



URSULA VON DER LEYEN
President
European Commission
Rue de la Loi 200
1049 Brussels

Brussels, 8 July 2024

Cc to: Vice-President Dombrovskis, Vice-President Borell, Commissioner Wojciechowski, Secretary-General Juhansone, EU Sanctions Envoy O'Sullivan

Subject: EU Fertilizer Industry calls on the EU to take urgent action to stop imports of Russian fertilizers to stop financing the invasion of Ukraine

Dear Madame President,

Please accept Fertilizers Europe's congratulations on being nominated to lead the European Commission for a second term. The next five years will be crucial in establishing the favourable conditions necessary for domestic industry to invest and thrive in Europe.

We, the undersigned CEOs of the European fertilizer producers call on the European Commission to take all available measures to prevent imports of Russian fertilizers into Europe. The EU must prevent that these imports continue providing Russia with hard currency to finance the brutal invasion of Ukraine.

Since Russia's full-scale invasion of Ukraine, EU's food system has developed a new and dangerous reliance on imports of Russian fertilizers. Between the 2021 and the 2023 growing seasons (July to June), imports of Russian urea doubled. Currently, 30% of the EU's imports of urea come from Russia. If this situation is allowed to continue, the use of Russian fertilizers in European agriculture may evolve into a structural dependency.

Such policy enables Russia to continue exporting gas, that is subject to EU sanctions, in the form of finished fertilizers, generating income and much needed foreign currency to fund the war against Ukraine's people. In 2023, Russia introduced a 10% tax on exports of fertilizers and in 2024 a tax on excess profits specifically to generate funds for their war machine.

Natural gas is a major cost component in the fertilizer production. By boosting fertilizer exports, Russia is able to continue exporting gas – only in another form – at the time when the EU is committed to break this dependency.

At the same time, benefitting from very low, state regulated gas prices, Russian fertilizer producers have adopted an aggressive price undercutting strategy resulting in pushing

Fertilizers Europe asbl
Avenue des Nerviens 9-31
1040, Brussels - Belgium
www.fertilizerseurope.com

N° Entreprise:
BE 0894 132 637
Transparency register n°:
80788715017-29

Contact details:
Tel: +32 2 675 35 50
main@fertilizerseurope.com



domestic fertilizer producers out of business. Furthermore, Russia is heavily investing in new fertilizer capacities clearly demonstrating its objective to substitute the falling gas exports with finished fertilizers exports. These developments would further endanger the EU's food security and strategic autonomy, which goes in the opposite direction compared to the dominant political trend.

Today, there is sufficient fertilizer production capacity in Europe. Therefore, the measures against Russian fertilizers would not impact the availability of the fertilizer in Europe as it would provide an incentive for the European producers to increase production to return to its normal levels thus securing supply of quality fertilizer products on local markets. In turn, lack of local producers will lead to Russia's ability to dictate price levels.

Additionally, urea being a globally traded commodity means European farmers could easily import from alternative directions already present on the market, i.e. African countries or other regions of the world. As such, no fertilizer supply shortages would take place in Europe if measures against Russian fertilizers were adopted.

The EU has tried to prevent oligarchs closely linked to Putin's regime from making money from sales to European farmers. But these fertilizer "barons" have repeatedly sought to evade sanctions by transferring ownership to relatives. Exports of fertilizer to the EU have continued without interruption, while the fortunes of these fertilizer barons grew since the start of the war.

Europe must therefore explore other possible measures to prevent Russia's fertilizer imports into the EU. One of the options is to impose tariffs on imports of Russian fertilizers. These tariffs need to be high enough to effectively shut imports out of the EU market. Such measures, while applicable only to the EU and severe enough to suppress such imports into the EU, would not jeopardise export to third countries. The argument that trade measures would harm the global south is an often-repeated argument solely based on Russian propaganda.

Introducing such measures would bring numerous benefits: These measures would tighten Putin's access to hard currency and reduce Putin's ability to fund the war in Ukraine. They would increase Europe's autonomy on fertilizer and food and would limit the overdependence of EU farmers on imported products, usually with a higher environmental footprint.

Now is the time to act and be resolute. We stand ready to immediately assist and work with the European Commission and Member States to ensure a business environment whereby the domestic producers continue supporting farmers in feeding European citizens, decarbonising our assets while ensuring jobs and the competitiveness of the domestic fertilizer sector.

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Contact details:
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main@fertilizerseurope.com



Yours sincerely,

ACHEMA

Audronė Kuskytė
CEO

ANWIL

Konrad Tajduś
President of the Management Board

AZOMURES

Josh Zacharias
CEO

COMPO EXPERT GmbH

Ingo Müller
CEO

DUSLO A.S.

Petr Bláha
CEO

FERTIBERIA

Javier Goñi del Cacho
CEO

GRUPA AZOTY

Adam Leszkiewicz
CEO

GRUPA AZOTY PUŁAWY

Hubert Kamola
CEO

LAT NITROGEN


Leo Alders
CEO



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KAVALA NOVAFERT LTD

Theodora Kouloura
COO

LOVOCHEMIE

Radomir Vek
CEO

NITROGENMUVEK

Zoltan Bige
Chief Strategy Officer

OCI NITROGEN

Aviv Bar Tal
Global VP

YARA

Mónica Andrés Enriquez
Executive Vice-President

Note: Supporting information enclosed as Annex



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