Good day, ladies and gentlemen, and welcome to CS Industries' first nine months and third
quarter, 2024.
All participants will be in the listen-only mode.
Should you need assistance, please signal a conference specialist by pressing the star
key followed by zero.
We will facilitate a question and answer session towards the end of this presentation.
Suppose a question at any time, please press star, then one on your touch-tone phone.
I would now like to turn the presentation over to your host for today, Mr. Martin Jerozick
with CF Investor Relations.
Sir, please proceed.
Good morning, and thanks for joining the CF Industries Earnings Conference Call.
With me today are Tony Will, President and CEO, Chris Bone, Executive Vice President and
Chief Operating Officer, Bert Frost, Executive Vice President of Sales, Market Development
and Supply Chain, and Greg Cameron, Executive Vice President and Chief Financial Officer.
CF Industries reported its results for the first nine months and third quarter of 2024
yesterday afternoon.
On this call, we will review the results, discuss our outlook, and then host a question and
answer session.
Statements made on this call and in the presentation on our website that are not historical facts
are forward-looking statements.
These statements are not guarantees of future performance and involve risks, uncertainties,
and assumptions that are difficult to predict.
Therefore, actual outcomes and results may differ materially from what is expressed or
implied in any statements.
More detailed information about factors that may affect our performance may be found in
our filings with the SEC, which are available on our website.
Also you will find the reconciliations between GAAP and non-GAP measures in the press release
and presentation posted on our website.
Now let me introduce Tony Will.
Thanks Martin and good morning everyone.
Here in the organization that prides itself on unparalleled operational excellence, our
asset utilization and our safety statistics are truly world-class.
And so it is with great sadness that I have to report in early October we lost a member
of our team at Donaldsonville, Louisiana due to a fatal vehicular accident.
Our thoughts are with and our hearts go out to as family, friends, and colleagues.
This is a tragic reminder about why we put safety first and the importance of not being
satisfied, who are becoming complacent with historical performance, but are in need to
remain focused on the present in everything that we do.
I am confident our team will learn from this tragedy as we work together to ensure all

our colleagues remain safe every day.
Turning to earnings, yesterday afternoon we posted results for the third quarter of 2024
which we generated at just a beat of $511 million.
This brought a just a beat of the first nine months of the year to $1.7 billion.
Additionally already the data cash flow conversion efficiency remains strong and we ended the
quarter with more cash on the balance sheet than we began with, even after returning $580
million to shareholders through Sherry purchases and dividends.
We are very pleased with where our business is today.
Our team is operating well.
Global nitrogen demand remains consistently strong and we continue to make progress in
our strategic initiatives.
With that I will turn it over to Chris to provide more details in our operating results.
Chris.
Thanks Tony.
Our manufacturing and distribution teams managed operations well through an event filled third
quarter as we performed our highest level of planned turnaround activities for the year.
We also experienced minor production impacts in Louisiana from Hurricane Francine in
September.
Our Donald Saville and Wegman teams did an outstanding job safely shutting down and starting up
those facilities, limiting the downtime from the storm.
Despite these events, our ammonia utilization rate for the third quarter was 93%.
For the full year we continue to expect to produce approximately 9.8 million tons of
gross ammonia.
Our strategic initiatives continue to advance.
Construction of the dehydration and compression unit for our Donald Saville carbon capture
and sequestering project is on track.
Start up for sequestration by ExxonMobil and 45Q tax credit generation is expected in 2025.
Additionally, commissioning of our green ammonia project at Donald Saville continues.
Finally, our evaluation of a greenfield low carbon ammonia plan is advancing well.
With a final investment decision expected in early 2025, we are nearing completion of
our auto thermal reforming ammonia plant feed study, giving us greater clarity on the capital
required to construct new capacity.
Alongside this, we continue to have productive discussions with our potential equity partners,
other interested parties that continue to emerge and prospective long term off take partners.
We continue to assess where the global nitrogen supply demand balance will be when a new plant
would come online.
As we look at it today, we expect a tightening global market over the next few years as projected
new capacity growth does not keep pace with demand growth for traditional applications,
much less for new clean energy applications.

With that, let me turn it over to Burt to discuss the global nitrogen market.
Thanks, Chris.
Our team had an active quarter that has positioned us well for the rest of 2024.
Our UAN and ammonia fill programs were well received by customers and achieved our targets.
We then continue to take new orders as global prices rose, pushing the order book well into
fourth quarter.
This has resulted in much lower than normal inventory in our system, and we believe inventory
is low throughout the North American nitrogen channel as well.
Strong uptake in our fill programs suggests good demand for nitrogen in the months ahead,
including for fall ammonia applications if weather cooperates.
Despite U.S. crop prices that are under pressure from projected large harvests, today's nitrogen
prices continue to represent good value for farmers.
As a result, we currently expect North American planted acres in 2025 across all major crops
will be similar to this year.
Globally, the nitrogen supply demand balance continues to be constructive.
Urea exports from China are 90 percent lower through September than the prior year, and
it is unclear when Chinese producers will be allowed to resume exports.
Additionally, lack of natural gas for nitrogen producers in Trinidad and Egypt reduced available
supply in the third quarter at a time when we typically see length in the global market.
At the same time, demand has been robust.
Brazil and India both appear to have significant Urea import requirements to be met through
the first quarter of 2025.
We also have seen strong demand from smaller importing countries.
These include Australia, Thailand, Mexico, and Turkey, among others, that have increased
consumption over their three-year averages.
Against this backdrop, our manufacturing network remains firmly positioned below end of the
global cost curve.
Before an energy curve continues to suggest substantial energy spreads between North America
and Europe, where the industry's marginal high-cost production is located.
As a result, we expect attractive margin opportunities globally for our business in the near and
longer term.
With that, Greg will cover our financial performance.
Thanks, Bert.
For the first nine months of 2024, the company reported net earnings attributable to common
stockholders of approximately $890 million, or $4.86 per diluted chair.
Ibadah and adjusted Ibadah were both over $1.7 billion.
With the third quarter of 2024, the company reported net earnings attributable to common
stockholders of approximately $276 million, or $1.55 per diluted chair.
Ibadah and adjusted Ibadah were approximately $510 million.
As you can see on slide five, our third quarter results benefited from higher average selling
prices, which were driven by our ammonia segment, and lower realized gas costs when compared

to the third quarter of 2023.
Over the past 12 months, our net cash from operations was $2.3 billion.
In free cash flow was approximately $1.5 billion.
Our free cash flow to adjusted Ibadah conversion rate remained strong at approximately 65%.
This cash flow enables us to return substantial capital to our shareholders through share repurchases and dividends.
Since the start of 2024, we have repurchased nearly 15 million shares for more than $1.1 billion, reducing our share count by 7.5% over that time.
We have just under $1.5 billion remaining on our current share repurchase authorization, which we intend to complete before its expiration in December of 2025.
Based on our current market capitalization, this gives us the capacity to repurchase about 10% of our outstanding shares through the end of next year.
After that, Tony will provide some closing remarks before we open the call to Q&A.
Thanks, Greg.
Before we move on to your questions, I want to thank the entire team here at CF for their hard work and contributions in the third quarter.
In what is typically our seasonally lowest volume and price quarter, their efforts enabled us to generate enough cash to cover capital expenditures, return nearly $600 million to shareholders through share repurchases and dividends, and end the quarter with more cash than we began.
We remain positive about the near and longer term outlook for the company.
Global nitrogen dynamics remain consistently strong.
Longer term discipline investments in low carbon ammonia production provide a robust growth platform for the company.
Taken together, we expect to continue to drive strong cash generation and create substantial value for shareholders.
With that operator, we will now open the call to questions.
Thank you.
People now begin the question and answer session.
To ask a question, you may press star, then one on your touchstone phone.
The first question comes from Chris Parkinson with Credit Suisse.
Please go ahead.
That was interesting.
So, Tony, guys, when I take a step back and look at the supply-to-band dynamics, you've lower supply out of China, Europe, some gas issues, and Trinidad, Egypt, et cetera, et cetera, demand is pretty solid.
Tony, when you take a step back and look at the current dynamics in 2025, your perspective is cash flow versus, obviously, some uncertainty regarding U.S.O. and G, because party-only towards the end of the decade.
How do you calibrate your own thought process in terms of allocating that capital in terms of the cash, or if you push respectively, generate it in the next six to 12 months to basically build out your network for the rest of the decade?

Any thoughts that would be very helpful?
Yeah, Chris, I would say we have a bias towards deploying capital back into the business for
growth if we find projects that we think can earn a rate of return that's above our cost
of capital.
So, our bias is definitely toward growth as a first step, and then certainly returning
excess cash to shareholders.
As Greg said during his remarks, we have just under $1.5 billion left under a Sherry
Purchase authorization, and we expect to be able to complete that by the end of next
year, and that should drive an incremental approximately 10 percent accretion in terms
of our shares.
And so, we're excited about both the growth aspect as well as our ability to take shares
out of marketplace, and both of those things we think will drive value for shareholders.
Go ahead.
Just a quick follow-up.
Once again, just taking a step back, you have the first quarter obviously of some which
are storms of third quarter, obviously hurricane surge, and avoid it a long time, and there
are some things that are going to be happening in the next year.
When I look into 2025 and 2026, do you think turnaround activity will be the same level,
slightly lower in terms of how much more could you have maximized profitability based on
the current nitrogen price tech without all those outages and how we should think about
that framework heading in next year?
The storm freeze off that we had in the first quarter or the hurricane outages that we had
in the third quarter, but the operations team tries to manage our turnaround activity to
be relatively consistent year on year on year, so we're not throwing the system way up and
way down, but we're trying to level load it.
Now that's not always possible because of the timing of when things come, and we do
have a couple of larger plants that when they go through turnaround have a noticeably bigger
impact, but I would say we pretty much year in and year out going forward should be producing
in the neighborhood of about 10 million tons of ammonia and then will upgrade.
As much of that is our upgrade system can manage.
And then the other piece of it to think about is we get into next year is we'll begin generating
on an annualized basis an incremental roughly 100 million dollars of cash through the 45
Q tax credit as we start sequestering CO2, so that's on top of the base business and
again we're pretty excited about what that looks like.
Thank you so much.
Thank you.
The next question comes from Steve Byrne with Bank of America.
Please go ahead.

Yes, thank you.
Your press release provides this gross margin for nutrient tons for product.
Always very interesting and the one that just jumps out is your DEF and was just curious
whether what your view is on the outlook for DEF and maybe more specifically this problem
that occurs with crystallization and so forth.
Is that poor quality DEF?
Is that all DEF?
Does that affect you and is there a resolution of that down the road?
Good morning Steve, this is Byrne and regarding your question on DEF and the opportunity for
CF we've continued investing that business since we acquired Terra in 2010 and it has been
an exciting path and growth vehicle for us where we're projected to be close to 800,000 tons
of equivalent product that trades at a substantial margin increase over granular urea.
So what we've done is when we looked at our platform we have capacity in several of our
plants, Courtyard, Yazoo City, Woodward and the substantial capacity in Donaldsonville and
which we're augmenting and has added to the system with rail cars.
So the exciting part about DEF is the dosage rate because when we first acquired this business
it was at a fairly low percentage and what it was cutting out in terms of pollution where
today the projections on dosing rate increases to five and even higher than that percent
just looks at the doubling where we're projecting that the DEF could demand just in North America
could be in excess of three million urea equivalent tons and that's from zero in 2010.
So for us this is a good platform that works very well into our system and we're going
to continue to grow with it. Regarding the crystallization I'll have Chris answer that.
Yes Steve, related to that there's very high specs required for DEF and the product and
we haven't experienced any of that. I think the one thing that we've seen is we've always
been very diligent about our testing requirements for that so the issue you bring up we're not
all that familiar with because it hasn't affected any of our product.
Very good and I'd like to ask a little bit about the Donaldsonville project that you're
working with Exxon West. Do you have any visibility on when they can get a classic
injection well? Is that just an unknown and does that prevent you from essentially lining
up customers for this and or do your customers need to invest on their own site, see if they're
for storage or to use it as a fuel. I'm just curious if this moves forward in some time in
2025 are you going to be in a position where you could start loading a marine ship? In other
words thanks. Yes so we are confident that in 2025 we'll be one sequestering CO2 and two receiving
the 45Q tax benefit. One of the reasons we chose Exxon as our partner is really just the vast

flexibility and alternatives they have if you recall their acquisition of the former
Denbury pipeline which is almost a thousand miles of CO2 pipeline gives them quite a bit of access
to more than a point-to-point storage wealth so they could have wells that they have in
the queue right now from Louisiana all the way to Texas and all along that route. So our
confidence level still remains very high. As I said we're doing a lot of work on our side
of the fence and Exxon is actually doing a lot of work in piping on their side of the
fence to connect. So our confidence level remains high there. As far as being prepared to load
vessels and ship out whether it be to Europe or Asia we expect that to be occurring next year
based on what Burt's team decides is the best use for that particular low carbon product.
And I would add to that Steve that on the system side we've spent a lot of time and effort putting
in place all of the necessary system and controls and accounting procedures to be able to not only
get the 45Q credit but be able to accurately score and certify a carbon intensity on
our production. And so that will be kind of among the first tons out there with an actual
carbon score associated with it.
Thank you.
Thank you.
We have Josh Spector from UBS with the next question.
Can you see it?
Yeah, good morning. I wonder if you talk a little bit about current nitrogen dynamics.
There were some comments the other day about warmer weather being an issue for ammonia applications
in the U.S. later in the quarter. And some comments that activity today is slow.
I don't know if you've had any different characterization of the market today. And when you talk about
tighter inventory in North America is that something we should expect to materialize in higher prices
in the spring or do you have any different view about how that impacts the market?
Thanks.
Good morning, Josh. So regarding the current dynamics, I would say constructive. In that,
when you go around the world where we are on supply is, as I mentioned earlier, the absence
of Chinese tons available to the market is a 3 to 5 million ton pull which could be up to 10%
of global seaborne traded product. And then you go through different places that have experienced gas issues
or high cost gas issues like in Europe where we've seen Yara and others take production offline.
You have, I would say, an appropriate or limited supply basis right now.
And then when you look at demand with India stepping in for another tender and asking for a million tons
to be shipped by middle December and then continued demand in South America and Brazil and Argentina,
then you'll roll into Q1 for the Northern Hemisphere and we believe that the US and Europe are behind.

And so where we are as a company, I mentioned in my prepared remarks that our inventory is limited.
It is. When you look at what has been imported and what has been exported for a net balance
and then what we and we think others lost in production, we think the nitrogen supply and inventories,
whether that be with retailers or with producers, is limited. And so that sets up a positive environment
as we head into application season for the spring. Now regarding your question about fall application,
that is a due to start about now. Fall application, the pneumonia, our ambient temperature and soil temperature
are about 50 degrees. We're hitting close with that in the Northern tier. We've had a very good season in Canada
and that as the weather moves south and gets cooler, we'll see those applications pick up.
The commentary about limited or limiting applications possibly has been soil moisture, not necessarily temperature.
And so what you need for a healthy ammonia season is appropriate soil moisture for the ammonia to bind in the soil
and that is what we're looking for as these rain patterns sweep across the Northern tier in Iowa,
then you'll see applications take off. Over the last several years, applications have gone well into December.
And that's the case, our order book, which we believe is in a very good position.
We've positioned products in our terminals. They're ready to go.
That will have a good season, probably a better season than last year. And so, and we have those orders already in the system.
Thanks. It's a helpful context. I'll pass it on.
Thank you. The next question comes from Joelle Jackson with BMO capital markets. Please go ahead.
Just a couple questions. First, a little short term. Maybe I'm telling you with this last question.
Typically, you do more sales in Q4 than in Q3. I think it's in five years in a row of a higher Q4 than in Q3.
Any reason not to expect that this year?
In terms of how we take orders and then move those tons through the system and as sales, each year is different.
And so the fill programs tend to take place either in late Q2 or early Q3. This year was early Q3.
We built our order book and then continued to take additional orders on top of that fill program.
So today, our order book, as I said in my prepare remarks, is healthy through Q4.
And we're going to start taking Q1 orders shortly based on our price expectations.
And so, regarding whether it's bigger or smaller Q4, Q3, we don't look at it that way.
We look at what we've got, our production rates, our allocations to tons, and we move the tons out in an orderly fashion.
And then on the Greenfield Blue Amone project that you're expecting the feed studies on by the end of the year,
any color you can give may be higher level, what you need to still get this approved, your partner's capital running three or four billion.
Do you think that's still reasonable?
Anything to pick up and comment to the last couple of months, give us an idea of what we could expect early next year
and some of your decision-making processes?
Yeah, I mean, I think the number in the neighborhood of four billion dollars on land is, you know, an approximate number.
We're finalizing the feed study and that should narrow the range a little bit to

kind of a plus minus 10 percent range.
But I think, you know, as the numbers are kind of rolling up with a bit more uncertainty, ranging four billion is where we think it's going to come in.
And at that kind of number, we do think that, you know, that it is a project that makes sense, particularly given what Chris was saying
about longer term the projected growth of nitrogen demand, even in traditional applications exceeds what the new capacity brought online is.
And, you know, that's before you get into some of the capacity shutdowns that we're expecting to continue to happen in Europe and some other places.
And, you know, the partners that we're having conversations with, I think are similarly comfortable being able to invest in a project in that kind of range and look at a return profile that is, you know, is disfavorable.
So, for us to get there, you know, we need to finish up the feed study.
We need to try to get the partnership agreements and all of the, you know, ongoing governance and everything kind of put together.
And then it's going to be a decision for the board ultimately to make.
But we're targeting kind of, you know, middle first quarter of next year to be in a position to.
Make that decision.
Yeah, the only thing I would add to that, Joel, this is Chris, is that, you know, as we look at our partnership selection, you have brought that up and part of the question.
We actually have a lot of benefits related to that.
We have our Japanese equity counterparts that we're in discussions with.
But as Tony mentioned, you know, recently even more industrials, primarily due to some of the energy, you know, issues going on, primarily in Europe.
Are also stepping in to understand the project dynamics.
And in all cases, sort of the capital number range that Tony's putting out there, they all seem ready to move forward with the project as well on those type of capital parameters.
Tony, if I could just get one more in on that.
I may have missed totally misunderstood that.
But are you suggesting that the economics of the plant around $4 billion might be justifiable, even if some of the clean ammonia map and benefits weren't there?
I may have misunderstood that if that's what you were trying to get at.
Yeah, I mean, I think the way that we're looking at it, Chris, is, or Joel, I'm sorry, is that with, you know, with an average sale price, you know, you're going to be able to get it.
And then the sale price in the neighborhood of 450 metric ton, along with the 45 Q benefit that we would expect to be able to generate.
That should earn a reasonable rate of return on, you know, the kind of investment that we're looking at making here.
We believe, I mean, if you look at the market today, it's well above that.
Now it is, you know, it does move around.
And when you see a new plant come on, like Gulf Coast ammonia or whatever, there is going to be some lumpiness and some volatility.
But as we project forward, we expect a tightening and the SMD balance, even in traditional applications.
And we think the market is going to support that kind of a price.
And so even before you get to new applications for Queen ammonia, there's an argument to be made that that plant is just viable.
I think if we are successful in bringing on a couple of, you know, of the potential partners that we are deeply in discussions with that want to take some of that production into brand new applications,
it even justifies it further.
So again, we're very optimistic about the return profile of what this plant looks like.
Thank you.
Thank you.

We have the next question from Richard Garcharino with Wells Fargo.
Please go ahead.
All right.
Thanks.
Good morning, everyone.
First question on the nitrogen market outlook, you know, you pointed out counties, your re-exports, basically now expected less than a million tons this year.
What do you think is going on there in terms of how the China government is thinking?
Is this something that may be extended indefinitely?
And, you know, that supports your comments on the much more tighter outlook going forward?
Maybe that's the first question.
When you look at China over the last 20, 25 years, we've seen many different China's in terms of being the world's largest importer of Urea in the 90s to entering the export market in the early 2000s to overwhelming the world market with almost 14 million tons of exportable tons in 2015-16 to slowly ramping that down to 9 to 7 to 5 to 3 to 2.
Now eliminated, it's been a surprise and something that's not easy to predict because as many things are happening in China, some of those are opaque or governmental decisions.
Today, the expectation is, at least from the investor communities, then the next quarter they're coming, the next quarter they're coming, well they haven't.
And I think part of that's a reflection of what's going on in China.
You're seeing growth in demand.
Today, it looks like demand for industrial and ag applications are close to 60 million tons.
That's 6-0.
That's a gigantic consumer of Urea.
And most of that is produced using coal or imported, domestic coal or imported coal.
So I think for the Chinese government, they want to keep that product available for their consumers, their farmers, to make the food that they want to make and make that at a reasonable cost.
To me, that's a rational decision-making process when you're exporting for almost zero value to the world, or at least to China, and subsidizing the world with cheap Urea.
And so another parallel path on this has been the exported tons of ammonium sulfate out of China that have grown substantially from several million tons to, I think, close to 16-17 million tons.
A lot of that going to Brazil and secondary markets, that's a lot of nitrogen that's still going out of China.
And so I think the market is seeming to project that they'll be able to export tons in 2025.
That remains to be seen and we'll cross that bridge when we come to it.
Great, thanks.
And then as a follow-up, just on the clean energy projects, I was just curious, as you work through the feed study and you look at the environment, and right now, what's your view in terms of the announced proposed capacity that's supposed to be coming out from various different companies and startups?
Well, you know, the proposed capacity is supposed to be out there for the ammonia.
What do you think is the likelihood that maybe half that comes online, maybe a quarter, or any high level of use on that?
Thank you.
Yeah, I think as we look at those announcements, you have to look at them and assess probabilities related to them.
So it was two years ago, we ran all the projects that had been announced globally that were low carbon, and there was over 107 projects of which we thought maybe less than 10 would actually be built, I would say.

Out of that list, I would say it's probably even fewer than that going forward.
So those projects, the nice thing about our industry is you have pretty good visibility into new projects, starting given the engineering firms that have worked on them, and then also the timeline to build one is four to four and a half years, so that also provides you an understanding of what happens with the S&D balances that develops.
And really what we're seeing between now and when we would have a new project come online is there is a limited net ammonia production that's coming online.
You're seeing here in the US, you have the Gulf Coast ammonia that Bert mentioned, which is not a low carbon, but you have the Woodside OCI plant, which we were expecting early 26.
And then outside of that, it's really not until 2028 where Qatar has a project that's announced.
So long way to say we don't believe that the true projects that are moving forward is really building that supply side.
And that's why Tony talks about as we see longer term a tightening in the S&D market just under traditional application, let alone if we add in any type of clean energy demand to that.
Great pleasure.
Thank you.
The next question comes from Ben Turrer with Barclays. Please go ahead.
Good morning and thanks for taking my question. Congrats on a number of very strong quarter.
Just a quick follow up as you think about the ammonia segment and the strength that you had in the quarter, which kind of was a little bit of a surprise on the Williams side.
I think at least there's hours and consensus estimate.
So how do you think about just that segment itself, like not the Ferbour process, but the ammonia piece and the demand for that as you go into the fourth quarter and maybe a little bit related to Joel's question, just like the revenue piece that then translates into 4Q.
And as you move into it, how much volume can you actually produce and sell as ammonia now that you have back in mind?
Well, I would compare our products, ammonia, urea, ua, and d.e.f. ammonium nitrate. We love all our children.
And so ammonia is one of those segments and I got to give a shout out to the ammonia team of Amanda and Bob and Chiloh that have done a great job in the rest of the sales team this year.
The interesting thing about CF, and I think this is one of the undervalued aspects of our company, is the flexibility we have in our production locations, the flexibility we have with our modes, which is truck, rail, pipe, or a vessel, and then our distribution system.
And so it's by leveraging all those points, then you could become agnostic on the product and focused on the margin and what product creates the most margin at that time because our team is rewarded on the cost.
And so when we're working on the company's performance, we move tons freely between the segments, and if that segment, one segment is profiting more than the other, and that's what you saw in ammonia with good demand globally.
So we've been a fairly large exporter of tons out of Donaldsonville, and then that creates, again, optionality for the rest of the team.
Our volume, I think it's the exported ton that's the incremental increase, and then as we go into Q4, that is the ammonia application season, and weather permitting, our volume will be higher than Q3.
We have a substantial book already built, and those values are in the publications, we're well within those ranges, and I think this year could be a fairly big year for fall ammonia because it's a very good agronomic product for a company.
And it's a very good product for a corn farmer in these dense organic soils of the Midwest.
So I think the ammonia position for CF is solid, and how much product can we put in

that segment?
It's traditionally been around 4 million tons, but it could be 3.5 to 4 million tons any given year.
Perfect. Thanks for that clarification.
Thank you.
The next question comes from Andrew Wong with RBC Capital Markets. Please go ahead.
Hey, good morning. Thanks for taking my questions.
So today we look at Europe generally as the marginal cost producer, but we're also seeing some changes in that region.
There's capacity that's maybe shutting down, and that could reduce how much you contribute to that cost curve, but there's also CBAM that gets implemented in 2026, which raises the cost position. So I'm just curious how you think about Europe as that marginal cost producer as you go forward and look out a couple years from now.
Yeah. So Andrew, as we talked about before, this past summer, we did a pretty in-depth analysis of what's happening in Europe because we're seeing it much the way you described it,
given the cost of energy and the differential, which now sits at $10 and really goes there through 2026, that it's going to be very difficult for European producers who are not integrated to continue to produce ammonia.
And you saw that last week with one of our peers shutting down an ammonia plant just to do upgrade, very similar to what we did with our UK ammonia plants.
So we expect that to continue, and by 2030, we would see that there'd probably be another 3 to 4 million nutrient tons of imports required in Europe.
Now, some of that will take the form of upgraded products. Some of it will be just gross ammonia that's going over there for upgrades through their tourmaline system into those products.
So we see that specifically with our low carbon, because with the CBAM, as you mentioned, if we have low carbon product and we're competing against conventional, the conventional cost is going to be higher, and that'll provide us a margin advantage as the CBAM goes into effect at the end of next year.
And really, by 2034, where there's no free allowances offered anymore, you could see that differential between someone who has an ATR that's sequestering 95% in a conventional, is something that could be $150 per metric ton benefit.
So it's that really sort of look, although we don't build that into our modeling. It is something that provides us, Tony, talked about us being a fast mover and having that carbon arbitrage opportunity as we see Europe begin to contract some on production.
Okay, that's really helpful in Europe. And then I guess that kind of brings in another question on just how does that global cost or look like three or four years from now with the changes in Europe, Chinese exports, impacts from clean ammonia, given how the SMD looks like, how does that change?
Because you've seen different changes in the past decade or so, like, how does that look like three or four years from now?
Well, if price doesn't bid in that higher cost production and there's new demand coming on, you'll see probably a lowering of the cost curve to some extent.
And that's really why when we look at our particular project, we want it to be integrated because we think having the lowest op-ex related to some of these projects where you're buying hydrogen over the fence
and then upgrading it later still puts you in the third or fourth quartile of production so you're no different than a European producer.
But we do see that demand growth, so you're going to continue to need to see new supply come on and we do not believe that new supply meets demand.
So some of these high-cost assets that you may think are going away are probably going to remain online until we have some sort of balance between SMD.
Okay, thank you.
Thank you.
The next question is from Vincent Andrews with Morgan Stanley. Please go ahead.
Thank you, and good morning, everyone.
Tony, I just wanted to follow up with you on the perspective blue ammonia facility.

Just get your latest thoughts in terms of what you're seeking in terms of terms.
I recall you want to own at least 50% of it.
But is anything changing in terms of how many partners you want to bring in both in terms of the amount of equity they would want to provide?
Or do you have more of a willingness now maybe to fund it yourself but just have off-take for a very large percentage of the plant?
Or is there anything evolving in sort of your own thought process or what the other or what the counterparties are interested in doing?
Yeah, I would say in general we have more interest than probably percentage of equity to dole out.
And initially we were focused on or structured an agreement around 52% equity.
I could see a scenario that would have us take less than 50% total equity based on the desires of a couple of the partners we're talking to.
We would want operating control and voting control in that kind of joint venture scenario.
But it's entirely possible that we would end up kind of at or below 50% of the total equity.
I wouldn't want to go too much lower than that because we are putting our organizational expertise and effort to really take on the design and the build and the construction and then the ongoing operation of the plant.
So we want there to be enough participation in a project like that to make it worth our while to put all that time and effort into it.
But I think from a standpoint of having strong partners that want the off take that bring good expertise and capital into the project and reduce our risk profile, we're really optimistic about this project and what it looks like going forward.
And just as a follow up, how are you thinking about Henry hub prices, not in the next 12 months, but you look out 12, 24, 36 months, you know, you get all this LNG coming in the US.
We've got electricity increasing demand wise from data centers and everything else.
Any thoughts there?
If the spreads are actual the strip, you're well into 2026 and you're still at $3.
And so the differential to the world, not necessarily the Henry hub price because if the Henry hub goes to $6, but the spread goes to 10 or 50 or continues in the $10 to $15 range, that just makes those other producers that are having to use imported LNG that much more expensive.
So when you look around the world where gas is, where gas is available and how that gas is going to move, the United States plays a substantial role in that.
And we've demonstrated we as a country that when it was going from 70 to 90 to 100 to 105 BCF per day of production, that there's additional capacity out there to grow as the LNG demand grows.
Yes, LNG is going to go from, let's say, 14, 15, 16 BCF a day up into the 20s.
But we anticipate that supply to be there as well.
And the cost structure today to tap those wells and to bring that production online is still very attractive.
And so, yes, I think energy demand you're seeing that spread apart or spread across whether it's renewable or now bringing a new killer back.
So it's going to be something interesting to watch, I think, more as we get later in the decade.
Thanks, guys.
Thank you.
The next question comes from Jeff Zicoskis with JP Morgan. Please go ahead.
Thanks very much.
When you think about the Donaldsonville dehydration and compression unit and the 45Q credits that you might get in 25,
it is your base case that the credits would come from enhanced oil recovery.
So our agreement with Exxon is for CCS, so it is not for enhanced oil recovery.
So it's for a class six permit in which it would be sequestered and we had received the $85 per metric ton tax grant related to that.
And as I said earlier, we still feel confident that next year we'll be sequestering

in class six permits given the flexibility and really the alternatives that Exxon has across both Louisiana and Texas with different sequestration permits that are in process right now,
both with the state of Louisiana, but also with the EPA and the federal government.
So I don't think ExxonMobil has completed any permit filings in Louisiana just yet.
So why are you, and in Texas, you need EPA approval?
And this is just for the permits itself.
I mean, there have been no class six permits that have even been issued.
Are you really so confident that you can achieve this in 2025?
Yeah, I would say.
And the OR area.
Yeah.
So what I would say is, Jeff, is as you point out, you know, there is in Texas, it is federal and they do have sequestration wells that they have permits put in place for Texas as well.
And that's really where the optionality of that almost thousand mile CO2 pipeline that Denver, they acquired from Denver, allows them to work different paths and different alternatives to get there.
All our discussions with Exxon suggest that they will have class six permitting, so that's what I'm basing it on.
And when you contemplate the building of a new blue ammonia facility and you look at an ATR versus an SMR with flu gas capture, are those very different costs?
Like, is there a, I don't know, a billion dollar difference between doing one or doing the other?
Or is it much smaller?
It's much smaller by the time you add on potential flu gas capture.
I think what you'd end up seeing is numbers that would kind of be in the proximate range of each other.
I think one of the big differences that you end up with is more tonnage of production coming out of an ATR in general than the SMR.
You know, the largest onion plant in the world is Donaldsonville number six.
And even though it's, name plate is the same size as a number of other plants that are out there, we're getting about 10% or a little over 10% additional production above name plate.
And so that is the, you know, currently the largest plant in the world.
And the ATR would be quite a bit larger than that plant even.
And so one of the benefits is the ATR is compared to the SMR with flu gas is on a comparable capital basis.
You get more tonnage of production and all those incremental tons are really at variable cost.
And so the return profile looks really attractive against those incremental tons.
So that's kind of the direction that we're targeting.
The other part I would add, Jeff, is based on that incremental tons, which could be 10% higher than our ammonia sixes.
You're now also capturing, you know, probably about 50% more CO2 than you would on a comparable conventional SMR.
And you'd be obtaining the 45Q, whether it be through the class six or an EOR, you'd have a benefit that would be significant over what a traditional SMR plant would be.
Okay, great. Thank you very much.
Thank you.
The next question comes from Adlaine Rodriguez with Mizuho. Please go ahead.
Adlaine Rodriguez in the line has been unmuted. You may proceed with your question.
Sorry about that. Good morning, everyone. Tony, a quick one for you. Can you talk about changes if any you see in farmers or retailers' behavior,
given the more challenging crop prices we have now, and how has that changed?
How does CS go-to market behavior have changed accordingly?
Yeah, I'll give a real quick high-level answer, and I'll begin it over to Bert to give some additional color.

But in general, because nitrogen is a non-discretionary nutrient, we've seen strong demand for our product globally, even though crop prices are a little more muted today than they were a year ago or two years ago,
I think generally where you see farmer behavior looking to be different in an evolving crop price marketplace has to do with some of the other inputs.
So whether it's PMK that you might cut back on a little bit, or you end up going with a generic feed, and chemicals as opposed to some of the ones that are still on patent, et cetera,
you see the reduction in costs in other places, but nitrogen really doesn't provide an option for farmers to reduce otherwise you see a direct year-one impact on yield.
So that's why we continue to see very strong demand for our product.
Yeah, I agree with Tony, and some of the interesting things that are going on in the farm community, and we're very well connected with our customers.
We don't sell to farmers, but the co-ops that we work with, Gromark, CHS, Windfield, and some of the others, as well as our public companies and private companies, Simplot and ADM and people like that, we have a lot of conversations.
And I think one of the issues is that it needs to be managed on the farmer's side is debt and cash management, and so you're seeing delayed purchases, delayed purchases, and positioning for the spring.
And I think one of the things like Tony talked about all the ancillary issues of products that are used for planting and growing a crop, it's land values as well.
So we're going to have to watch that over time, but for us, it's we focus on what we can control, and that's lowering our costs, keeping our costs attractive as related to the market in terms of our production mix, running the plants very well and efficient,
and utilizing the export capabilities that we have for a global participant, we're active in Brazil, Argentina, Australia, and Europe,
and that gives us insight into global farming practices and needs, and then we manage our book. We always have a healthy book on and then a manager of the pricing that's available to us, so we're capturing a good value and the gas team,
and keeping our gas costs low, which have been, they've done a very good job. So in conjunction with our insight into the market, our relationships in the market, our capabilities that we are able to leverage were positioned very well, and I think the farmer with some of the droughts that are going on in Brazil and some of the demand and low prices tend to help demand increase.
The pricing will recover, hopefully in the forward market.
Okay, that makes sense. And a related question, as we exit 2024 and enter in 2025, again, it seems like the way you talk about the outlook for nitrogen, that's very encouraging.
Is there anything that concerns you at all like anything that makes you think, yeah, keeps you awake?
I sleep very well, but there are things in this market that I do think about, and I'm always looking over the horizon on, I think there are issues with currencies on what countries are devaluing their currency in order to participate.
I think some of the things that are coming out of China with export policies, industrial policies have ramifications into the commodity markets.
I think some of the concerns with Europe and gas were a producer in the UK, and so we're following that market.
We have good customers and what their long-term opportunities are, or challenges.
And then it's geopolitics or the geopolitical environment that we're currently in with what's going on in the Middle East, what's going on in Ukraine.
You know, these have impacts on real people and real decisions on not just how people eat, but how they live, and then how do we play in that world.
So, yes, there are concerns. I think we always have to be mindful of those things in the energy markets and how we run our business.
Okay, thank you very much.
Thank you.
The next question is from Demetri Silverstein with Water Tower Research. Please go

ahead.
Good morning, and thanks for taking my questions.
Most of them have been answered, but I do want to follow up on the more near-term outlook for pricing.
We've seen price comping down you over your in the first half of the year, and then you reported a price increase here in the third quarter.
How do you look at, given the market dynamics and the tightness in the market that you identified and talked about, what do you expect for pricing as you get into the 2025 negotiated season?
Well, a lot of things that drive pricing drive, it's supply and demand, it's energy spreads, it's, again, some of the issues I just articulated.
We did have some weakness going into Q1 and then coming out of Q2, or pricing for Eurea, for example, fell NOLA to $290, and then recovered to $330, $335, and we're currently trading around $320.
And so the trends in pricing were reflective of the lack of Chinese availability, the lack of North African, principally Egypt, and then some other gas constrained areas.
And we see that positive environment continuing into Q2 because of those dynamics are not going away.
And so we have these episodic moments of movements of pricing, but the trend, we believe, through at least the first half of 2025 is positive.
That's awful. Thank you. And then one final question. You mentioned the modest hurricane impact from fame scene.
I'm hoping that nothing else was impacted as far as your operations concerned with the East Coast strike.
Anything we should be thinking about in terms of cost, deltas going forward as far as logistics costs, the barge traffic in Mississippi is still kind of slow because of the low water levels after a couple of years of droughts.
Anything that we should be keeping in mind as we look towards 2025 on your gross margin line.
Yeah. So what I would say is a lot of those we were able to mitigate those issues that you mentioned with the porch strike and then also the hurricane without really much financial cost related to that.
I think just in general with any type of logistics movement, what we're seeing is just the inflationary effects, both from, you know, barge prices or whether it be rail.
So that, I would say, is the one area we continue to monitor and look at alternatives.
You know, the one thing that we have flexibility that differentiates us from other companies is our ability specifically out of Donald's ability to move product through five different modes, whether it be vessel, barge, truck, rail, or pipe.
And that gives us a lot of flexibility to go to alternative transport methods.
So I would say it's just, you know, Bert's team in the supply chain doing a little bit more thought provoking just to keep costs down versus what we're seeing inflation wise.
I'm just so. Thank you very much. That's all the questions ahead.
Thank you.
Ladies and gentlemen, that is all the time we have for questions for today.
I would like to turn the call back to Martin J. Rosen for closing remarks.
Thanks everyone for joining us. We look forward to seeing you at upcoming conferences.
Thank you. The conference has now concluded.
Thank you for attending today's presentation. You may now disconnect.