

# AMMONIA TRADE AND EMBEDDED EMISSIONS PRICING

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Image of an Ammonia-fueled ammonia gas carrier (AFAGC). Credit: NYK Line.

# Markets are increasingly pricing embedded emissions

Penalties for high embedded emissions:

e.g. Carbon border adjustment mechanisms (CBAMs)

- EU, plus Japan, Canada, US

Premia for low embedded emissions:

“Green” and “low emissions” certification schemes

- Hydrogen, Ammonia, Steel, ...



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# EU CBAM proposal

EU's climate change law sets the economy-wide climate neutrality by 2050.

The EU proposed the legislative package "Fit for 55" on July 14<sup>th</sup> 2021

Sector scope: CBAM covers **fertilizers**, cement, electricity, iron and steel, and aluminum.

- Transitional period: starting application from 1st of January 2023, with a transitional period of three years and full application from 1 January 2026.
- **Neither green ammonia nor ammonia as a fuel, nor ammonia as a hydrogen carrier are directly addressed – presume included**
- Hydrogen is not included in current CBAM

Pricing	Targets	Rules
<ul style="list-style-type: none"><li>• Stronger Emissions Trading System including in aviation</li><li>• Extending Emissions Trading to maritime, road transport, and buildings</li><li>• Updated Energy taxation Directive</li><li>• New Carbon Border Adjustment Mechanism</li></ul>	<ul style="list-style-type: none"><li>• Updated Effort Sharing Regulation</li><li>• Updated Land Use Land Use Change and Forestry Regulation</li><li>• Updated Renewable Energy Directive</li><li>• Updated Energy Efficiency Directive</li></ul>	<ul style="list-style-type: none"><li>• Stricter CO<sub>2</sub> performance for cars &amp; vans</li><li>• New infrastructure for alternative fuels</li><li>• ReFuelEU: More sustainable aviation fuels</li><li>• FuelEU: Cleaner maritime fuels</li></ul>

Support measures
<ul style="list-style-type: none"><li>• Using revenues and regulations to promote innovation, build solidarity and mitigate impacts for the vulnerable, notably through the new <b>Social Climate Fund and enhanced Modernisation and Innovation Funds</b>.</li></ul>

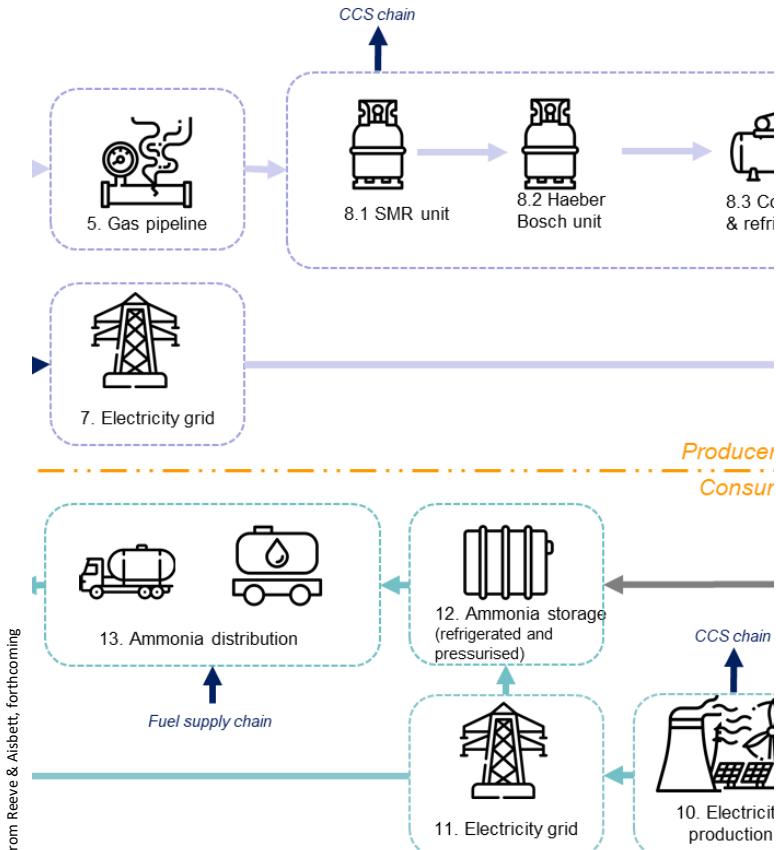
Overview of legislative proposals included in the fit for 55 package

(source: [https://ec.europa.eu/info/sites/default/files/chapeau\\_communication.pdf](https://ec.europa.eu/info/sites/default/files/chapeau_communication.pdf))



# Embedded emissions accounting

- Until Australian policy is stronger, clean producers will need to prove low emissions to avoid CBAMs
- Embedded emissions accounting needs to be robust, modular, and have minimum regulatory burden
- Public embedded emissions accounting frameworks can underpin certification schemes as well
- NGERs methodologies could be a starting point (Reeve & Aisbett)



# THANK YOU

## Contact Us

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