

Biomass Market Update

Prices begin to stabilise

(RBCN) Europe's wood pellet prices are showing signs of stabilisation, following several years of heightened volatility driven by energy crises, raw material shortages and global inflation.

I2 industrial wood pellets were assessed at an average of €173/t (\$203/t) CIF ARA, which was around €22 – or 11.3% – lower than the previous quarter, according to a survey of market participants. ENplus A1 residential pellets were pegged at a €20 premium to the I2 price.

With most winter procurement now completed, pellet buyers across Europe are well stocked heading into the second half of the year, said a European biomass trader, noting it was usual to see a quieter summer market, where spot opportunities exist but remain limited due to controlled production levels.

Combined inventories at several monitored Amsterdam, Rotterdam and Antwerp (ARA) import terminals have risen by 2,500 tonnes – or 14.3% – compared with the end of the previous quarter, to around 20,000 tonnes, RBCN estimates showed.

"I notice that more pellets have been going into storage due to maintenance at the power plants in the Netherlands," said a source at one ARA import terminal.

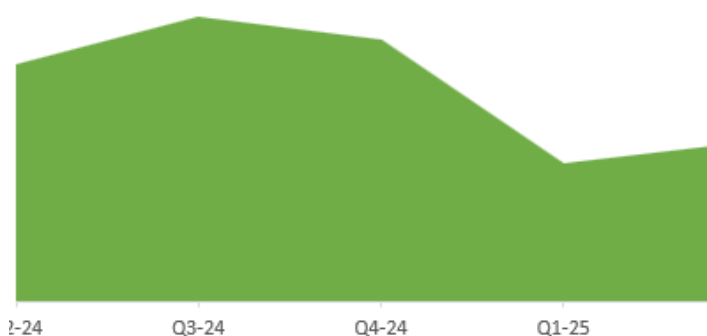
"Seasonal influences are really noticeable nowadays, meaning less imports between March and August," he added.

RBCN Wood Pellet Price and Stock assessments

	End Q2 2025	Vs. Q2 2024
Industrial (I2), CIF ARA	€ 173/t	-11.3%
ENplus (A1), CIF ARA	€ 193/t	-8.1%
ARA stocks, tonnes	20,000	+14.3%

**Assessments reflect Europe-origin spot cargoes, loading up to 3 months ahead*

ARA wood pellet stocks, '000 tonnes



On the supply side, North American exporters continued to outperform their European counterparts, offering consistently lower prices, the trader said.

Unlike producers in the Baltics and Portugal – who are operating slightly below capacity due in part to still high raw material costs – US manufacturers were benefitting from relatively stable raw material costs and lower structural inflation.

As a result, American pellets remained the most competitive option in both spot and term markets, he said.

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Wood Pellet Imports*, tonnes	Q1-25	Q4-24	Year-to-date	vs. Q1-24	vs. YTD-24
Netherlands	387,359	165,071	387,359	78%	78%
UK	2,333,077	2,288,849	2,333,077	6%	6%
Belgium	5,602	58,341	5,602	-85%	-85%
Denmark	319,324	384,525	319,324	-6%	-6%
Of which in Q1-25	US	Canada	Russia	Portugal/Spain	Baltics**
Netherlands	183,619	60,023	0	177	143,541
UK	1,883,338	192,294	0	1,097	256,349
Belgium	3,807	61	0	1	1,733
Denmark	248,517	28,080	0	0	42,726

**Source: Eurostat & BEIS **Latvia, Lithuania and Estonia*

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Despite the overall softening in industrial pricing, residential-grade pellets were commanding healthy premiums.

“On a CIF ARA basis, residential pellets are trading at €15–20 per tonne above industrial grades, with even higher differentials in certain inland markets where local supply is tighter,” another trader said.

“Suppliers continue to prioritise premium segments where margins remain attractive,” he added.

At the same time, multi-year contracts have become increasingly rare as the market adopts a more short-term, flexible approach.

“It’s because [long-term contracts] are not needed in Europe anymore because there aren’t any significant investments that need to be made,” the trader said.

“This, combined with policy uncertainty beyond 2026 – particularly regarding subsidy frameworks and the future of major users such as Drax – has discouraged long-term commitments,” he noted.

Delays to key regulatory instruments, including the EU Carbon Removal (EUCR) legislation, now expected at the end of 2025, had further clouded the investment outlook.

While raw material costs remain elevated, a downward trend was anticipated.

The tightness has been driven largely by the absence of Russian supply, due to restrictions on imports because of the war in Ukraine, and reduced output from European sawmills, which has limited the availability of sawdust and other residues, according to market participants.

As construction and woodworking activity gradually recover – supported by falling interest rates – feedstock availability was expected to improve, lowering production costs.

In Scandinavia, the domestic pellet market remains resilient, said the first trader.

“High local sawdust prices and strong regional demand have kept prices elevated, even as international export markets have softened,” he said.

As a result, much of the region’s production was not remaining within domestic borders, “supporting a healthy local market dynamic”.

Looking ahead, the main risk factors lay in longer-term policy clarity and global competitive pressures, particularly from North American suppliers, market participants agreed.

Global pellet output steady in 2024

Global wood pellet production remained stable in 2024 at 48.3 million tonnes, while global consumption surpassed 45 million tonnes for the first time, according to the Pellets Statistical Report 2025, published by Bioenergy Europe.

Despite challenges such as warmer winters and shifting policies, Europe continued to dominate both production and consumption of wood pellets – solidifying its role in the transition away from fossil fuels in the heating sector.

Europe remained by far the world’s leading region for wood pellet production and use, and with policy support found to be the key driver.

“The data shows that, where there is political will and clear financial support for installation of new appliances, renewable heat thrives,” said Jérémie Geelen, market Intelligence Director at Bioenergy Europe.

“Consumers need stability. Without consistent support schemes, even established markets can falter.”

Sales of pellet stoves and boilers across Europe in 2024 showed sharp national contrasts, shaped largely by the policy landscape. In Austria, a strong rebound followed new federal and regional subsidies that supported the phase-out of fossil heating systems after a steep market dip in 2023.

Meanwhile, Poland’s Clean Air Program continued to boost momentum, encouraging households to replace outdated, often coal-fired systems with cleaner alternatives, the report found.

In contrast, Germany, the EU’s largest pellet appliance market, saw renewable heating system sales decline for a second consecutive year, reflecting uncertainty in national policy and consumer hesitancy. France experienced a similar downturn due to frequent policy changes in 2024.

Despite these regional disparities, the report estimated that more than 5.6 million European households now rely on wood pellets for heating – an even greater number when accounting for other biomass sources such as logs, briquettes, chips, and biogas.

Quality assurance has also played a growing role in the market’s evolution, according to the report.

For example, the ENplus certification scheme continued to “raise global standards” for pellet quality, helping improve appliance efficiency and reduce emissions.

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Drax reports strong performance

UK independent energy firm Drax Group in May reported a strong operational and financial performance in its latest trading update, underscoring the growing importance of biomass in the UK's clean energy transition.

The company expected its full-year 2025 earnings to reach the upper end of analyst expectations, driven by robust output from its biomass generation and pellet production operations.

Biomass remained central to Drax's energy strategy, the update said. Its wood pellet production had already outpaced levels from the previous year, supported by improved operational efficiency and favourable weather conditions. The company's flagship Drax Power Station continued to serve as the UK's largest provider of continuous renewable electricity, running entirely on biomass and playing a key role in maintaining energy security as more intermittent renewables like wind and solar enter the grid.

Drax has secured around £2 billion in contracted biomass power sales for the period 2025 to 2027, covering approximately 21.1 terawatt hours at an average price of £93.60 per megawatt-hour. These contracts fall under the UK's Renewable Obligation and Contracts for Difference schemes, offering financial certainty for the company as it scales its renewable portfolio.

The trading update also highlighted Drax's long-term ambitions in bioenergy with carbon capture and storage (BECCS), a technology considered vital for delivering negative emissions. The company aims to become carbon-negative by 2030, and the update stated that preparations for BECCS deployment at Drax Power Station are progressing.

The UK's National Energy System Operator has reaffirmed the need for dispatchable low-carbon power, identifying large-scale biomass and BECCS as essential to achieving a fully decarbonised electricity system by 2030.

Looking ahead, Drax was positioning its pellet production capabilities to serve not only domestic energy needs but also to support emerging markets such as sustainable aviation fuel (SAF). The company is awaiting further clarity from the UK government on new market frameworks, including the development of low-carbon, dispatchable Contracts for Difference for technologies like BECCS – a key milestone expected later this year.

Biomass for power in UK drives waste wood market

The UK's waste wood market remained buoyant throughout 2024, with new figures showing more than 97% of material was formally processed – driven largely by the growing demand for large-scale biomass in power generation.

According to the latest data released by the Wood Recyclers' Association (WRA), approximately 4.5 million tonnes of waste wood were generated across the country in 2023.

Of that, around 4.41 million tonnes – or 97.9% – were collected and processed, marking a record level of recovery and utilisation. The largest share, 2.8 million tonnes, was used in large-scale biomass energy facilities, representing 63% of all processed waste wood. This was a 2.6% increase from 2022 and underlines the role biomass is playing as a dispatchable, renewable energy source, the WRA said.

Industry leaders welcomed the figures as a sign of both market maturity and the sector's growing contribution to the UK's net-zero goals. The use of waste wood in biomass plants prevented an estimated 701,000 tonnes of carbon emissions in 2023 alone, compared to fossil fuel-based alternatives. With the integration of carbon capture and storage (CCS) technologies, this figure could rise to 3.6 million tonnes annually – equivalent to around 16% of the UK's overall CO₂ capture target of 23 million tonnes by 2035.

Beyond biomass, waste wood was also used in panel board production, animal bedding, and pallet reuse, reflecting a well-diversified end-use market. However, sector representatives warned that continued progress is contingent on urgent policy support. With existing subsidy schemes such as the Renewables Obligation (ROCS) winding down, industry stakeholders are calling on the government to introduce new support mechanisms and accelerate the rollout of CCS infrastructure, including the Non-Pipeline Transport mechanism that links to the national Greenhouse Gas Removals Business Model.

Julia Turner, WRA Executive Director, said the UK now had environmentally compliant end markets for all its waste wood but stressed that policy certainty was essential to maintain investment and secure the long-term climate benefits of biomass. The government's forthcoming biomass strategy, expected later this year, is likely to determine the pace and scale of future development.

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UK politicians warn that biomass oversight is weak

The UK's Public Accounts Committee (PAC) in April raised serious concerns over how biomass energy is being certified and subsidised, warning that a lack of independent oversight could be allowing unsustainable practices to go unchecked in a sector that has already received billions in public funding.

In a report, the cross-party committee stated there was a "significant risk" that the biomass industry is "marking its own homework" when it came to sustainability. Since 2002, government support for biomass has totalled around £22 billion, including £6.5 billion in subsidies awarded to Drax Group, which operates the country's largest biomass power station in North Yorkshire.

Members of Parliament (MPs) criticised the government's reliance on industry self-reporting and third-party verification schemes to assess whether the biomass being burned to generate electricity is genuinely sustainable. The Department for Energy Security and Net Zero (DESNZ) and Ofgem, the sector's regulator, were both found to have "limited assurance" over the validity of the sustainability data reported by energy companies.

"There is a staggering amount of public money at stake, and we're being asked to take it on trust that biomass is sustainable and delivering real emissions reductions," said Sir Geoffrey Clifton-Brown MP, who chairs the committee. "It is long past time that government conducted a proper, transparent evaluation of what we're really getting in return."

The report also pointed to a lack of clarity in how new, stricter sustainability rules – requiring 100% of biomass to meet sustainability standards – would be enforced.

Furthermore, the committee criticised the slow progress on developing bioenergy with carbon capture and storage (BECCS), a technology central to the government's net-zero strategy. MPs noted that despite government backing, there is still no operational BECCS facility in the UK and called for contingency plans should the technology fail to deliver on its promises.

Public and political scrutiny of the biomass sector has intensified following reports questioning the environmental integrity of biomass feedstocks, particularly wood pellets sourced

from overseas forests. The PAC called for the full publication of a review by KPMG into Drax's Canadian supply chain – currently held under legal privilege and only shared with regulators and government officials.

While Drax maintains that its biomass sourcing complies with internationally recognised standards, including the Sustainable Biomass Program (SBP), the company was fined £25 million by Ofgem earlier this year for providing incorrect information on sourcing data. Despite this, Ofgem has said it found no evidence that Drax breached UK sustainability rules.

In response to the PAC report, a DESNZ spokesperson defended the UK's approach, noting that upcoming reforms to subsidy schemes would strengthen sustainability requirements and reduce operational support. Under the new terms, Drax's biomass units will receive less than half the support time originally planned, and the government expects the restructured agreement to cut £170 million from overall subsidy costs – equivalent to a £6 saving per household.

However, the PAC warned that unless the government tightened oversight and enforced clear sustainability benchmarks, public confidence in biomass as a genuinely renewable and low-carbon energy source could be eroded – especially as BECCS, seen as essential to the UK's climate targets, remained stuck in early stages.

Germany awards 244 biomass projects in April tender

The Federal Network Agency has announced the results of its latest biomass energy auction, awarding 244 bids with a combined capacity of 187,422 kilowatts in the bidding round that closed on 1 April 2025.

The awarded bid prices ranged from 12.34 cents per kilowatt-hour (ct/kWh) to 17.19 ct/kWh, with the average volume-weighted price settling at 16.53 ct/kWh.

The prices were considered to have reflected strong demand in the sector amid ongoing efforts to promote flexible and sustainable bioenergy.

The announcement comes under Section 35 of the Renewable Energy Sources Act (EEG), which governs Germany's transition to clean energy.

The tender specifically targeted existing biomass plants, but certain awards remain conditional or subject to revocation due to legal and regulatory considerations.