



Development of a Green Fertilizer Support Scheme in Europe

FTI Consulting advised a global fertilizer producer, with presence in Europe, impacted by ambitious decarbonization agenda of the European Union, on policy design options for a green fertilizer support scheme in Europe.

Such support mechanism was deemed inevitable due to the considerable difference between the production costs of green vs. grey, i.e. fossil-based, fertilizers and thus in order to support the development of the green fertilizer market in the region.

As a result, FTI Consulting presented three combinations of the most feasible and attractive support schemes to the Client, encompassing four policy tools: direct subsidies, voluntary schemes, tradeable and non-tradeable performance standards.

SITUATION

A global fertilizer producer, with presence in Europe, being impacted by the EU decarbonization agenda, and in particular, by the reform of the EU ETS which entails a progressive phase-out of free allowances for the hydrogen and ammonia industries and the incorporation targets of green hydrogen and its derivatives for industrial consumers of hydrogen as of 2030, was seeking to review policy options for a potential support scheme for the development of the green fertilizer market in Europe.

As the Client is regularly exchanging on the issue of significantly higher production cost of green fertilizer vs. grey, i.e. fossil-based, with the European Commission as well as with governments of some Member States, the overarching objective of the assignment was to present the combinations of the most attractive and feasible support schemes for green fertilizers to these stakeholders.

OUR ROLE

In order to design an attractive and feasible support scheme for the development of green fertilizer market in Europe, and therefore bridging the production cost gap between green and grey fertilizers, FTI Consulting established the following methodology:

1. FTI Consulting carried out an assessment of **technological risks linked to green hydrogen / ammonia production as well as of commercial risks based on production cost analysis of green, grey and blue hydrogen, ammonia and nitrogen-based fertilizers**. Based on the above assessment, we defined the **key gaps of the green fertilizer market** that are not currently addressed by the legislation – or expected ‘market failures’.
2. As a next step, we **reviewed 43 existing or proposed support schemes at EU and national levels** across different industries with some similarities with fertilizers, and associated them with the market gaps they were trying to address. While some of the **existing support schemes were directly applicable to green hydrogen / ammonia / fertilizer market, we adapted the other ones** to reflect the main features of the green fertilizer market.
3. Next, we carried out a (a) **feasibility assessment** of the identified and adapted support schemes, based on public authorities’ policy priorities, and (b) an **attractiveness assessment** based on attractiveness of the scheme for green ammonia/hydrogen producers.
4. Based on the **final feasibility x attractiveness rating of the support schemes**, we proposed three combinations of support scheme designs, encompassing four types of policies: **direct subsidies, voluntary schemes, tradeable and non-tradeable support schemes**.

OUR IMPACT



FTI Consulting provided the Client with three options of potential support scheme design for the green fertilizer market in Europe which could be directly leveraged and presented to the EU authorities.



As part of the study, the Client received a production cost model of green, blue and grey hydrogen and ammonia and of farm-gate price of nitrogen-based fertilizers in three scenarios up to 2030.



The Client benefited from a structured, comprehensive and fact-based methodology that was used to define the most feasible and attractive combinations of the support schemes.



EMMANUEL GRAND

Senior Managing Director
+33 6 88 40 86 23
emmanuel.grand@fticonsulting.com

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