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## Producing ammonia and fertilizers: new opportunities from renewables

***Thanks to the recent cost reductions of solar and wind technologies, ammonia production in large-scale plants based on electrolysis of water can compete with ammonia production based on natural gas, in areas with world-best combined solar and wind resources. This concept note explores these opportunities, which could help significantly cut global greenhouse gas emissions***

Over 60 million tonnes of hydrogen (H<sub>2</sub>) are produced annually for industrial purposes, with roughly one half being used for producing ammonia. Ammonia (NH<sub>3</sub>) is an essential precursor of fertilizers, bringing nitrogen from the air to the soils and plants.

Currently over 95% of industrial hydrogen is produced from fossil fuels: from natural gas with steam methane reforming (SMR), from oil products in refineries, and from coal gasification, essentially in China. The remainder is produced from electrolysis. Ammonia production alone is responsible for about 420 million tonnes of CO<sub>2</sub> emissions, over 1% of global energy-related CO<sub>2</sub> emissions.

The recent and drastic cost reductions of solar and wind power open new possibilities for competitive ammonia production in large-scale plants. Indeed, the cost of fuel (as fuel and feedstock) is the main cost factor in ammonia production. Where solar or wind resources are excellent, the cost of electricity from solar or wind power plants could be at or below \$ 30/MWh<sup>1</sup>, as suggested by the prices recently announced for new-built wind farms in Morocco and solar plants in Chile and Dubai. At such prices and with sufficient load factors, the cost of hydrogen would not exceed \$ 2/kg and compete with SMR (see Box 1).

Storing ammonia for long time, and shipping it on long distance, on sea or on land through pipelines, are much more convenient than storing and shipping hydrogen. Therefore, NH<sub>3</sub> synthesis is sited next to hydrogen-producing units in ammonia plants. These integrated ammonia plants are large to benefit from significant economies of scale, as will be discussed below.

After electricity prices and plant size, high load factors would be the next important factor for ammonia plants. This is another reason why new opportunities for ammonia production based on solar and wind must be considered in best resources areas, where load factors can reach up to 3 000 full load hours (FLH) for solar photovoltaics (PV) and up to 5 000 FLH for wind turbines. Variability of combined solar and wind resources can be addressed relatively easily with high load factors.

While similar H<sub>2</sub> prices could be reached in countries with lower-quality renewable resources if “surplus” electricity is considered free, it would not likely be available in sufficient quantity to run large-scale all-electric ammonia plants. Furthermore, issues arising from the true intermittency of this surplus electricity supply from variable renewables could pose intractable issues to ammonia plants.

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<sup>1</sup> All \$ in this note are US dollars.

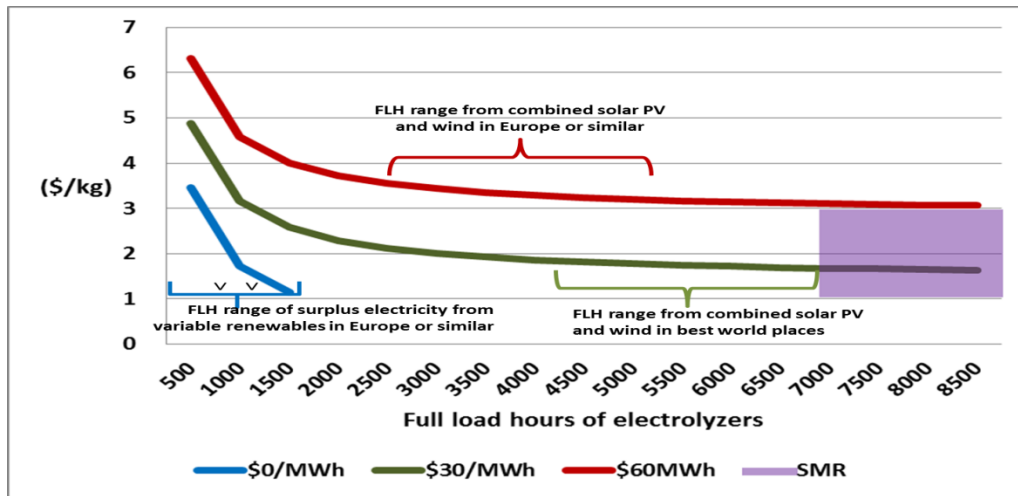
### Box1: The cost of hydrogen from electrolysis of water in various situations

Figure 1 shows the costs of producing hydrogen for different electricity costs and load factors (expressed in full load hours per year). Large-scale (e.g. 400 MW) alkaline electrolyzers now cost \$ 450/kW (NEL, 2017).

The purple rectangle shows the cost range of H<sub>2</sub> from SMR with a large range of variations, due to large disparities in the prices of natural gas, for its usual range of utilisation durations. Carbon capture with 90% efficiency would increase the cost of hydrogen by \$ 0.67/kg H<sub>2</sub> (~\$ 75/tCO<sub>2</sub>, IEAGHG 2017).

The green line reveals that in countries with very good combined solar and wind resources (and maybe in some cases with off-shore wind alone), renewable-energy based hydrogen generation can compete with SMR.

Figure 1: Cost of hydrogen from electrolyzers at USD 450/kW Capex for different electricity costs and load factors.



Assumptions: Capex of electrolyzers \$ 450/kW (NEL 2017), WACC 7%, lifetime 30 years, efficiency 70% (IEA 2015); cost of hydrogen from SMR \$ 1 to 3/kg H<sub>2</sub>, depending on natural gas prices.

The red line shows the cost of H<sub>2</sub> with electricity at \$ 60/MWh, which currently characterises best opportunities in countries with good but not excellent resources, such as European countries. A combination of solar and wind in Europe would result in a cost of hydrogen ranging from \$ 3 to \$ 4/kg.

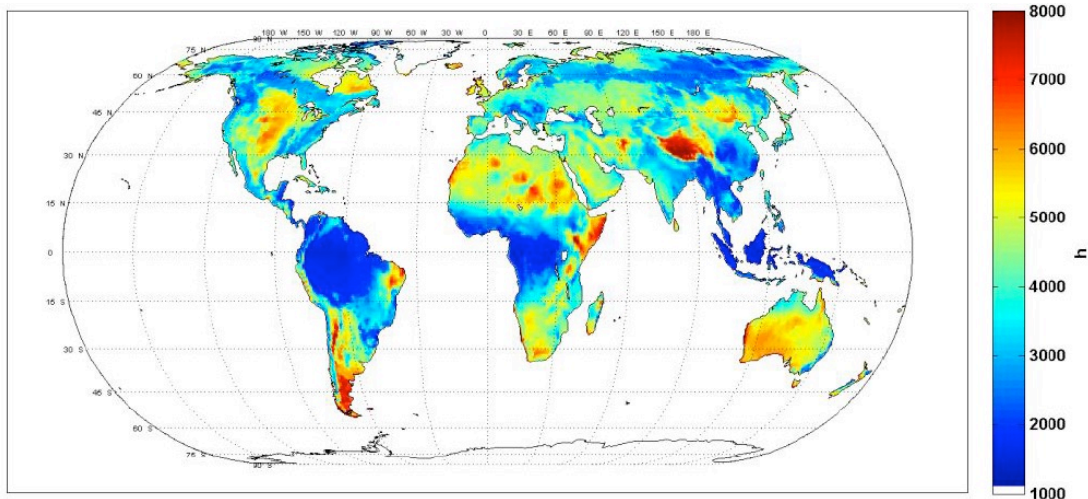
The blue line illustrates the case of “free” surplus variable renewable electricity from grid, which could otherwise be curtailed. Assuming that large-scale electrolyzers could be utilised in these circumstances to feed a large-scale ammonia plant, which is far from certain, they would need to run around 1000 hours a year to manufacture hydrogen at a cost of about \$ 2/kg H<sub>2</sub>.

### Box 2: Ammonia manufacturing based on hydropower

Areas with abundant hydropower, (and/or geothermal resources) such as Iceland, Norway and others are possible choices for siting electrolyzers. Indeed, up to the 1960s, most fertilizers sold in Europe came from hydropower-based electrolysis and ammonia production at Vemork and Rjukan in Norway. Low gas prices and emergence of SMR led to close these plants as carbon emissions were not considered. Of the few all-electric ammonia plants that have remained until recently, the largest, in Egypt, is now being converted to natural gas reforming, mostly to “free up” more electricity for the growing needs of the country. Forthcoming hydropower plants in Africa may provide large output in excess of regional needs, providing new opportunities for manufacturing NH<sub>3</sub> and fertilizers in sub-Saharan Africa.

Based on extensive wind and solar geospatial data, Figure 2 below reveals vast areas (from yellow to red) where a combination of 1-axis sun-tracking solar PV capacities and modern wind turbines, each of same capacity than a given load, would sustain utilization factors over 50%. Importantly enough, in most of them solar and wind offer a good complementary: critical overlap, i.e. surplus electricity above and beyond the said load does not exceeds 10% (Gerlach et al. 2011). Complementing this mix with some cheap, dispatchable hydropower would likely have merits but is not considered here.

Figure 2: Hybrid solar and wind load factors



Source: Fasihi and Breyer, 2017

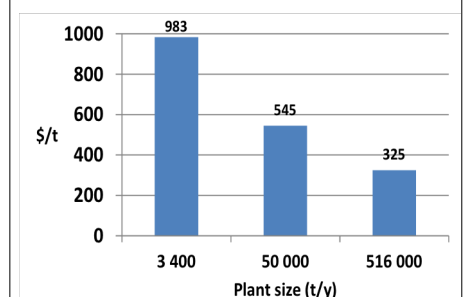
## Ammonia production

Since the 1920s the production of  $\text{NH}_3$  has been based on the Haber-Bosch process to synthesize nitrogen and hydrogen under pressures of 10 to 25 MPa (100 to 250 bars) and temperatures of 400-500°C over an iron catalyst. The synthesis reaction is exothermic, and no heat needs to be delivered to the synthesis loop. Most  $\text{NH}_3$  plants produce 300 000 to 600 000 t/y, some up to 1 Mt/y. They are designed to be available for 330 days, or about 8000 hours per year.

$\text{NH}_3$  plants emit on average over 1.6 t  $\text{CO}_2$ /t  $\text{NH}_3$  using natural gas, 2.5 t  $\text{CO}_2$ /t  $\text{NH}_3$  using naphtha, 3 t  $\text{CO}_2$ /t  $\text{NH}_3$  using heavy fuel oil, and 3.8 t  $\text{CO}_2$ /t  $\text{NH}_3$  using coal (IFA, 2009). In some plants, however, a fraction (up to 40%) of the  $\text{CO}_2$  produced is captured and used in combination with  $\text{NH}_3$  to manufacture urea, the simplest fertilizer.

Electrolysis of water is a well-known alternative to using fossil fuels to produce hydrogen – and has been so far mostly run by hydropower (see box 2). Despite being largely modular, electrolyzers exhibit economies of scale as the compressors, gas holding tanks, transformers and balance of plant equipment are scaled up (Morgan, 2013). Capital costs for  $\text{NH}_3$  plants vary even more with scale, exerting a considerable influence on the production costs (see Figure 3).

Figure 3: Costs of ammonia from SMR (at natural gas price \$ 5/MMBtu)



Source: arpa-e, 2017

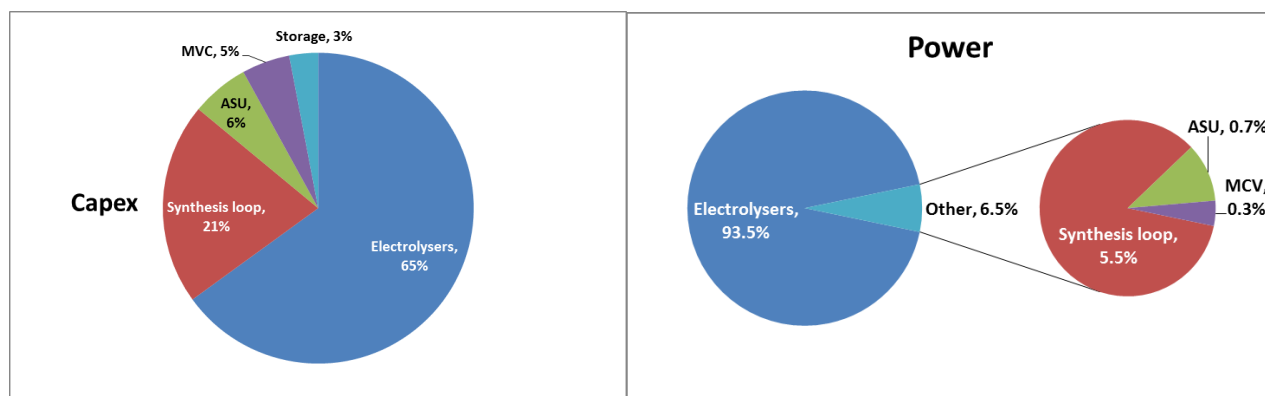
The only raw inputs for an all-electric ammonia plant, besides energy, are air and water – over 1.5 t H<sub>2</sub>O per t NH<sub>3</sub>. Air, made of 78% dinitrogen (N<sub>2</sub>) is the source of nitrogen. If freshwater is not an option, plants located near seashore could use desalinated seawater. Seawater intakes and rejection of brines in the ocean are the most significant issues to consider from an environmental standpoint.

In natural gas-based ammonia plants, besides generation of hydrogen all sub-systems are electric (Morgan, 2013) and consist of the following:

- *Cryogenic air separation units*, for producing nitrogen
- *Centrifugal compressor* running the synthesis loop (Haber-Bosch process)
- *Mechanical vapor compression (MCV)*, for desalinating seawater (if needed), the only large-scale option to provide water with sufficient degree of purity to feed electrolyzers.

For all-electric plants, alkaline electrolyzers currently represent the only commercial option at scale. Electrolyzers would represent about two-thirds of the total capital expenditures of an electric ammonia plant and absorbs over nine tenths of the electricity it consumes. Figure 4 below provides for indicative break-downs of capital expenditures and power needs (in either load or annual energy) of a baseload electric plant of 10 000 t/y.

Figure 4: Indicative break-downs of an all-electric ammonia plant capital expenditures (left) and its power needs (right)



Source: Morgan, 2013

The ratio of the electrolyzers over the ammonia plants should be optimised for variable electricity. If the capacity factor of combined solar and wind is expected to be 6 000 FLH while the synthesis loop is designed for 8 000 FLH, electrolyzers may be associated with a synthesis loop three quarters of the size it would have if run on baseload.

Solid oxide electrolyser cell (SOEC) technology, working at high temperatures, offer the best prospects for efficiency improvements and cost reductions but are not yet commercially available. Other options may emerge in the future, including proton exchange membrane (PEM) technology for electrolyzers (currently not available at the required scale) or, better, for direct solid state ammonia synthesis. Direct electro technical ammonia synthesis, which could also be done in molten salt electrolytes, would transfer hydrogen ions from water or steam to nitrogen, bypassing the formation of dihydrogen molecules and significantly reducing electricity consumption.

## Ammonia production from variable renewables

Best resource areas might be remote from densely populated areas and therefore be isolated from, or weakly connected to, main electric grids. Hence large scale all-electric ammonia plants, primarily run by dedicated new-built assets, would most likely not be connected to the country's grid, or only with a connection that might be much less in capacity. Furthermore, if solar and wind capacities are an important part of the power mix in the country, the country and the NH<sub>3</sub> plants may find each other in synchronism with excess power or deficit. For both reasons, the plants cannot be designed baseload expecting to use the country's power system as a convenient storage.

Variability of power creates various challenges. Alkaline electrolyzers can operate between 20% and 100% of their nominal load. ASU and MCV consumption units need small amounts of power and their outputs are storable. The synthesis loop, however, would best work with continuous operations and requires continuous feed-in – but it only consumes about 5% of the total.

A plant run by solar and wind, or in some cases by wind power alone, with capacity factors of 5 000 to 7 000 full load hours (FLH), will have 25% of its load available most of the time, and times with less than 5% may be virtually non-existent<sup>2</sup>. Short-time storage of compressed hydrogen and nitrogen could be extended somewhat to ensure continuous operations of the synthesis loop. The additional cost would be small as the H<sub>2</sub> need to be compressed anyway before entering the synthesis loops.

A large ammonia plant aimed at producing 500 000 t/y, whether for exports or local transformation into a variety of fertilisers, would consume about 4.8 TWh annually for producing over 88 000 t H<sub>2</sub> and running all sub-systems. Assuming 6 000 FLH for combined solar and wind power capacities, the required deployment could be, for example, of 785 MW wind turbines and up to 785 MW solar PV plants, for 735 MW electrolyzers.

These are, however, rough indications. Solar capacities may be adjusted downward to minimise critical overlap with daytime wind power. Only detailed, specific studies with hourly output of solar and wind can help optimise the respective capacities of solar, wind and electrolyzers, the design of the NH<sub>3</sub> plant, and the means – battery, grid connection, or back-up (presumably run on H<sub>2</sub> or NH<sub>3</sub>) – to prevent undesirable disruptions in the synthesis loop.

## Fertiliser markets and beyond

While overuse of fertilizers in some places has led to soil pollution and in some case damaged water systems, in most parts of sub-Saharan Africa the under-use of fertilizers is leading to land degradation and declining yields. Global ammonia consumption (180 Mt/y) is expected to increase by ~50% by 2050. A half-million tonnes NH<sub>3</sub> plant represents less than 0.3% of the current global demand, and it can be produced at a lower price than natural gas-based ammonia in many places. Indeed, as global population grows, food quality improves and the world strives for decarbonising its economy, there will be growing room for emissions-free ammonia in the fertiliser industry.

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<sup>2</sup> On the contrary, a plant only run on solar PV faces a greater challenge, as it will have no power at all at least half of the time. The technicalities and economics of solar-only ammonia plants are not considered here.

However, the story may not stop here. Countries with rich renewable energy resources will possibly see growing opportunities to providing renewable energy to less-resource-rich countries striving to decarbonise their economies while improving energy security in reducing dependence on fossil fuel producers. NH<sub>3</sub> is not the sole possible energy carrier that could serve such purpose, but it has interesting features in this respect. It contains no carbon atom. As it liquefies at -33°C, while H<sub>2</sub> liquefies at -253°C, NH<sub>3</sub> is much less costly to store for a long time – e.g. \$0.5/kg H<sub>2</sub> for NH<sub>3</sub> vs. \$15 kg H<sub>2</sub> for H<sub>2</sub> for half-year storage – and at least three times less costly to ship on sea or on land (Bartels & Pate, 2008). NH<sub>3</sub> is an already well-established global industry, with a decades-long track record of safety, and it can serve a variety of end-uses in all sectors, either directly as a fuel or indirectly as a simple renewable-based H<sub>2</sub> carrier to facilitate trade and storage.

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## Abbreviations, acronyms and units

°C: Celsius degree

ASU: air separation units

Capex: capital expenditures

CO<sub>2</sub>: carbon dioxide

FLH: full load hours

H<sub>2</sub>: dihydrogen (casually, hydrogen)

H<sub>2</sub>O: water

kg: kilogram

kW: kilowatt

kWh: kilowatthour

MCV: mechanical vapor compression

MMBtu: million British thermal units

MPa: megapascal (million pascal)

MW: million watt

MWh: Megawatthour (thousand kWh)

N<sub>2</sub>: dinitrogen (casually, nitrogen)

NH<sub>3</sub>: ammonia

SMR: steam methane reforming

t/y: tonne per year

TWh: terawatthour (billion kWh)

WACC: weighted average capital cost