

# Biomass Market Update

## Winter demand picks up

**(RBCN) European wood pellet trading has picked up noticeably moving into the winter months, with spot activity firming and prices edging higher, market participants said.**

Although underlying fundamentals remain broadly unchanged from late summer, rising seasonal demand and constrained European supply have shifted sentiment more bullish.

I2 industrial wood pellets were assessed at an average of €180/t (\$212/t) CIF ARA, which was around €10 – or 5.9% – higher than the previous quarter, according to a survey of market participants. ENplus A1 residential pellets were seen at a €15 premium to the I2 price.

“The spot market is quite active,” said one trader. “Pricing seems to be on the up. We’re getting more bids than we have pellets to supply, which is a good thing.”

Several traders reported that any volume capable of meeting premium specifications was being directed toward that segment.

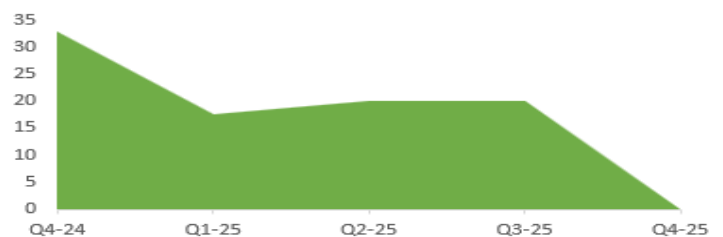
“If you can sell it to the premium market, you do,” a Scandinavian trader said. “We haven’t done any industrial deals in a while. The premium is simply too attractive.”

Spot activity had been largely satisfied by North American producers, with traders pointing to the US as the main origin for recent deals.

RBCN Wood Pellet Price and Stock assessments		
	End Q4 2025	Vs. Q3 2025
Industrial (I2), CIF ARA	€ 180/t	+5.9%
ENplus (A1), CIF ARA	€ 195/t	+2.6%
ARA stocks, tonnes	0	-20,000

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

### ARA wood pellet stocks, '000 tonnes



Steady freight markets and stable raw material costs had kept US production economics consistent, enabling American suppliers to undercut European producers in discretionary sales.

“As far as I know, all the spot deals being done are from the US,” the trader said.

“Raw material prices in Europe have been too high, so Baltic and Portuguese suppliers haven’t been competitive.”

Most Baltic and Iberian production continues to flow into long-term contracts, with little leftover for prompt delivery.

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Wood Pellet Imports*, tonnes	Q3-25	Q2-25	Year-to-date	vs. Q3-24	vs. YTD-24
Netherlands	152,527	14,980	554,867	-50%	-32%
UK	2,235,012	2,464,943	7,033,032	20%	15%
Belgium	46,171	53,682	105,456	332%	-1%
Denmark	152,629	11,986	483,939	-8%	-36%
<i>Of which in Q3-25</i>	<b>US</b>	<b>Canada</b>	<b>Russia</b>	<b>Portugal/Spain</b>	<b>Baltics**</b>
Netherlands	88,625	30,286	0	627	32,990
UK	1,712,178	168,917	0	667	353,250
Belgium	44,156	0	0	0	2,015
Denmark	106,228	27,854	0	0	18,548

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

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European suppliers would need significant improvements in fibre costs to re-enter the spot arena competitively.

Spot pricing for industrial volumes was reported at \$210–215/t CIF northwest Europe, reflecting a notable lift as winter heating demand increases. “It has gone up quite a bit,” the trader said. “That’s a sign of a reasonably strong market.”

At the same time, combined inventories at several monitored Amsterdam, Rotterdam and Antwerp (ARA) import terminals had fallen to zero, from around 20,000 tonnes at the end of the previous quarter, RBCN estimates showed.

Some of the recent rush to secure supply was linked to concerns around the EU’s deforestation-free regulation (EUDR), which had originally been expected to strengthen compliance requirements at the end of the year. Its postponement by another 12 months eased near-term pressure on buyers.

“When we thought EUDR would come into place there was a rush to do deals,” a European trader said. “When it was postponed again, everyone relaxed. But it still looks like people are burning at a pretty decent rate.”

Despite muted expectations for future utility consumption, several ARA-area ports have expressed bullish long-term forecasts for biomass handling volumes.

Some operators have spoken of throughput potential rising sharply in the coming years.

But market participants questioned the basis for such projections. “There’s no significant new demand coming online that I’m aware of,” the second trader said.

“The only real exception is Poland, where there’s genuine interest in burning more biomass. But Polish imports won’t go through Rotterdam – they’ll use Baltic Sea ports.”

Outside Poland, traders described European heat-and-power demand as stable but lacking major growth drivers.

Longer-term optimism within the sector continued to centre on emerging markets such as green steel, cement, and bio-aviation fuels, though traders cautioned that these remain speculative.

“That’s still pie-in-the-sky hope,” one source said. “Those markets don’t exist yet. You have to talk about potential new demand, but nothing large-scale is coming soon.”

The UK’s Drax Power Station remains a critical demand anchor for industrial pellets. Its recently extended support for CFD-backed units provides near-term stability, but structural demand risk remains once renewable obligation (RO) support ends after 2026-27.

“If the RO price plus the electricity price isn’t high enough, they’re not going to run the RO boilers,” the source said. “They’ll only run the CFD ones.”

In a high-consumption year Drax currently burns roughly 7 million tonnes of pellets. Market participants estimate this could fall to around 4 million tonnes if only CFD units operate. With Drax’s owned production capacity of roughly 3 million tonnes across the US and Canada – much of which is increasingly Asia-bound – its net European sourcing requirement could drop substantially.

“That’s a significant drop for the industrial market,” the first trader said. “If you’re a high-cost producer in Europe, you could be squeezed badly and struggle to find customers in a few years’ time.”

### **European import breakdown**

Meanwhile, European wood pellet import patterns shifted sharply in the third quarter of 2025, with the UK continuing to dominate regional demand while the Netherlands and Belgium recorded notable quarter-to-quarter swings, according to latest Eurostat data (*see p.1*).

The UK imported 2.24 million tonnes of pellets in Q3-2025, up 20% from the same quarter a year earlier. Although slightly lower than Q2-2025 volumes, the country remains by far the largest pellet buyer in Europe, bringing total year-to-date imports to more than 7 million tonnes – 15% higher than during the same period in 2024. Eurostat’s supplier breakdown shows that the United States continues to play the central role in meeting UK fuel demand, shipping 1.71 million tonnes to the market in Q3-2025. The Baltics also contributed significantly, supplying more than 353,000 tonnes.

The Netherlands, by contrast, experienced a dramatic quarter-on-quarter contraction. Q3-2025 imports fell to 152,527 tonnes, down 50% from Q3-2024. Still, volumes remain far higher than the extremely low level reported in Q2-2025, when the country imported just under 15,000 tonnes.

Belgium saw one of the most pronounced year-on-year surges in the region, importing 46,171 tonnes in Q3-2025 – an increase of 332% from the same period last year – though its year-to-date volumes remain broadly flat. Nearly all of Belgium’s Q3-2025 imports came from the United States, with smaller contributions from the Baltics.

Denmark’s pellet imports totalled 152,629 tonnes in Q3-2025, marking an 8% decline from a year earlier and a slight decline on a year-to-date basis as well.

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## UK generator Drax reports “solid” performance in 2025

**The UK’s Drax Group has reported a “solid” financial and operational performance for 2025 and set out its priorities for future investment, underpinned by strong cash-generation prospects and disciplined capital allocation.**

In its latest trading update, the UK power producer said its year-to-date performance across key businesses – including FlexGen flexible power, biomass generation and pellet production – had been robust, and it now expects adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) for the full year 2025 to be around the top end of analyst consensus estimates. The update emphasises that this performance reflects resilient operational delivery in a challenging energy market.

Looking ahead, Drax reaffirmed its target of delivering around £3 billion of free cash flow between 2025 and 2031 from its existing portfolio. Management plans to use these funds to support shareholder returns and fund strategic opportunities. Of that sum, more than £1 billion is expected to be returned to shareholders through dividends and ongoing share buybacks, while up to £2 billion could be directed toward growth investments.

The company’s leadership highlighted energy security and flexible generation as core elements of its growth strategy. This includes expanding its FlexGen business – which focuses on grid-support services and flexible renewable technologies – and pursuing new options at its 4 GW Drax Power Station site in North Yorkshire. Among those options is a planning application for a potential 100 MW data centre, with ambitions to grow data centre capacity on the site to more than 1 GW after 2031.

Drax also reiterated that it continues to secure forward contracted power sales, with approximately £2.3 billion of contracted revenue between 2025 and the first quarter of 2027 from its biomass, pumped storage and hydro generation assets, helping to underpin earnings visibility.

On shareholder returns, the update noted completion of a £300 million share buyback in October 2025, with a further £450 million programme underway. The company also paid an interim dividend during the year, reinforcing its commitment to returning cash to investors.

Drax’s update arrives as the UK energy sector continues to navigate the transition toward decarbonised power, seeking to balance reliability, affordability and the integration of renewable energy. The company’s stated strategy reflects a focus on flexible generation capacity and leveraging its existing assets to support future growth and energy security.

## Asian demand growth outstrips UK Global demand for wood pellets used to replace coal in power generation has expanded significantly through 2025, with latest data from FutureMetrics showing that Asia has become the fastest-growing centre of consumption.

The value and volume of pellet imports into Japan and South Korea have risen sharply over the past eight years, pushing both countries closer to the long-established levels seen in the UK, historically the world’s largest importer.

Trade data indicate that Japan’s monthly pellet imports have grown steadily since 2017, now exceeding 700,000 metric tonnes in several recent months.

South Korea’s imports also show strong long-term growth, though with more dramatic month-to-month swings.

The UK continues to import large volumes, but its trend is comparatively flatter, with notable volatility in both tonnage and value.

Price estimates compiled by FutureMetrics demonstrate clear regional differences. Japan typically pays the highest landed costs for pellets, while South Korea consistently pays the lowest, reflecting differences in contract structures, fuel quality requirements, and supplier mixes.

The UK’s prices generally fall between the two. Price variability is especially pronounced in South Korea, where fluctuations have become a defining feature of the market.

Supply patterns have also shifted considerably across the three major markets. The UK remains heavily dependent on US producers, which routinely provide the majority of its pellet imports, while contributions from Canada, Latvia, Portugal and others vary over time.

Japan has moved away from its earlier reliance on Canadian producers and now sources a much larger share of its pellets from Vietnam, Malaysia, and Indonesia. South Korea, once dominated by Vietnamese supply, has become increasingly diversified as contributions from Russia, Belarus, Canada, and the United States grow.

## UK invests £32m in biomass

**The UK government has released the final outcomes of its Biomass Feedstocks Innovation Programme – Phase 2, confirming £32 million of investment into technologies designed to expand and diversify the country’s supply of sustainable biomass.**

The programme, delivered by the Department for Energy Security and Net Zero, funded 12 large-scale demonstration projects aimed at moving early-stage concepts toward commercial readiness as the UK seeks to strengthen domestic feedstock production to support future low-carbon energy systems.

According to the government’s announcement, the projects backed under Phase 2 cover a wide range of potential biomass sources, from energy crops and forestry to marine and semi-wild resources.

Several initiatives focused on improving the establishment, cultivation and harvesting of perennial crops such as miscanthus and short-rotation coppice, including the use of genomic selection, precision planting and advanced mechanisation intended to increase yields and reduce production costs. Forestry-related work included the development of geospatial decision-support tools to identify high-potential land for new biomass planting.

Other projects targeted entirely different feedstock pathways.

One consortium continued the development of automated offshore systems for growing seaweed at commercial scale, positioning UK waters as a potential future source of marine biomass. Another team advanced mobile on-farm pelletisation equipment that would allow UK farmers to convert locally grown materials into industrial-standard biomass pellets, potentially reducing reliance on imported fuel.

The programme also supported research into harvesting semi-wild vegetation such as upland heather, exploring whether such material could provide a sustainable biomass resource while contributing to environmental management.

Alongside the individual innovation projects, government funding maintained the Biomass Connect demonstrator network, a multi-site platform created to showcase best practice, compare crop performance across regions and provide independent evidence for growers, land managers and investors.

Officials said the results demonstrate how innovation can

accelerate the development of new biomass supply chains as the UK moves toward its net-zero targets. By supporting technologies that broaden the range of viable feedstocks and improve production efficiency, the programme aims to lay the groundwork for a more resilient domestic biomass sector.

## Canada strengthen ties with Japan

**Canadian wood pellet producers and government officials have strengthened strategic energy partnerships in Japan following a high-profile trade mission aimed at bolstering renewable energy cooperation and expanding export opportunities.**

The Wood Pellet Association of Canada (WPAC) joined Alberta’s Minister of Forestry and Parks, Todd Loewen, and British Columbia’s Minister of Forests, Ravi Parmar, on a visit to Japan in November designed to highlight Canada’s role as a trusted supplier of renewable biomass energy. Japan has become a rapidly growing market for Canadian wood pellets, which are used by utilities to generate electricity either through co-firing with coal or in dedicated biomass power plants. Over the past decade, Canadian exports to Japan have increased dramatically, rising from about CAD \$11 million in 2014 to approximately \$207 million in 2024, with shipments originating predominantly from British Columbia and Alberta through BC ports.

Officials and industry representatives toured the Omaezaki Biomass Power Station, where about 300,000 tonnes of biomass are used annually to produce low-carbon electricity. Roughly one-third of that feedstock consists of Canadian wood pellets, with plant managers emphasising the high quality and strong performance of Canadian fuel in meeting operational needs.

During the mission, WPAC hosted its largest ever customer appreciation event, bringing together nearly 60 senior executives from Japanese utilities, government officials, Indigenous leaders and industry partners. The gathering aimed to reinforce collaboration, build trust and reaffirm Canada’s position as a reliable long-term supplier of low-carbon biomass.

Long-standing engagement with Japanese partners remains a focus for WPAC, including efforts to address customer priorities such as secure long-term access to Canadian fibre, assurance of sustainable forest management practices and alignment with Japan’s evolving biomass criteria.