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Commodity Insights

European Fertilizer Market Expectations

Associate Director – Fertilizer Analytics

May 19th, 2025

Agenda

- Introduction: overview of the N fertilizers industry and Europe's position in it
- EU proposal for tariffs on Russia and Belarus – Nitrogen
- CBAM (and a hint to RED III)
- Trump tariffs: not an industry concern

Picture:Getty Images 1143491715

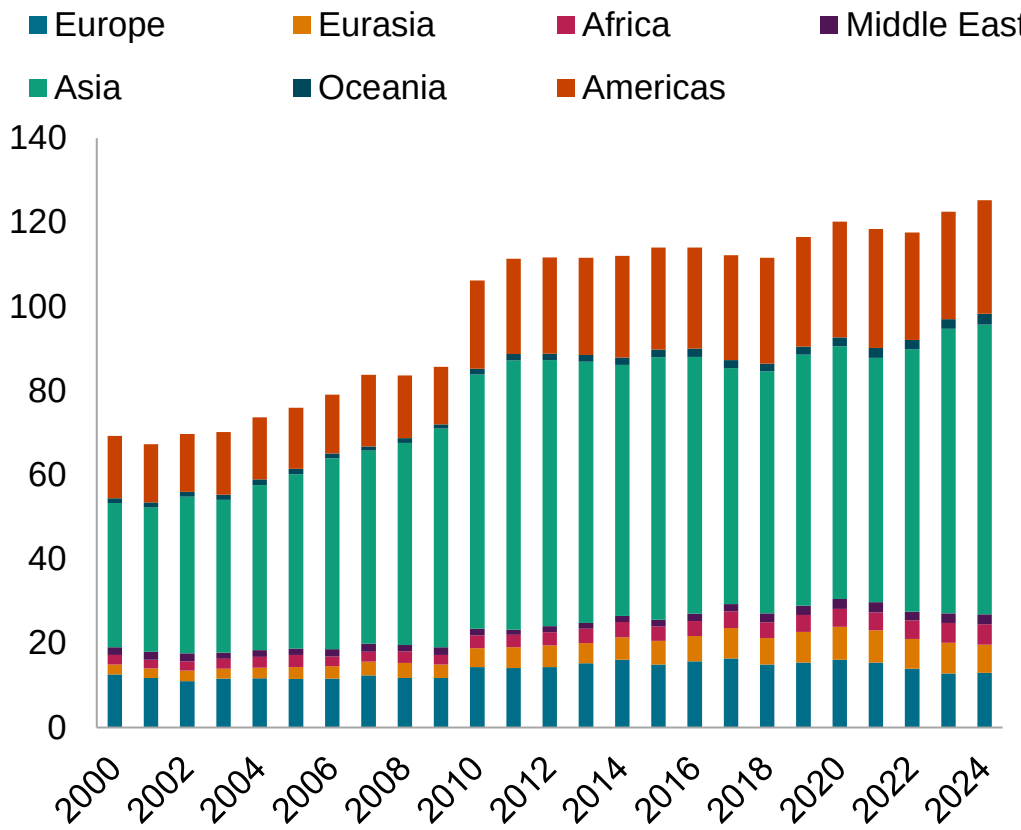
Introduction: overview of the N fertilizers industry and Europe's position in it

Picture: Getty Images 623194968

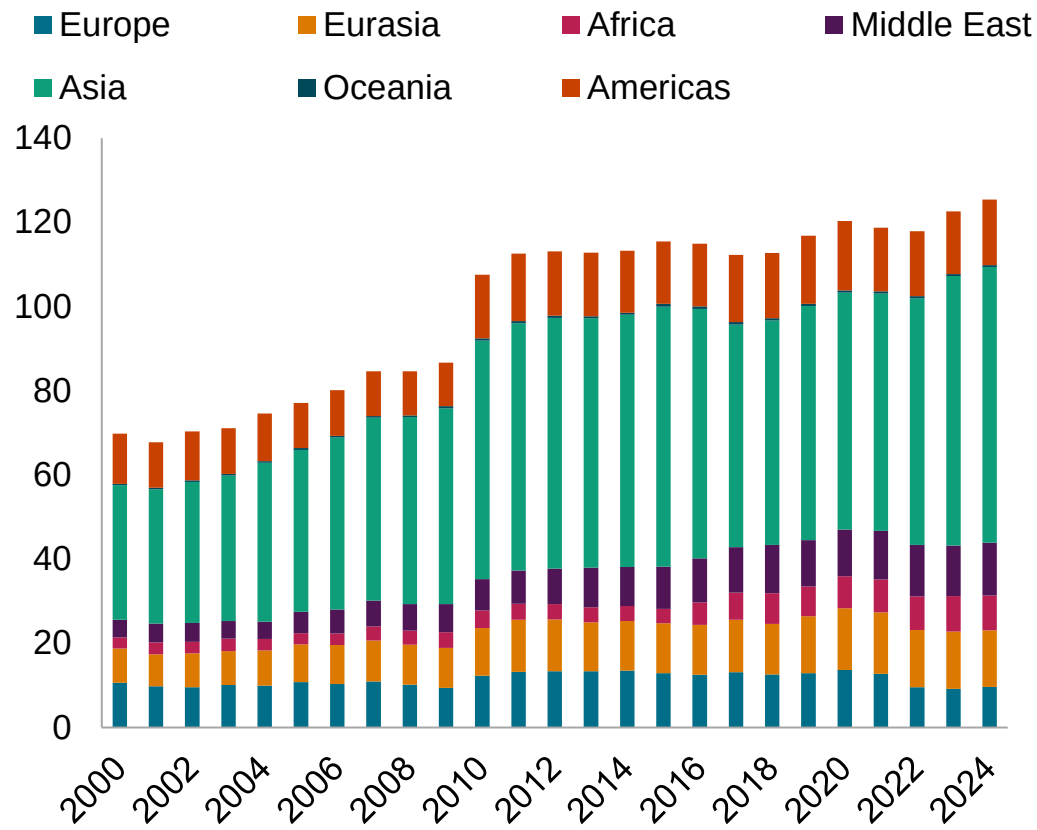
Refresher: the global N market, the EU's position in it

Demand and Production

Total Nitrogen Fertilizer demand, mln t N



Total Nitrogen Fertilizer production, mln t N

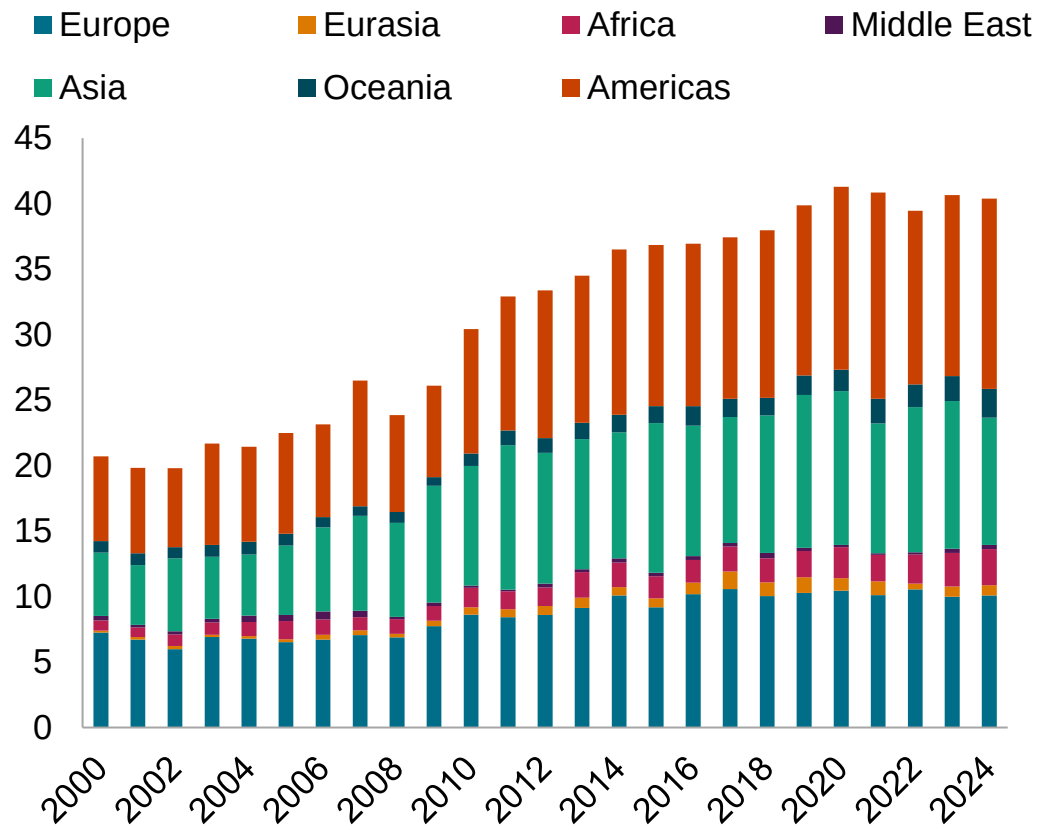


Data compiled May 2025.
Source: S&P Global Commodity Insights.

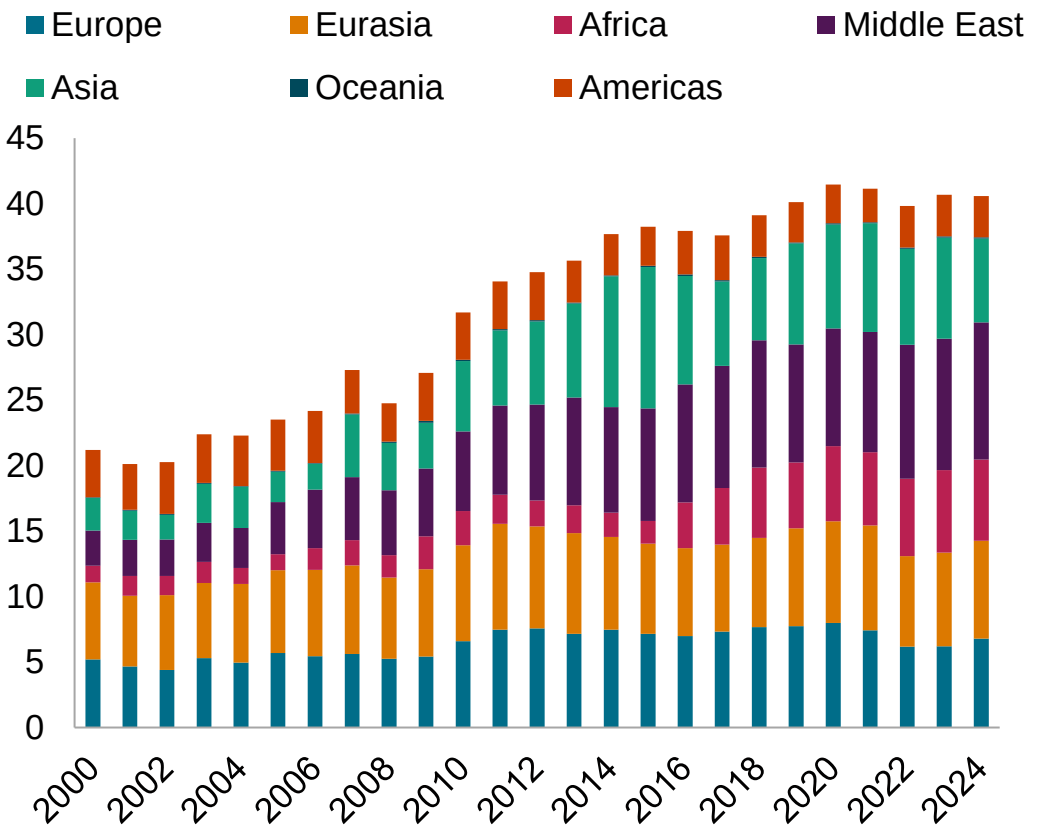
A stronger role on trade

Imports and Exports

Total Nitrogen Fertilizer imports, mln t N



Total Nitrogen Fertilizer exports, mln t N

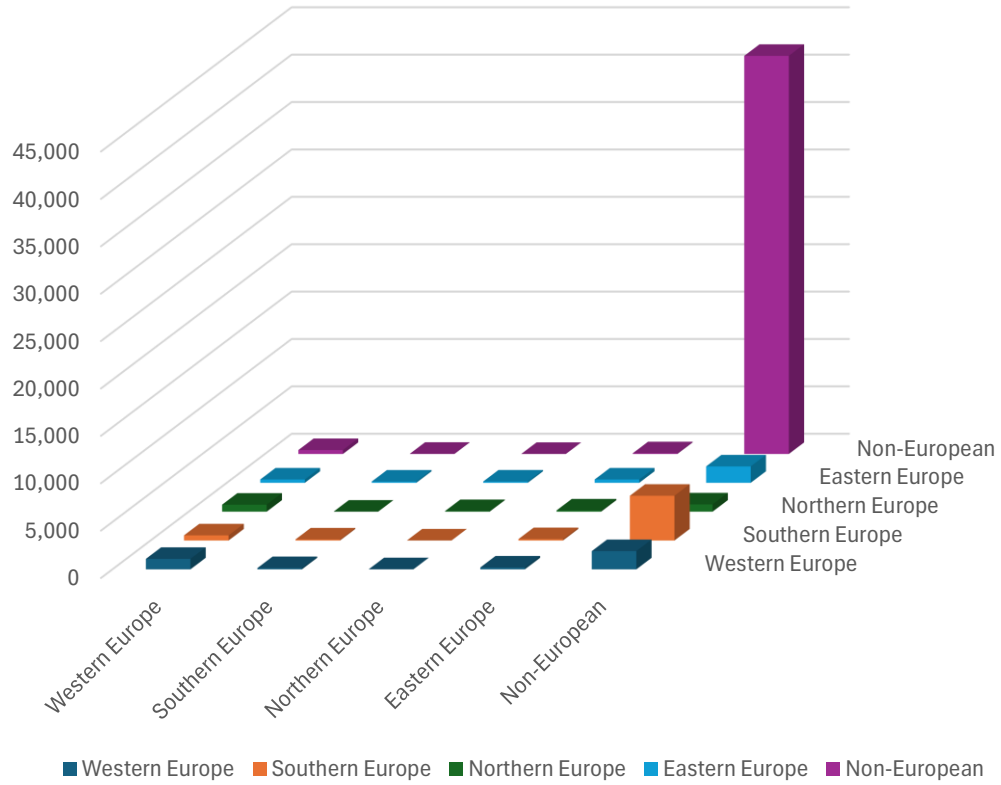


Data compiled May 2025.
Source: S&P Global Commodity Insights.

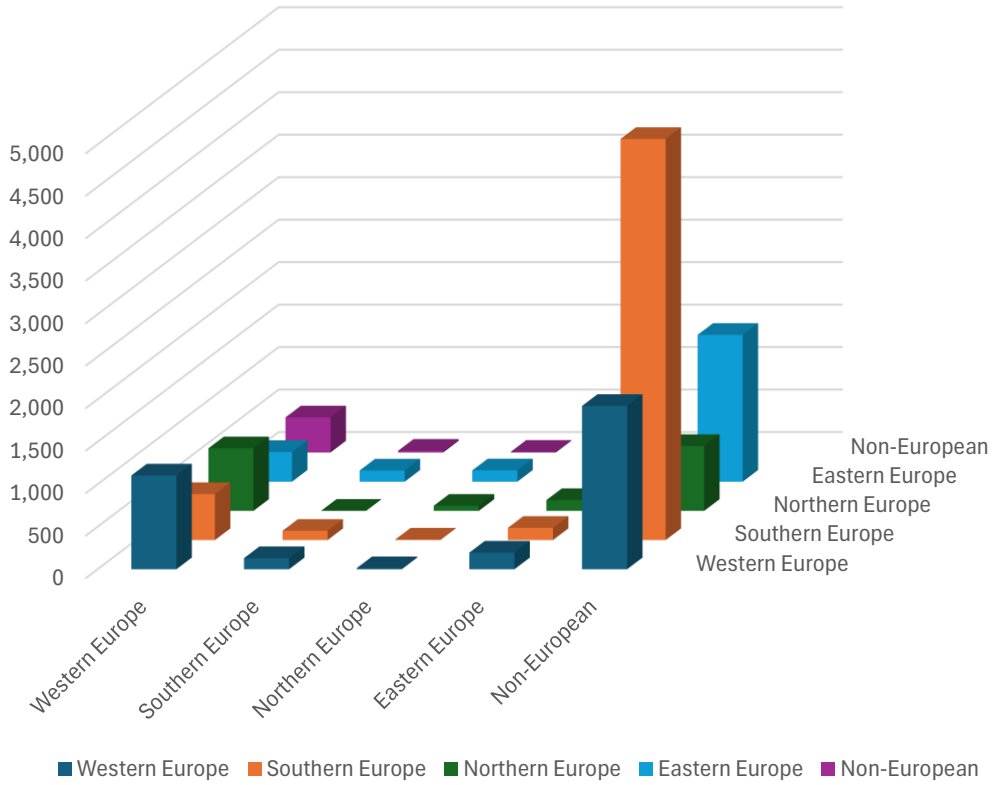
Internal trade flows are significant, but external flows are much more important

An example from urea

Urea trade matrix, 2024, kt



Urea trade matrix, 2024, kt



Data compiled May 2025.
Source: S&P Global Commodity Insights.

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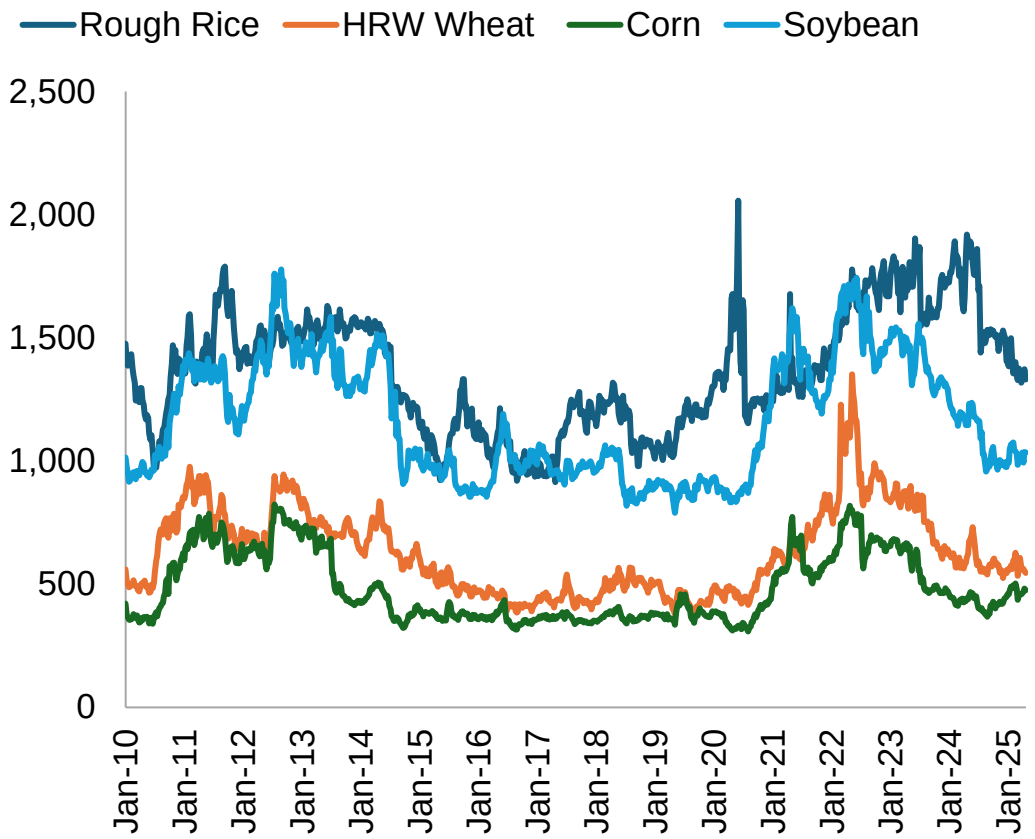
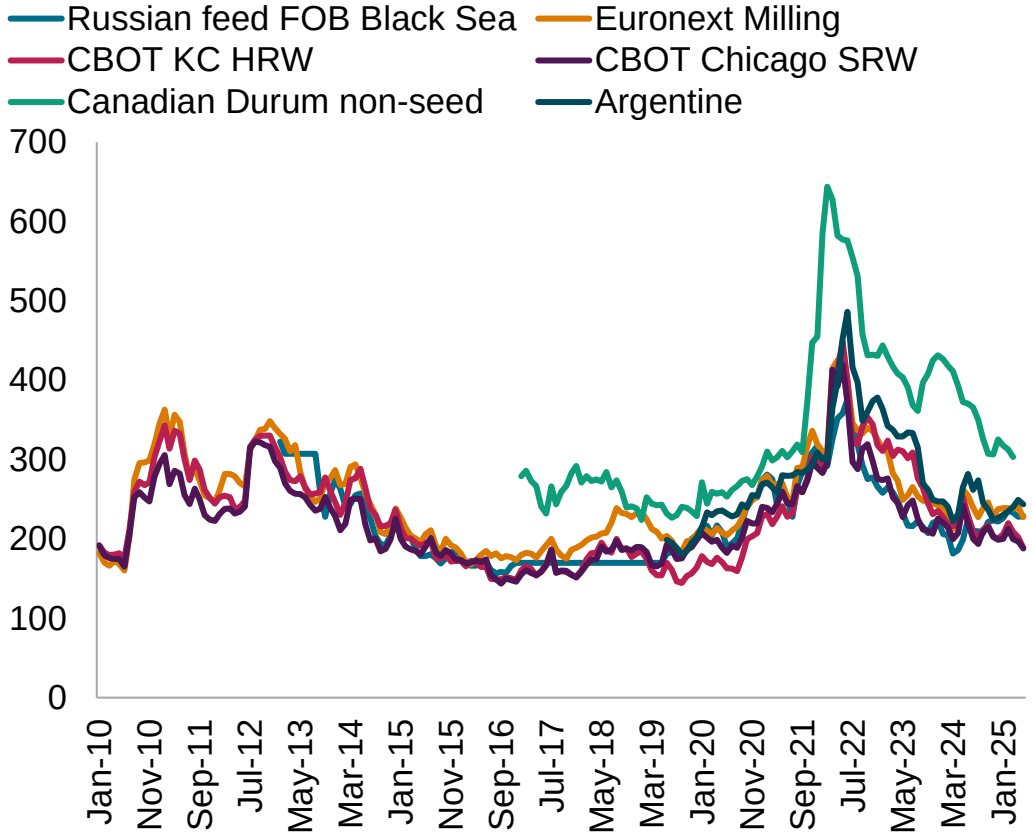
Crop prices are not experiencing their strongest performance

Movements of selected crop price contracts

Key crop prices (CBOT), USD/t



Wheat prices across benchmarks, USD/t

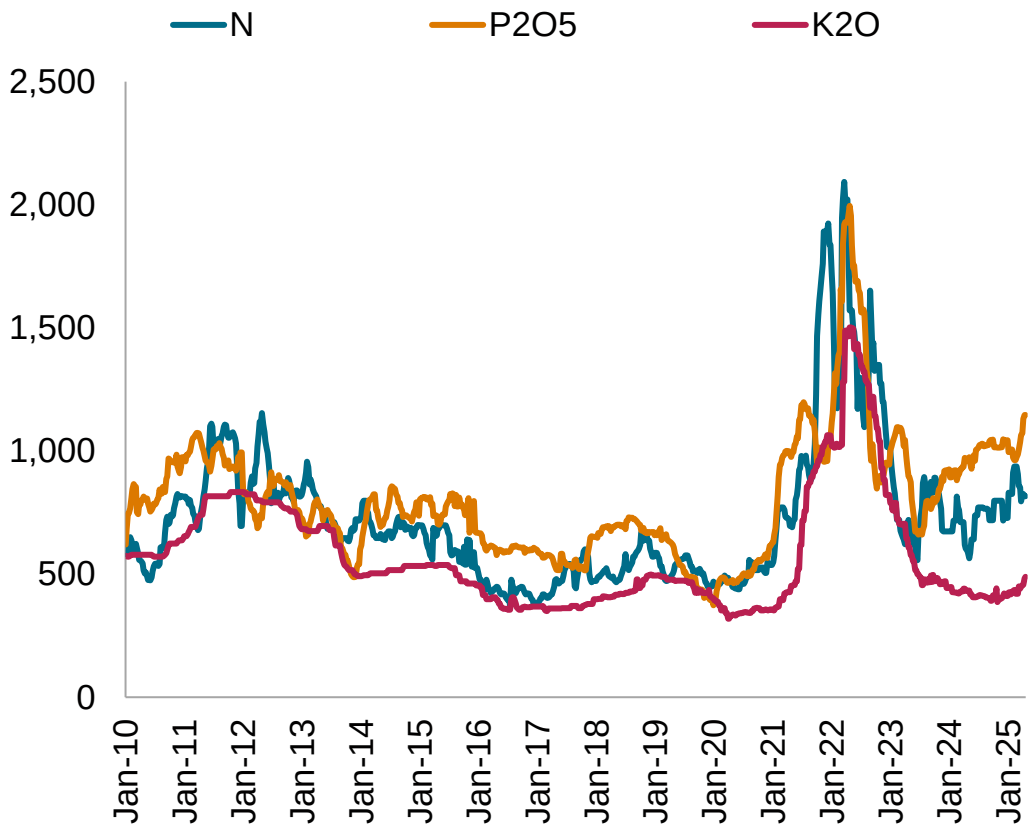


Data compiled May 2025.
Source: S&P Global Commodity Insights.

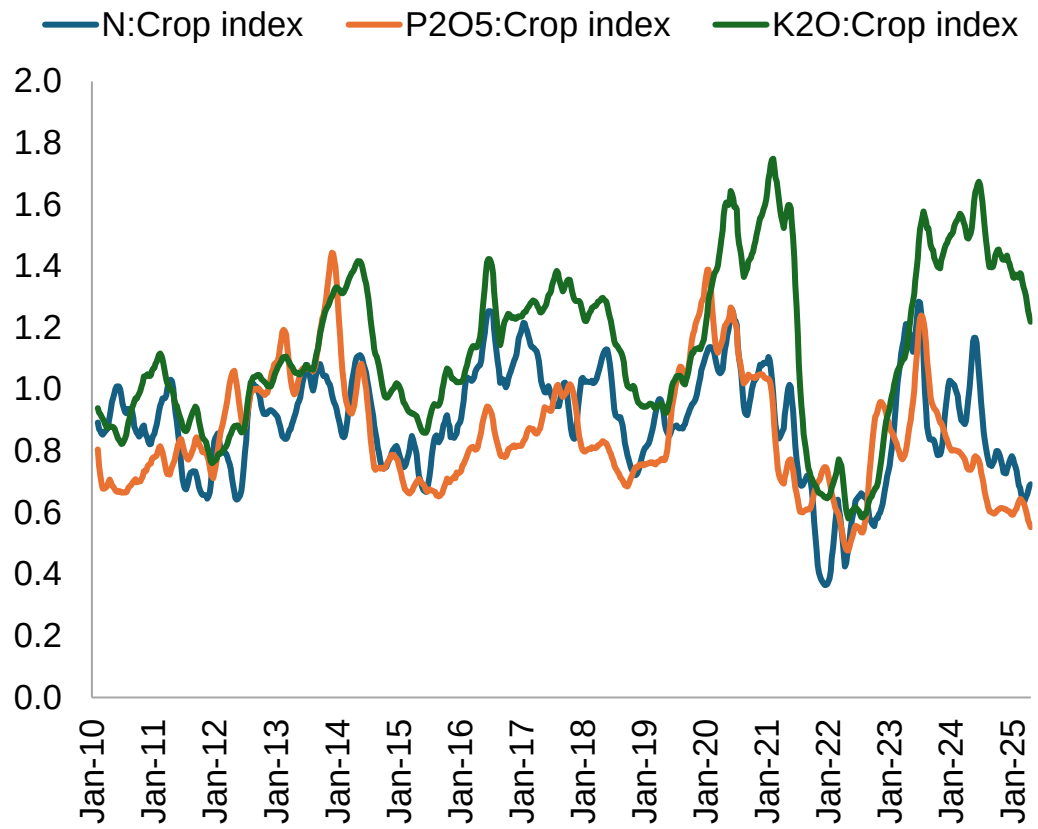
Fertilizer prices are instead comparatively strong, with differences by nutrient

Nutrient value for primary nutrients and comparison against the crop basket

Nutrient-level valuation, USD/t nutrient



Affordability index by nutrient, Jan 2010 = 100



Data compiled May 2025.
Source: S&P Global Commodity Insights.

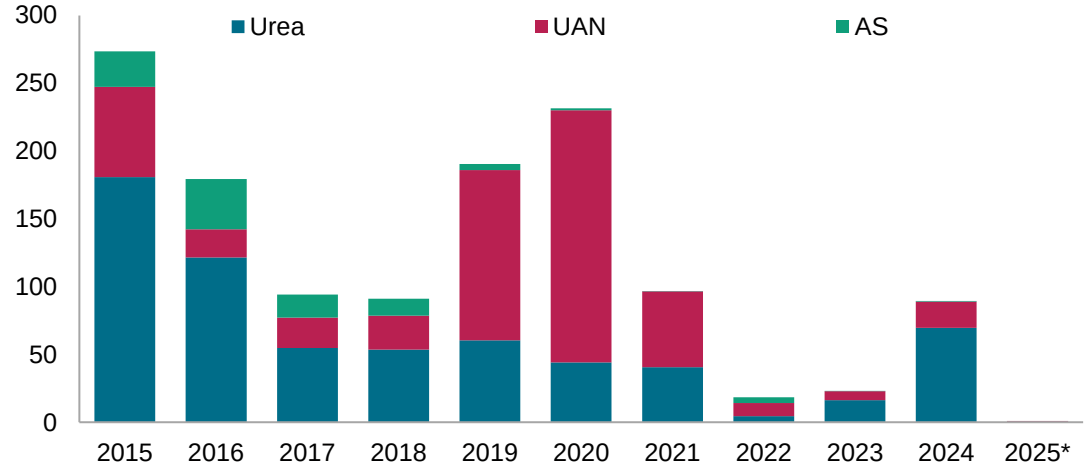
EU’s proposal for tariffs on Russia and Belarus - Nitrogen

Picture: Shutterstock 448065859

Proposed EU tariffs are mainly a story about Russia

- **January 2025**: The EC proposes additional tariffs on fertilizer imports from Russia/Belarus into the EU to reduce dependency/support domestic fertilizer production.
- **Proposal for nitrogen**
  - From July 2025, fertilizers under HS code 3102 (including urea, UAN, CAN, AN and AS) would incur an added fee of €40-45/t.
  - By mid-2028, this fee would rise to rise to €315/t.
- **March 2025**: The European Council adopted its negotiating position on the tariffs, allowing for formal negotiations with the European Parliament before the policy can be finalized. The final decision from the European Parliament is expected during a plenary session on May 22, 2025.
- **May 2025**: The International Trade Committee approves measures against imports of selected RUS/BLR agricultural inputs

EU27 imports of N fertilizers from Belarus, 2015-2025 ytd, kt N

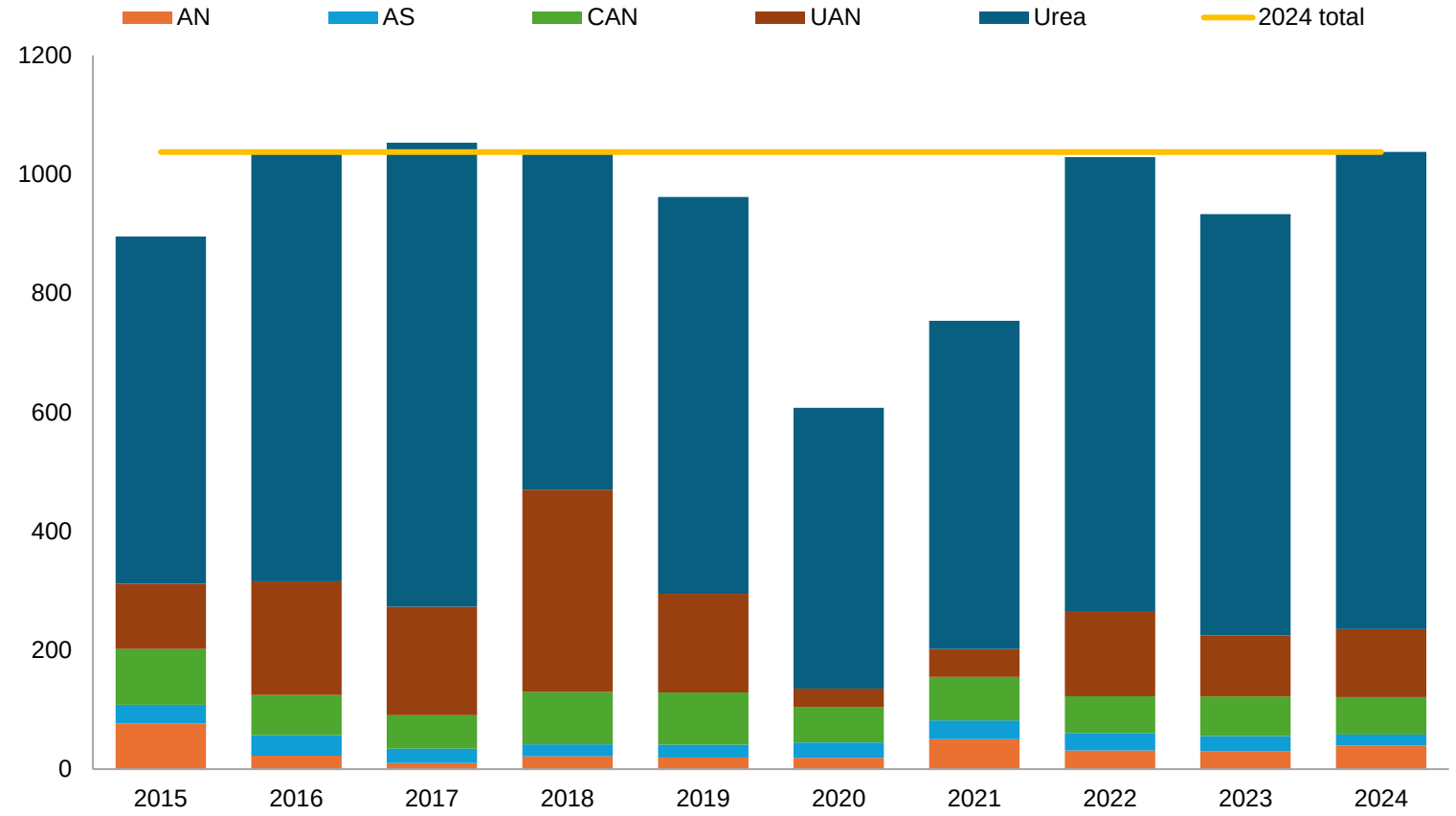


- For nitrogen, this is mainly a story about imports from Russia. Imports from Belarus have already decreased over time.
- Imports in 2024 reached not even 90kt N (against about 1Mt N from Russia), according to data reported by the 27 member states.

Data compiled May 2025.
*2025 year-to-date includes complete data up to March 2025, i.e., Q1 2025. All data reported by the 27 EU member states.
Source: S&P Global Commodity Insights.

The EU's N exposure to Russian imports is by far the largest in urea

EU27 reported imports of select N fertilizer from Russia, kt N



- **2024**: EU member states reported imports of 1.04Mt N from urea, UAN, CAN, AN and AS.
- This is in line with the highs seen in 2016-2018 and in 2022.
- The exposure is by far strongest in urea.
- Exposure for nitrates is weaker, but still significant.

Data compiled May 2025.
Source: S&P Global Commodity Insights.

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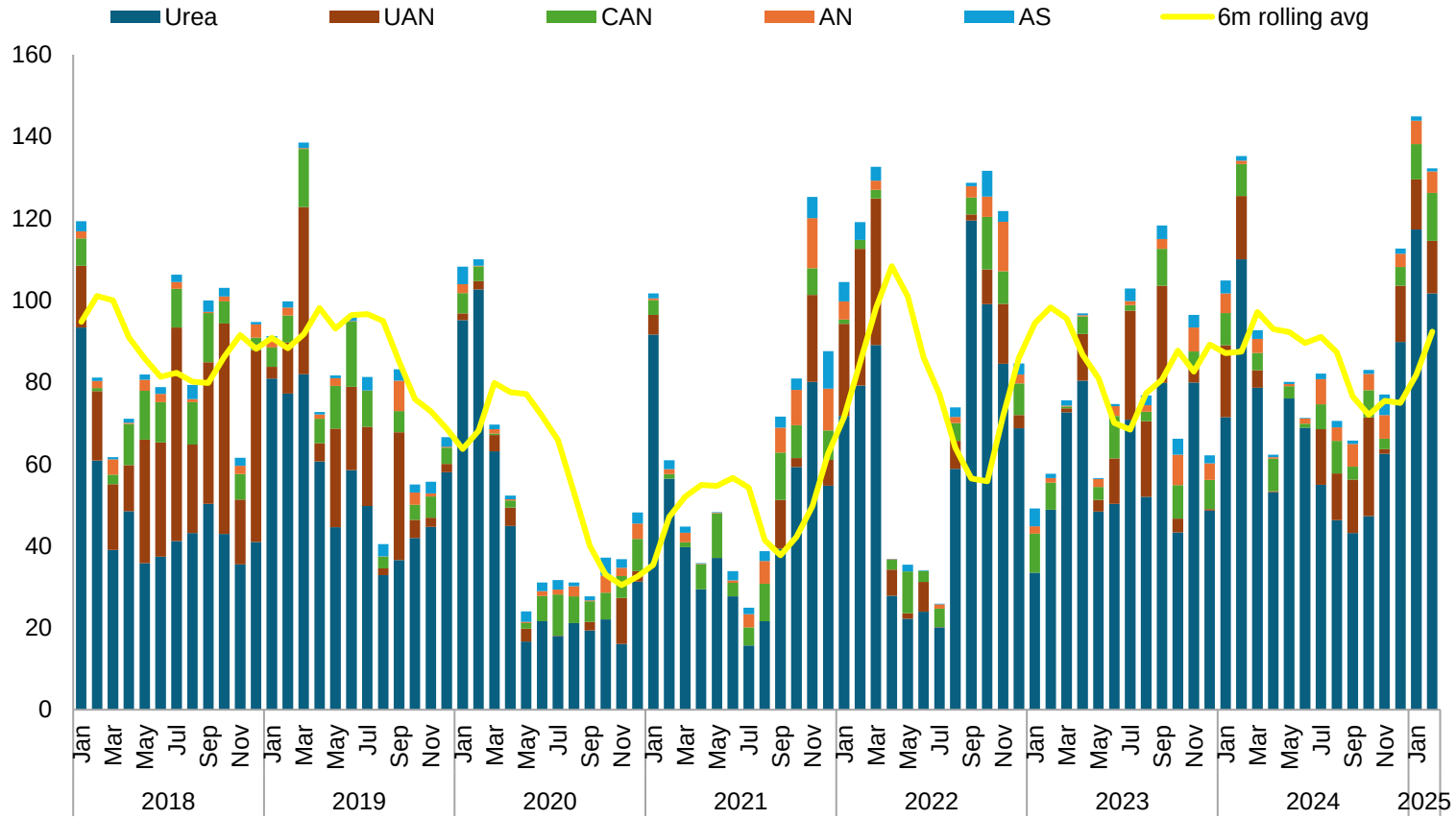
Monthly N imports in February 2025 from Russia are in line with some of the highs seen in 2023 and 2024

- The 6-m rolling average highlights that imports of the select N fertilizers are, on average, relatively high and, in fact, in line with historical averages in 2023 and 2024 as well as earlier years.

- This highlights that possible tariffs have not deterred EU buyers from sourcing Russian material ahead of the final decision.

EU27 monthly reported imports of select N fertilizer with 6m rolling average, kt N



Data compiled May 2025.
Source: S&P Global Commodity Insights.

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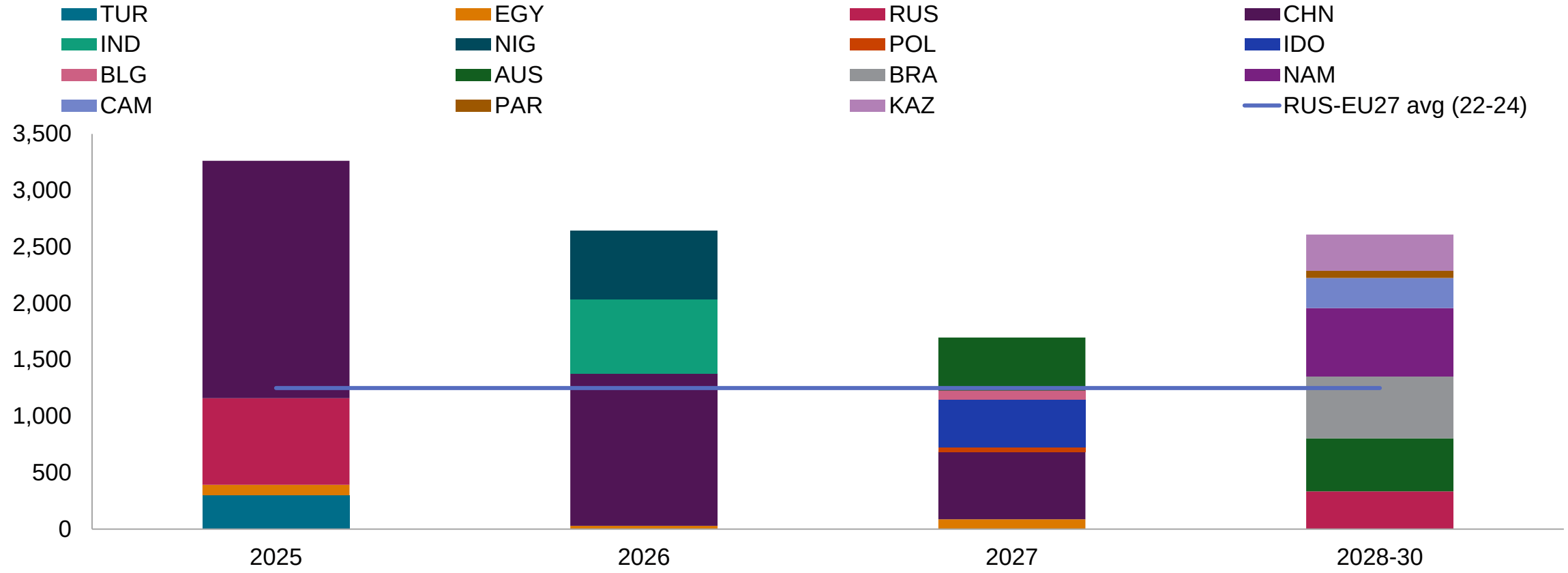
Can Europe find new sources of nitrogen fertilizer in the short-term?

Expected global capacity growth lies above the RUS-EU27 average trade volume...



Data compiled May 2025.
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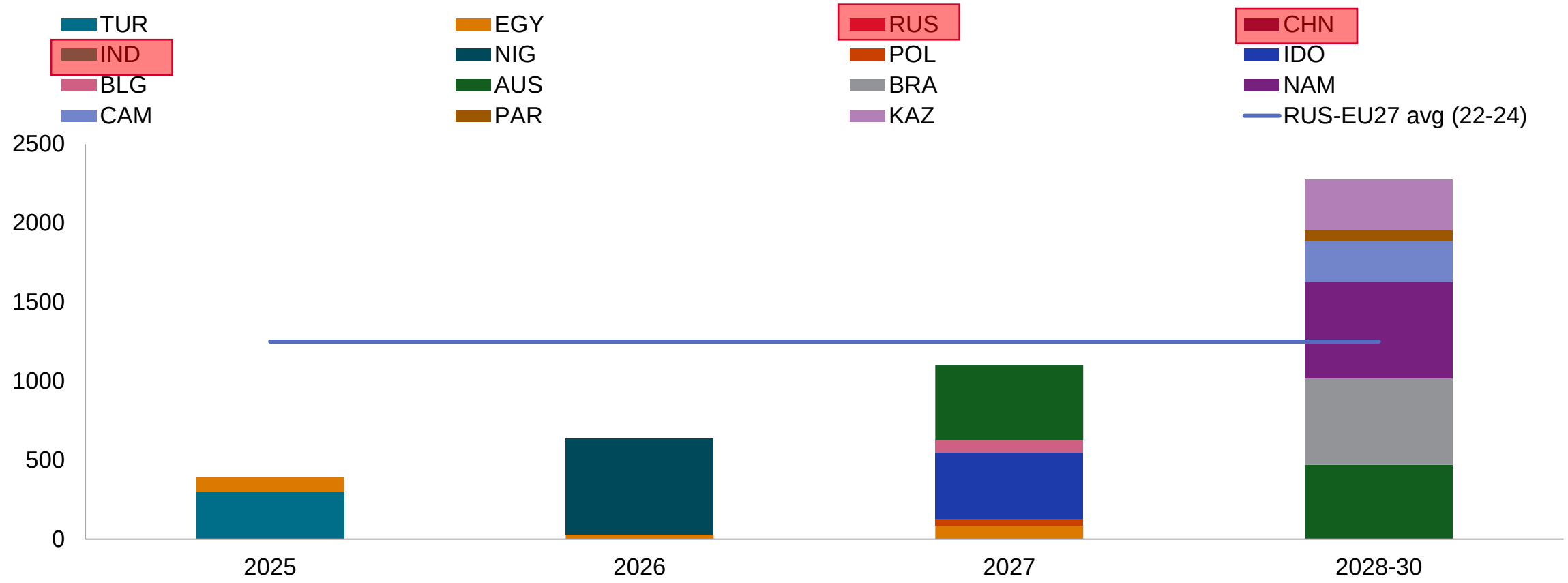
Can Europe find new sources of nitrogen fertilizer in the short-term?

...but not all geographies will be a good candidate



Data compiled May 2025.
Source: S&P Global Commodity Insights.

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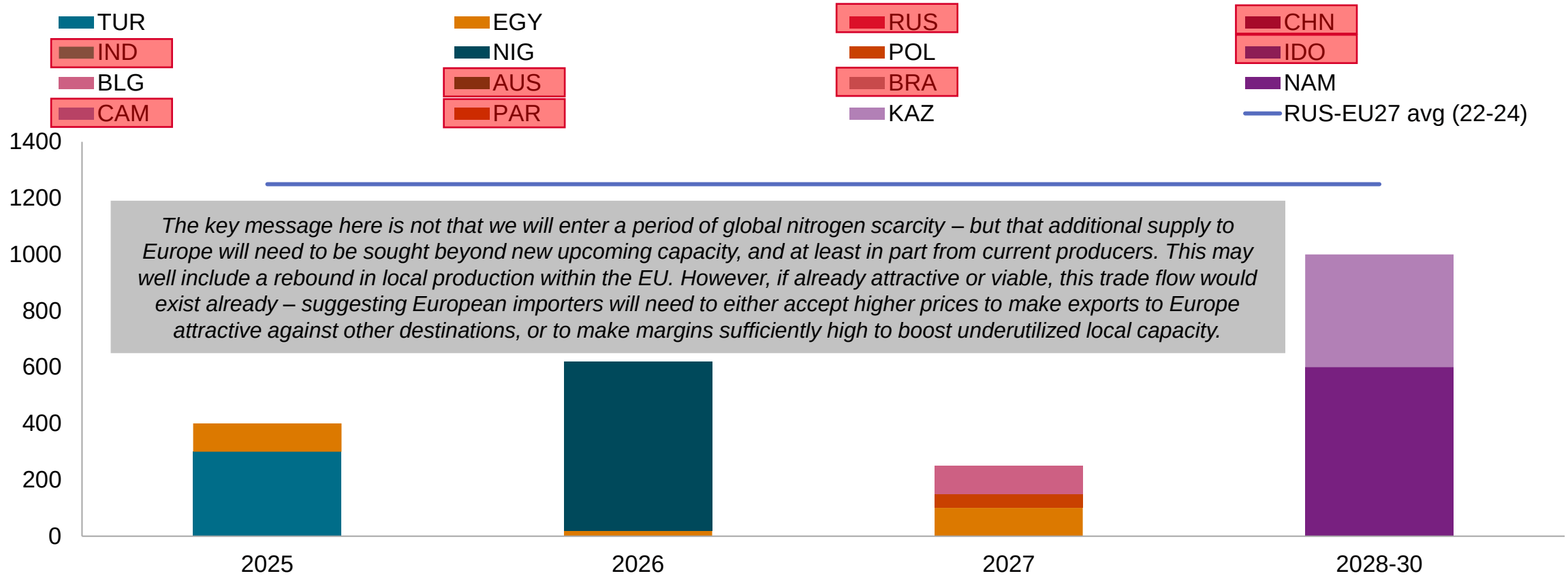
Can Europe find new sources of nitrogen fertilizer in the short-term?

Note: excludes changes to Europe's own capacity (in either direction)

And considering the geography of investment, the list may well be even shorter



Data compiled May 2025.
Source: S&P Global Commodity Insights.

CBAM (and a hint to RED III)

Picture: Shutterstock 448065859

CBAM: scope and default values

HS code	Commodity	Greenhouse gas
2808	Nitric acid and sulpho-nitric acids	CO_2, N_2O
2814	Ammonia	CO_2
283421	NOP	CO_2, N_2O
310210	Urea	CO_2
3102	Nitrogen fertilizers (excl. urea)	CO_2, N_2O
3105 (excl. 310560)	Multi-nutrient fertilizers (excl. PKs)	CO_2, N_2O

Note: emissions will be calculated in terms of "CO_2-equivalent" (CO_2e).
For these purposes, 1kg N_2O = 297 kg CO_2e.

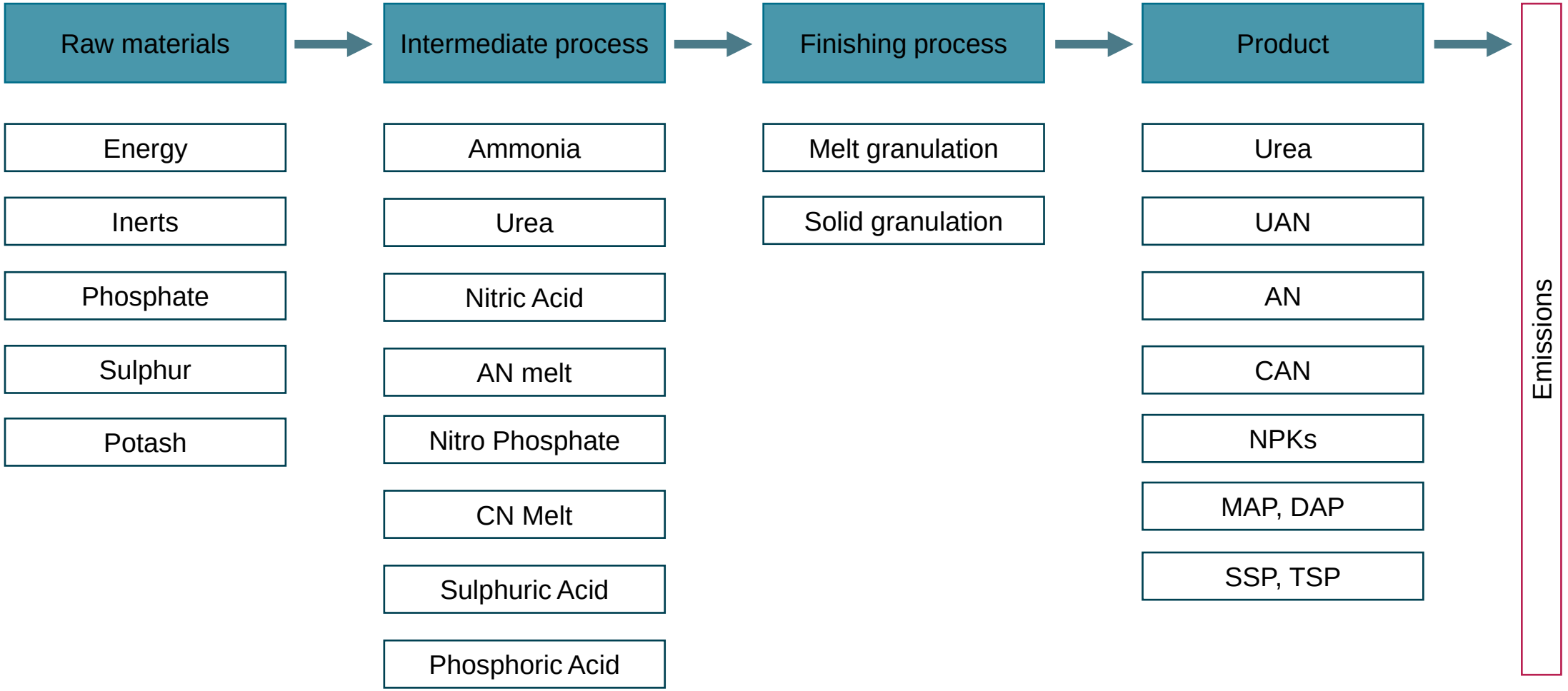
Default emissions

- Ammonia:
  - 2.68 t CO_2e/ton (direct) + 0.14 t CO_2e/ton (indirect)
  - *Total: 2.82 t CO_2e/ton*
- Urea:
  - 1.78 t CO_2e/ton (direct) + 0.12 t CO_2e/ton (indirect) = *1.90 t CO_2e/ton*
- Ammonium nitrate:
  - 2.32 t CO_2e/ton (direct) + 0.07 t CO_2e/ton (indirect) = *2.39 t CO_2e/ton*
- Calcium ammonium nitrate:
  - 1.77 t CO_2e/ton (direct) + 0.06 t CO_2e/ton (indirect) = *1.84 t CO_2e/ton*
- Urea ammonium nitrate:
  - 1.28 t CO_2e/ton (direct) + 0.06 t CO_2e/ton (indirect) = *1.34 t CO_2e/ton*

Data compiled May 2025.
Source: S&P Global Commodity Insights.

Carbon footprint of fertilizers

Principles of cradle-to-gate carbon emissions calculations of selected fertilizers

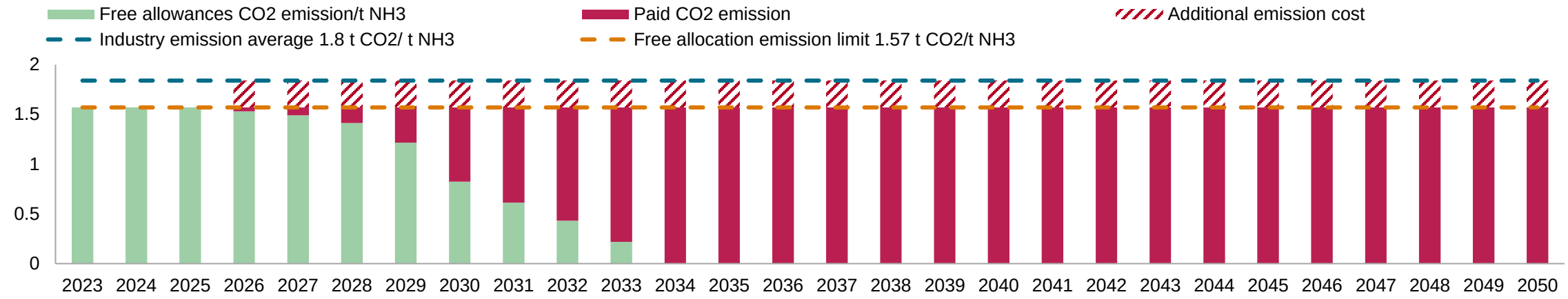


Data compiled May 2025.
Source: S&P Global Commodity Insights.

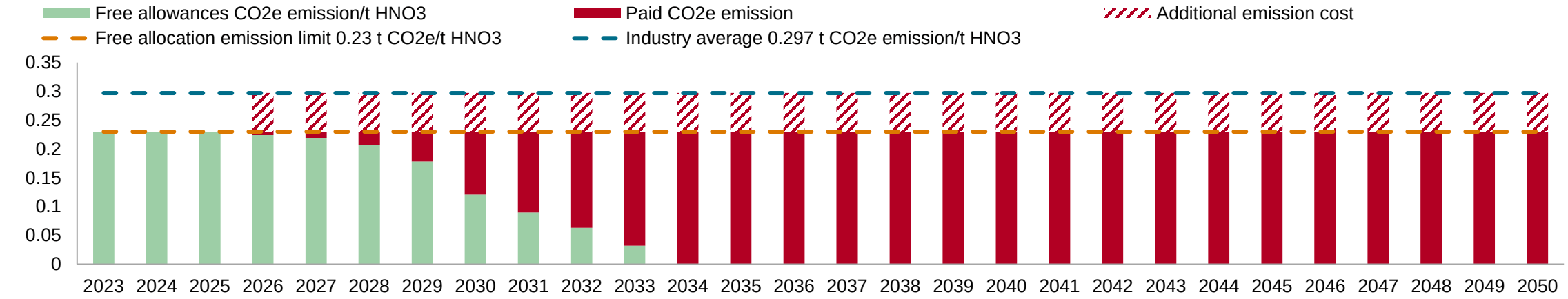
CBAM free allocations

Gradual phase-in of emissions designed to help the transition for EU and non-EU businesses

CBAM - ammonia CO_2 emissions free allowances



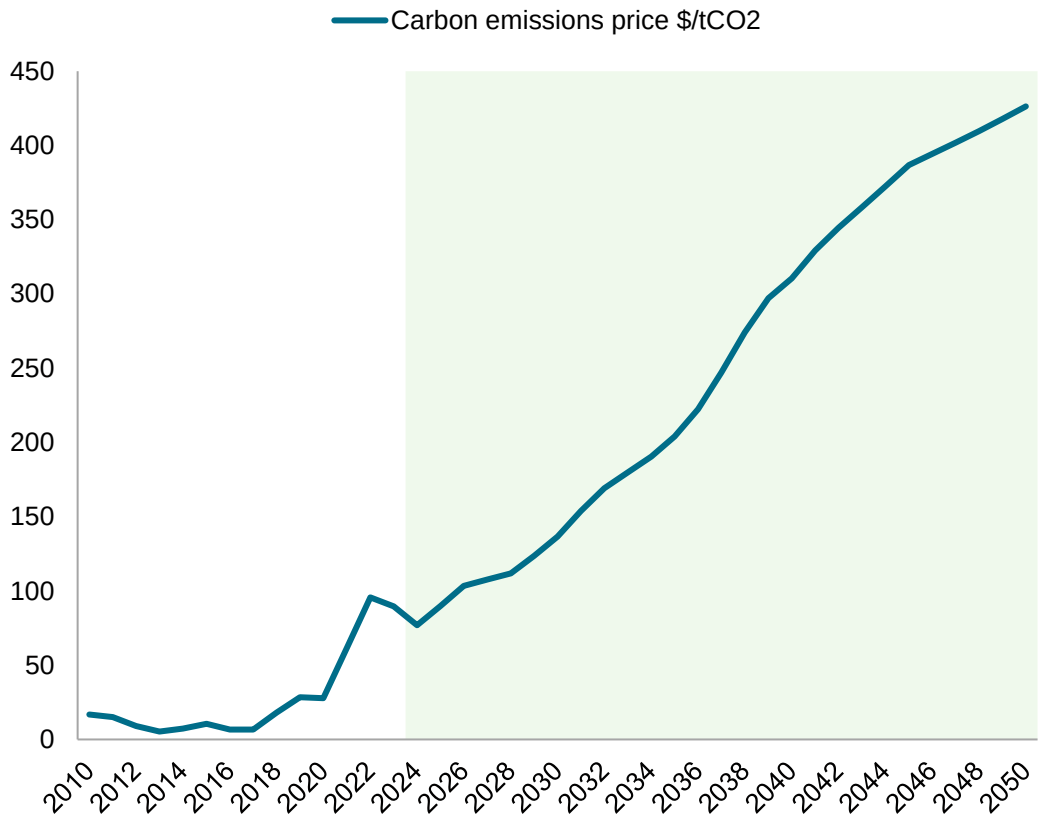
CBAM - nitric acid CO_2e emissions free allowances



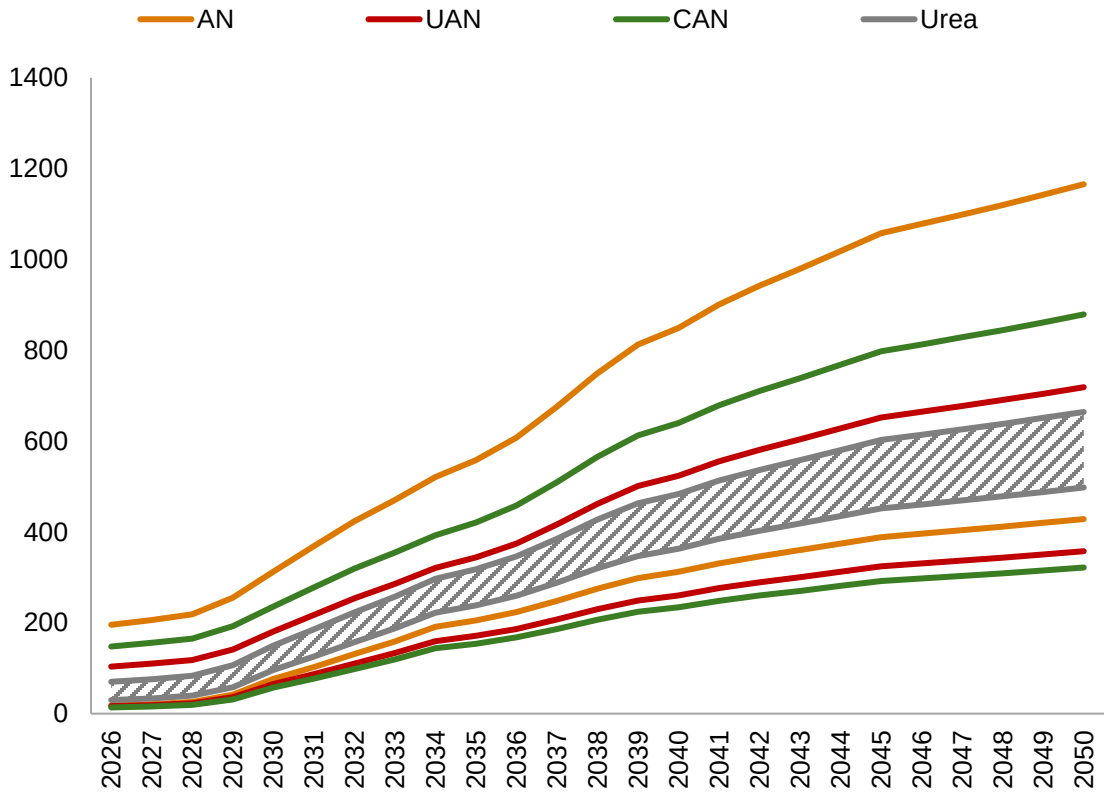
Data compiled May 2025.
Source: S&P Global Commodity Insights.

Any calculation is dependent on one's view on the ETS price

Historical and forecasted EU ETS carbon emissions price, US$/t CO_2e



Regional ranges of total CBAM carbon costs for nitrates and urea, including free allocations, US$/t



Data compiled May 2025.
Source: S&P Global Commodity Insights.

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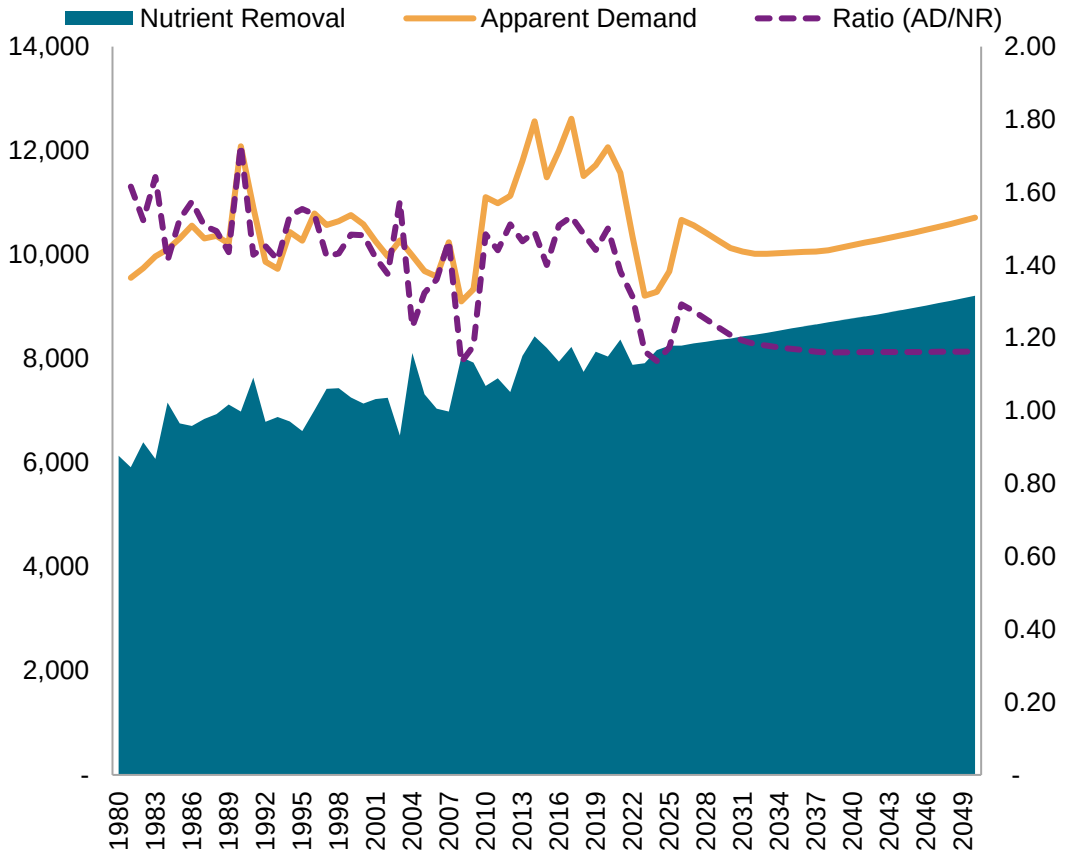
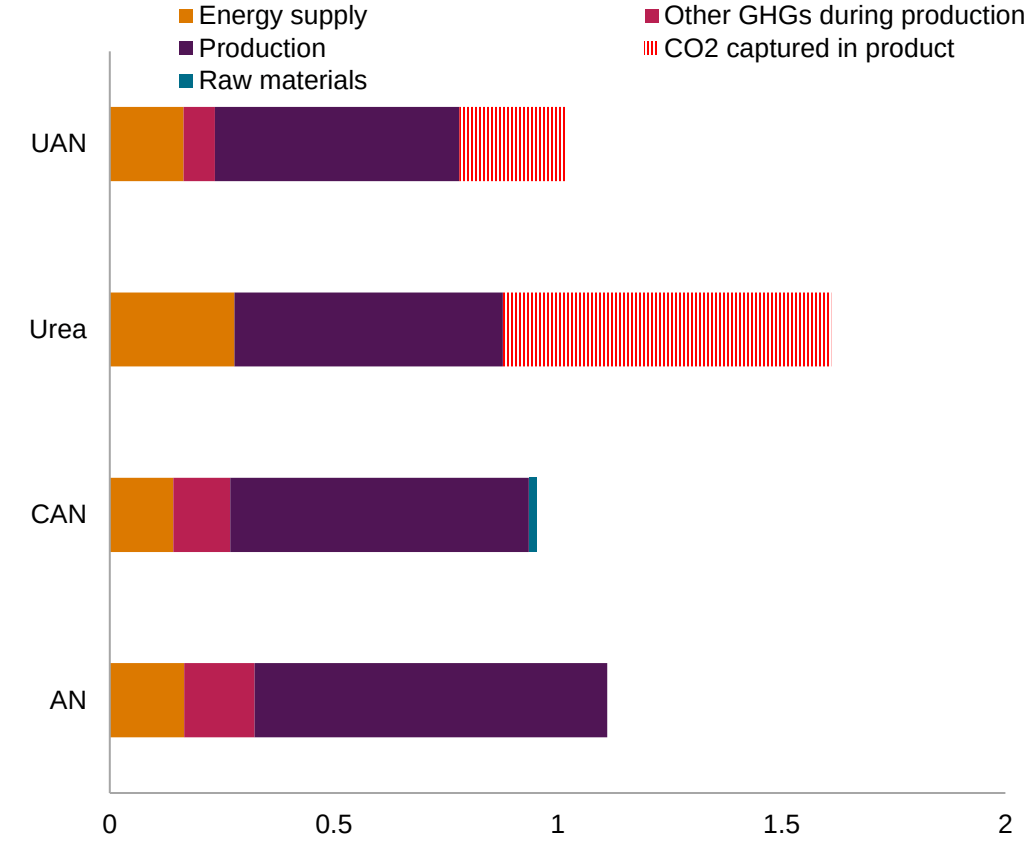
Some products are chemically carbon-based

Efficiency gains have been strong recently – and could be further fostered by accounting for inhibitors

EU-27 Demand vs Nutrient Removal, '000 t N



EU Average, total carbon footprint, kg CO2eq/kg per product



Data compiled May 2025.
Source: S&P Global Commodity Insights.

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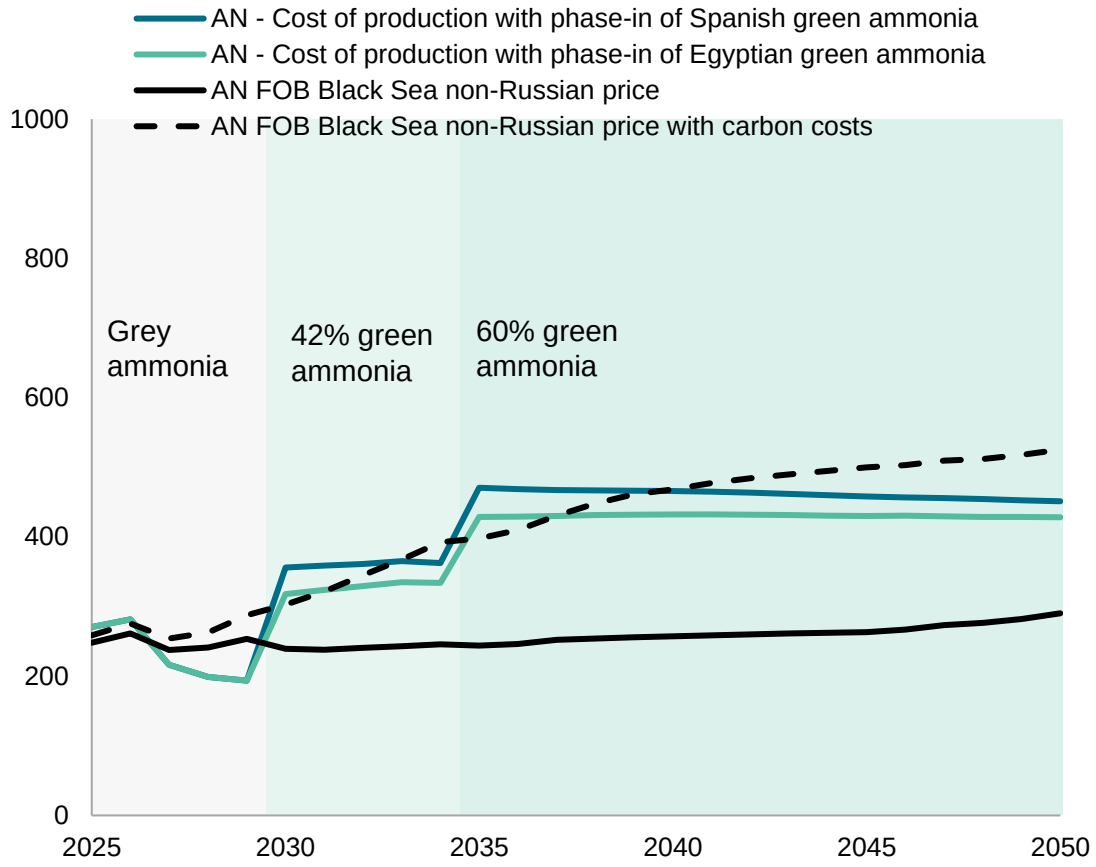
Renewable Energy Directive (RED III)

EU regulations will establish a market for green ammonia based on RED III mandates

- The Renewable Energy Directive III (RED III) is a legislative proposal from the European Union aimed at promoting the use of renewable energy sources across member states. It sets binding targets for increasing the share of renewable energy in the EU's overall energy consumption by 2030 and establishes a framework for the sustainability and greenhouse gas emissions savings of bioenergy. The directive also emphasizes the importance of reducing reliance on fossil fuels and enhancing energy security within the EU.
- RED III mandates that 42% of the end-use of hydrogen must come from renewable fuel of non-biological origin (RFNBO) by 2030, increasing to 60% by 2035. It is up to the member states to decide which sectors may be responsible for this transition, including ammonia.
- Assuming the RED III mandates are fully allocated to the decarbonization of the ammonia industry, this translates to 42% and 60% of ammonia demand being met by green ammonia in 2030 and 2035, respectively.
- The graph on the right shows the phase-in of green ammonia sourced from Spain and Egypt in the production of AN at an existing plant in Western Europe. It is clear that the cost of production increases incrementally with a higher proportion of green ammonia added.
- While the exact financial penalties for failing to meet targets are still unknown, any such penalties should be greater than the costs associated with adopting green ammonia to effectively incentivize change.

LPC of AN under EU mandates, produced in Spain (US$/t, real 2023)



Data compiled May 2025.
Source: S&P Global Commodity Insights.

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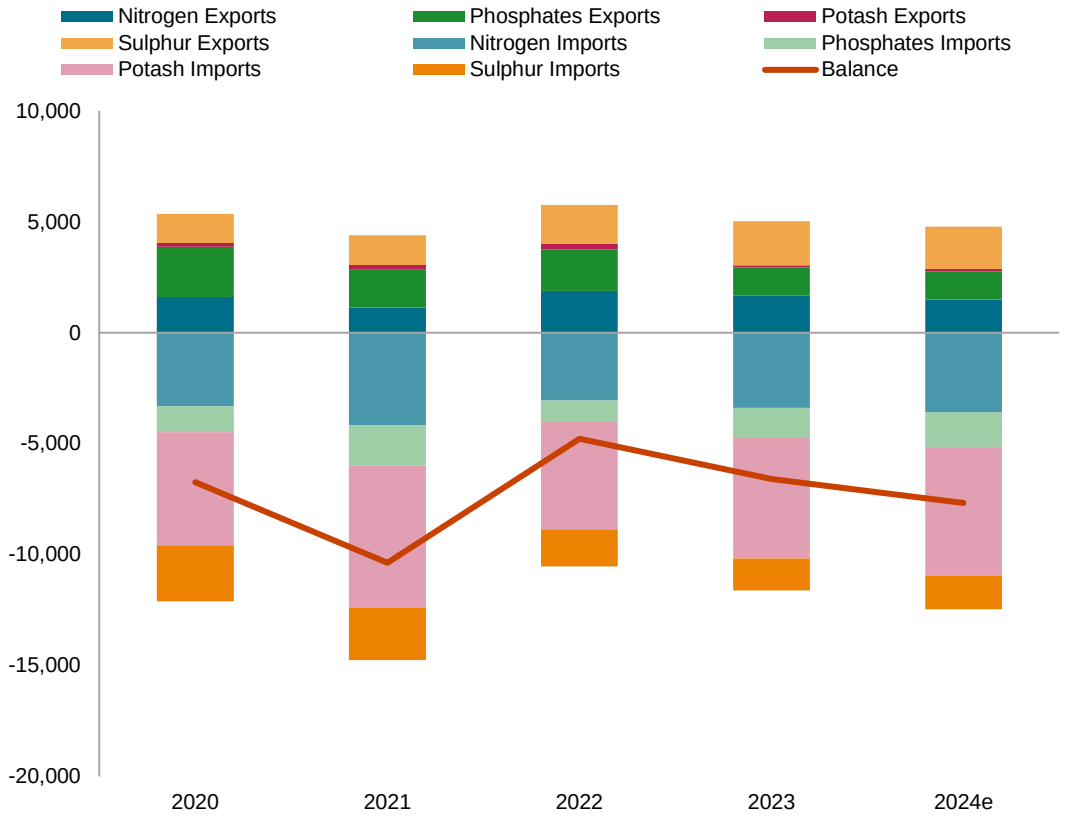
Trump tariffs: not an industry concern

Picture: Shutterstock 448065859

US retaliatory tariffs: not as much of a priority for the industry

Progressive shifts indicate an overall limited impact on fertilizer flows

US nutrient trade balance, 2020-2024 (kt nutrient)



Trade-averaged tariff level (based on 2024 volumes)		Before 90-day pause	During 90-day pause; incl. China hikes
Raw materials and intermediates	Sulphur (S)	8%	4%
	Sulphuric acid (SA)	6%	3%
	Phosphate rock (PR)	0%	0%
	Phosphoric acid (PA)	10%	8%
	Ammonia (NH_3)	6%	5%
Fertilizer products	Nitrogen (N)	8%	6%
	Phosphates + complexes (P)	13%	9%
	Potash (K)	0%	0%
Notes	P tariffs on MAR/RUS set to prevailing rate + CVD rate		
	RUS/BLR/PRK/CUB assumed not to be affected by 10% rate		
	Tariff on S, SA, NH_3, N set to 0% for Canada/Mexico (USMCA)		
	K and PR tariff set to 0% for all origins (Annex II)		
	Tariff on China set to 125% from April 9, 2025.		

Data compiled April 10, 2025.
Source: S&P Global Commodity Insights.

Conclusions

Picture: Shutterstock 448065859

Conclusions

- Europe is a significant net importer of nitrogen fertilizers. According to the most recent available data, exposure to Russian material is still strong.
- Sanctions on Russian and Belarusian nitrogen fertilizers, should they cause trade to Europe to be unattractive, would generate a shortfall of about 1Mt/year (in terms of N content). European extra-regional exports only reach about 600,000t N – mostly to geography with inverted demand seasonality.
- Said shortfall may look absorbable at the global level due to expected capacity increases, but only part of the new projects are located in geographies with easy access to exports to Europe. The impact on global balances will progressively loop back to Europe as trade flows re-balance, but this will take time, yielding an inflationary outlook for the short term.
- This will be compounded by the impact of CBAM (although this will be more progressive across the timeline for tariffs ramping up to their full proposed extent).
- The industry doesn’t consider US tariffs to be a significant factor, due to the presence of many exemptions.
- Potential supply-side solutions to off-set the joint inflationary pressures of tariffs and CBAM could include the removal of third-country tariffs on the Middle East, a proactive approach towards strategic stocks, the revival of domestic production, or more support towards frontloading investment against future requirements; on the demand-side, encouraging more extensive nutrient recovery or allowing for a faster adoption of alternatives such as nitrification inhibitors could also reduce the impact, yet still with limited scope for a full and immediate re-balancing.

Data compiled May 2025.
Source: S&P Global Commodity Insights.

Contact us

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