Nerviens 9-31
1040 Etterbeek, Brussels, Belgium
Tel: +32 2 675 35 50
No enterprise BE 0894.132.637
Transparency register nr. 80788715017-29

main@fertilizerseurope.com
www.fertilizerseurope.com

Roland H. W. Schulze presented on the role of the European Investment Bank in the NER300 and the Innovation Fund. He explained the funding and appraisal process, the determination of the relevant cost covered by funding and how EIB defines the reference plant.

Project presentations from companies in the sector

Borealis

Leonhard Werner explained the challenges of decarbonising an integrated site such as the one operated by Borealis in Linz (Austria) and presented two most likely scenarios of CO2 reduction for the ammonia plant in Linz. In the first scenario, a new hybrid ammonia plant would integrate “green” hydrogen from the grid or from on-site electrolysis into the existing plant set-up. Alternatively, in a “Power-to-Gas” scenario, CO2 from production could be used for the methanation of “green” hydrogen for further use in the production process or for the gas grid. In conclusion, Leonhard Werner argued for an evolutionary approach in reducing emissions from complex, interlinked, industrial sites such as the “verbund” in Linz.

Yara

Sammy van den Broeck presented Yara’s vision to become climate-neutral by 2050. Although the building blocks of low-carbon ammonia production have high Technology Readiness Levels, their integration, scaling up and access to renewable electricity still present a challenge. The speaker also advocated for a hybrid approach, where water electrolysis (20-100 MW) would be integrated as an additional source of hydrogen in the existing ammonia plant. He also informed about the partnerships Yara formed in order to facilitate their low-carbon strategy, including cooperation with a food chain company and an electrolyser manufacturer. Yara called for adequate financial support covering both capital and operational risks for first-of-its-kind projects. In the second part of his presentation, Sammy van den Broeck highlighted the advantages of ammonia as a zero-carbon fuel for shipping.

Lovochemie

Branislav Brežný presented a project considered by Lovochemie where CO2 and gypsum formed as by-products of the de-sulphurisation of flue gases are converted into intermediate (calcium carbonate) and end-use (ammonium sulphate) fertilizer products. The representative of Lovochemie pointed to the contribution of the proposed solution to circular economy. He also identified the needs for support both in policy (the recognition of CO2 utilisation under EU ETS) and technological research.

OCI

Jan-Jaap Nusselder presented the OCI project of captured CO2 transportation by barges to the coast and subsequently to the offshore permanent storage site in the depleted gas fields. The company calls for financial support for the feasibility study and for legal support in recognising the transport by barge as an element of CCS in the EU ETS.

Discussion around key issues related to the preparation of the first call.

In the discussion that followed the presentations, the Commission representatives clarified that the idea behind the Innovation Fund is to support projects from every sector. Criteria for funding are known, so companies can already prepare their applications. For the first project screening stage, a feasibility study is sufficient. Thereafter, applicants will still have four years for a full design study.

The Commission acknowledged that projects concerning low-carbon ammonia as fuel for shipping are eligible for the support by the Innovation Fund. DG Clima also informed that they do not consider projects activities based on CO2 originating from fossil fuels as CCU with climate benefits.

DG Clima recognised the lack of CO2 shipping as a legal barrier and informed that it will be solved for the next phase of EU ETS (Phase 4).

Fertilizers Europe asbl
Avenue des Nerviens 9-31
1040 Etterbeek, Brussels, Belgium
Tel: +32 2 675 35 50
No enterprise BE 0894.132.637
Transparency register nr. 80788715017-29

main@fertilizerseurope.com
www.fertilizerseurope.com