

Yara's \$1.3 Bn Texas deal reshapes competition in U.S. nitrogen market

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The acquisition gives the fertilizer major direct access to low-cost Gulf Coast production while strengthening its global ammonia supply chain



Yara International has announced the acquisition of the Gulf Coast Ammonia (GCA) plant in Texas City, Texas, for \$1.3 billion, significantly expanding its ammonia production capacity in North America and reinforcing its strategy to secure cost-competitive manufacturing assets in one of the world's most attractive fertilizer production regions.

The acquisition, which comes shortly after Yara withdrew from a separate ammonia investment opportunity in Louisiana, represents one of the company's largest North American investments in recent years and underscores its renewed focus on strengthening upstream ammonia production.

The transaction includes the ammonia production facility, associated storage infrastructure and exclusive access to the site's loading facilities. Once fully operational, the plant is expected to produce approximately 1.3 million tonnes of ammonia annually, substantially enhancing Yara's global production portfolio.

Currently undergoing commissioning, the facility is expected to achieve stable commercial operations by the end of 2026.

Strategic Shift Towards Competitive U.S. Production

The investment reflects Yara's broader strategy of increasing exposure to regions with structurally lower energy costs, particularly the U.S. Gulf Coast, where abundant natural gas supplies provide a significant cost advantage for ammonia production.

Unlike conventional integrated ammonia facilities, hydrogen, nitrogen and other industrial gases required for production will be supplied by Air Products under a long-term agreement through the United States' largest hydrogen pipeline network. This operating model mirrors Yara's successful production arrangement at its Freeport, Texas, joint venture.

By securing proprietary ammonia production capacity, Yara aims to reduce dependence on spot market purchases while improving supply reliability for both fertilizer and industrial customers.

Capital Reallocated After Louisiana Exit

The Texas acquisition follows Yara's recent decision to discontinue negotiations related to the proposed Louisiana Clean Energy Complex, where it had been evaluating ammonia assets supported by a long-term low-carbon hydrogen supply agreement.

The company concluded that the Louisiana investment did not meet its financial return requirements and instead redirected capital towards more mature production assets capable of generating stronger commercial returns.

Despite stepping away from the Louisiana project, Air Products remains a key strategic partner for Yara. Alongside the acquisition, the companies are finalising a marketing and distribution agreement covering renewable ammonia produced at the NEOM Green Hydrogen Project in Saudi Arabia, where Air Products serves as the exclusive offtaker.

Positioning for Long-Term Competitiveness

Natural gas remains the single largest input cost in ammonia production, making access to competitively priced U.S. feedstock a critical advantage. By increasing its manufacturing presence on the Gulf Coast, Yara expects to diversify its energy exposure while reducing reliance on higher-cost European production facilities.

The investment also comes at a time when geopolitical tensions affecting energy and fertilizer markets have reinforced the importance of secure ammonia supply chains. Ongoing disruptions across key global shipping routes have supported strong ammonia prices, increasing the strategic value of reliable North American production.

Competition in the Nitrogen Market Set to Intensify

The addition of a 1.3 million-tonne production facility significantly strengthens Yara's competitive position within the North American nitrogen industry, where major producers have traditionally benefited from access to inexpensive natural gas.

The acquisition is expected to intensify competition among leading fertilizer manufacturers by expanding Yara's ability to supply both agricultural and industrial customers directly from its own production assets.

Financially, the acquisition aligns with the capital investment framework outlined during Yara's 2026 Capital Markets Day. Following completion of the transaction, the company's pro forma net debt-to-EBITDA ratio is expected to increase from 1.00 to 1.73, while remaining within its stated capital allocation policy and consistent with maintaining its targeted investment-grade credit profile.

Low-Carbon Potential for the Future

Although the Texas facility will initially produce conventional grey ammonia, Yara believes the plant offers long-term potential for future conversion to lower-carbon production pathways, subject to technological advances, regulatory developments and commercial viability.

The immediate priority, however, will be completing commissioning and ramping the facility to full production by the end of 2026. Successful execution will determine whether the investment delivers the operational efficiencies and cost advantages Yara is targeting as it strengthens its position in the evolving global ammonia and nitrogen fertilizer market.