

# CBAM may hit EU potash demand from 2026

*The carbon border adjustment mechanism (CBAM) is scheduled to come into effect on 1 January 2026 and while the legislation does not directly apply to MOP and SOP, it is likely to create affordability challenges, price volatility and demand shifts across potassium products, with implications for producers and importers*

The CBAM — a regulation that aims to tackle carbon leakage — will impose a carbon cost for certain goods imported to the EU. The CBAM applies to all fertilizers containing nitrogen imported to the EU from countries that are not already subject to either the EU emissions trading system (ETS) or a system fully linked to the EU ETS. This means that the only potassium product that it applies to is NOP.

Although MOP and SOP are not directly affected by the CBAM, the products are used in other finished fertilizers that will be affected by the regulation — primarily NPKs.

## Affordability concerns for NPK producers

According to the Argus fertilizer Analytics team, the EU has NPK capacity of around 19.2mn t/yr and the majority of standard MOP and SOP in the EU is consumed in NPK fertilizers — a product that is subject to the CBAM as it contains both nitrogen and phosphate inputs, although the only phosphate products that the CBAM applies to are DAP and MAP. This would apply to NPKs that are imported to the EU as well as those manufactured within the bloc.

Mark-ups on default values for fertilizers under the mechanism are now anticipated to be lower than expected after a leaked draft of the approved document showed that it would be just 1pc rather than the expected 30pc. This would soften the blow for importers by using default values for calculating CBAM charges, rather than using plant-specific data, Argus understands.

Although the values are lower than expected, there are still concerns regarding cost pressures for EU-based compound NPK manufacturers and blenders, particularly if these additional expenses are rejected by buyers on the grounds of affordability. This could result in diminished demand for EU-produced NPKs and, by extension, reduced consumption of raw materials such as MOP and SOP.

NPKs imported to the EU will similarly incur higher costs under the CBAM, potentially exacerbating this demand destruction. The EU imports roughly 5.3mn t/yr of NPKs, primarily from Morocco, Norway and Russia.

Based on the anticipated default value for imported Russian NPKs containing more than 10pc nitrogen and the Argus assessed prompt ETS price on 9 December of €82.64/t, Argus calculates a theoretical CBAM charge of €58.51/t. For Russian NPKs with less than 10pc nitrogen, the CBAM charge is calculated at €37.73/t.

## Argus Fertilizer CBAM Cost Calculator

Argus developed this tool to help market participants estimate the unit CBAM cost for importing ammonia, nitric acid, and related downstream fertilizer products into the EU.

Subscribers to Argus fertilizer price reports can access the [calculator here](#)

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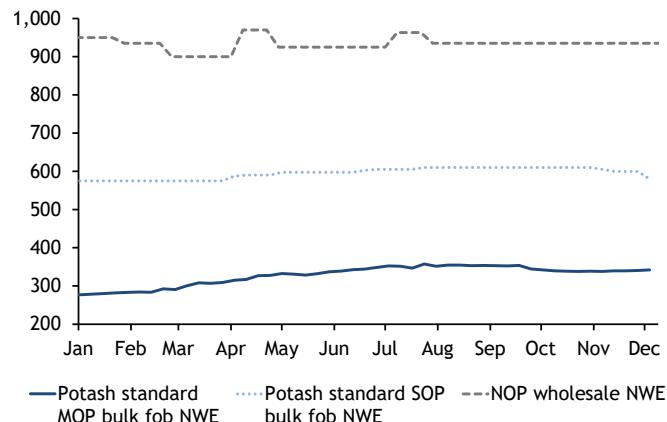
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But NPK imports from Russia — the single largest supplier to the EU — have another added cost in the form of an EU tariff — currently €45/t — that took effect in July this year, and which is scheduled to increase to €70/t in July 2026. This will probably lead to further curtailment of Russian NPK imports, which could partially offset some of this loss in demand.

NPK demand is typically slow towards the end of the year, but the CBAM appears to have accelerated some buying in the fourth quarter, and a number of EU NPK producers are reported to be fully booked until the end of the year.

In summary, EU producers may encounter affordability challenges driven by elevated input costs, while importers will face CBAM-related price rises compounded by the additional tariff on Russian imports, collectively creating conditions for demand erosion and reduced potash consumption.

## MOP, SOP and NOP prices in NW Europe



Source: Argus Potash - price reporting service

### SOP to substitute NOP?

NOP is the only potassium product directly impacted by the CBAM. Within the EU, NOP predominantly comes from Chile, Jordan and Israel.

Based on the expected default value for NOP from these three origins, Argus calculates the theoretical CBAM cost at €93.96-123.17/t. This calculation is also based on Argus' assessed prompt ETS price of €82.64/t on 9 December.

Typical pricing guidelines for potassium products suggest that SOP is priced at around twice the price of MOP, while NOP commands a premium of roughly three times MOP. Significant deviations from these ratios can influence purchasing behaviour. If NOP's premium to SOP exceeds €150/t, substitution towards SOP becomes likely, whereas if the premium falls below €100/t, demand may shift back to NOP.

NOP is primarily used in drip irrigation, for the manufacture of water-soluble NPK formulations, and greenhouse applications. While water-soluble SOP can substitute NOP in certain cases, agronomic considerations in addition to cost implications remain critical. In drip irrigation, NOP is typically used towards the beginning of the growing season, while SOP is usually used towards the end of the season. For greenhouse or hydroponic uses, there are some concerns that substitution may lead to an excess of sulphur to the crop.

The CBAM will also affect the cost of NOP-based water-soluble NPK, albeit the percentage increase will be relatively small given the high price of these products, particularly European brands produced in northwest Europe. In some field applications, growers can switch from NOP to SOP-based NPKs, but these would still have higher costs due to the CBAM's impact on the cost of the nitrogen raw materials, whether from NOP or a straight nitrogen source. Northwest Europe is a large production base for water-soluble NPKs, which are exported within Europe and beyond. As such, these products and producers are awaiting the determination on how European fertilizer exporters will be treated under the CBAM. If these producers are not protected, the CBAM could accelerate the closure of these large, centralised units whose business model is already threatened by local blenders in key markets.

### Demand destruction on the horizon?

MOP and SOP will not be completely immune from the CBAM, and secondary effects are anticipated via the regulation's impact on NPKs and NOP. NPK producers in the EU face rising input costs, particularly for nitrogen, which could lead to higher NPK prices and reduced demand, ultimately lowering consumption of MOP and SOP. Non-EU NPK imports will also become more expensive due to the CBAM, while additional tariffs on Russian NPKs may further constrain supply, which could partially offset some of this demand reduction.

The price of NOP will rise sharply for EU importers, potentially bolstering its premium to SOP and triggering substitution where agronomically feasible. But switching options are limited and often costly, especially for SOP-based NPKs, which also face CBAM-related input costs.

Overall, the CBAM is likely to create affordability challenges. The market may also see more volatility in pricing, and a shift in demand for potassium products. On top of this, crop prices are weak and will only exacerbate the affordability issue. There is already talk of some farmers considering skipping the application of potash next spring. But for now, MOP demand in the EU is fairly normal for this time of year, as it is out of season. There has been no change in buying behaviour ahead of the implementation of the CBAM.

## Potash fertilizer applications

Product	Market volume (kt/y)	Salinity	Chloride-free	Application							Price
				Direct Application	Compound NPK	NPK Blends	Pivot, furrow irrigation	WS NPK	Drip Irrigation	Greenhouse, Hydroponics	
MOP	67,000	116	✗	✓	✓	✓					\$
Standard SOP	6,500	46	✓	✓	✓						\$\$
Soluble SOP	~800	46	✓				✓	✓	✓	✓	\$\$++
NOP	1,700	74	✓					✓	✓	✓	\$\$\$

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## For more information please contact us:



fertilizer-m@argusmedia.com



+44 20 7780 4200



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