Biomass Market Update

Market remains tight

(RBCN) Europe's wood pellet market remains tight heading into the summer, with firm prices, low inventories and rising energy costs supporting sentiment despite the usual seasonal slowdown in demand.

I2 industrial wood pellets were assessed at an average of €191/t ($220/t) CIF Amsterdam, Rotterdam and Antwerp (ARA), which was around €11 – or 6.1% – higher than the previous quarter, according to a survey of market participants. ENplus A1 residential pellets were seen at an €18 premium to the I2 price.

"Inventory levels are quite low, and it's hard to find agreement between sellers and buyers," a European biomass trader said. According to the trader, suppliers are reluctant to commit volumes, with many expecting further upside.

"They'd rather wait... there's not a lot of material to sell anyway, so it's a pretty tight market."

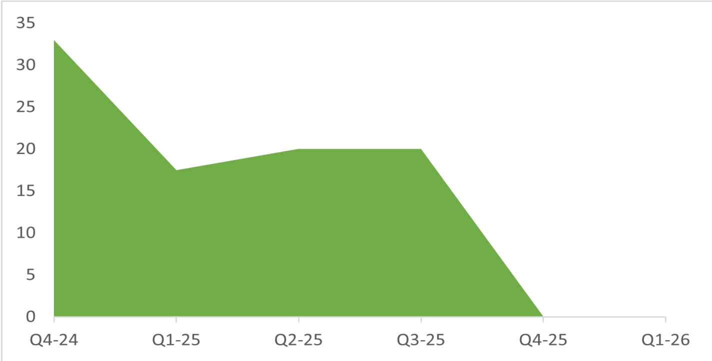
Indeed, combined inventories at several monitored ARA import terminals had diminished to negligible levels, from around 20,000 tonnes in the third quarter of last year, RBCN estimates showed.

German utility RWE had decided to stop the rental of some ARA storage facilities, said a source at one dry bulk terminal, noting "it didn't have any strategic value anymore – the volume stored compared to the number of tonnes burned every day".

RBCN Wood Pellet Price and Stock assessments		
	End Q1 2026	Vs. Q4 2025
Industrial (I2), CIF ARA	€ 191/t	+6.1%
ENplus (A1), CIF ARA	€ 209/t	+7.2%
ARA stocks, tonnes	0	No Change

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

ARA wood pellet stocks, '000 tonnes



There had been a slowdown in vessel arrivals to ARA ports as RWE had taken steps "to empty lots of warehouses throughout Rotterdam, Flushing and Ghent/Antwerp", he said.

But there was nevertheless, some upturn in generation demand over the winter months.

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Wood Pellet Imports*, tonnes	Q4-25	Q3-25	Year-to-date	vs. Q4-24	vs. YTD-24
Netherlands	269,693	152,527	824,560	63%	-16%
UK	2,460,267	2,235,012	9,493,299	7%	13%
Belgium	45,190	46,171	150,645	-23%	-8%
Denmark	403,948	152,629	887,887	5%	-22%
Of which in Q4-25	**US**	**Canada**	**Russia**	**Portugal/Spain**	**Baltics****
Netherlands	159,481	32,212	0	335	77,665
UK	1,808,085	194,595	0	1,166	456,421
Belgium	31,827	0	0	1,595	11,768
Denmark	242,918	60,558	0	4	100,467

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

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While demand typically softens during the summer as heat plants reduce output, this period is usually when utilities rebuild stocks ahead of winter.

However, the market structure limits the immediate impact of spot fluctuations.

“The very big majority of the industrial market is not traded on spot,” a Scandinavian biomass trader said. “You’re talking single-digit percentages… most volumes are under contracts of one to two years.”

Even so, broader energy market developments were feeding into pellet pricing.

Escalating tensions in the Middle East have pushed up fuel and freight costs, indirectly affecting biomass markets. Shipping costs from Asia to Europe have risen significantly, driven by higher bunker fuel prices, insurance surcharges and longer voyage routes as vessels avoid risk zones.

“There is going to be increased bunker fuels… they’re pretty quick at jacking up marine gas oil and diesel,” the first trader said.

While pellet trade flows themselves have not been directly disrupted, logistics costs are rising across the supply chain.

“Higher diesel prices for moving raw material… that’s going to have an effect for sure, especially if the route is long,” the trader said.

The impact is likely more pronounced upstream, particularly in feedstock collection and transport, rather than in long-term transatlantic freight, which is often contracted. Still, carriers retain the ability to pass on higher fuel costs.

At the same time, supply-side pressures persist.

Raw material prices in key producing regions such as the Baltics and Finland, which had eased earlier, are beginning to firm again. Limited sawmill activity is restricting the availability of residues, while difficult harvesting conditions are also constraining supply.

“Raw material prices… might be creeping up again,” the second trader said, adding that this would “put upward pressure on the pellet price”.

On the demand side, fundamentals remained broadly stable. Biomass consumption in Europe is supported by coal phase-out policies and stable generation demand, particularly in major markets such as the UK and the Netherlands. Some plants continue to increase pellet burn as they transition away from coal.

Rising gas and power prices are also providing indirect support.

“The immediate impact on pellets comes from electricity prices,” the Scandinavian trader said. “If power prices go up… the ability for utilities to pay higher pellet prices increases.”

Unlike the price spike seen in 2022 following the loss of Russian and Belarusian supply, the current market is not facing a structural supply shock. However, the combination of tight availability and higher energy prices is expected to keep the market firm.

“If the pellet market had been oversupplied, higher power prices would just boost utility margins,” the first trader said. “But now the market is quite tight… and that helps push the price up.”

European import breakdown

In Q4-2025, the UK maintained its dominance as Europe’s largest wood pellet importer, while deliveries to the Netherlands rebounded and Belgium’s import appetite remained subdued, according to Eurostat data (*see table on p1*).

The UK imported 2.46 million tonnes in Q4, up 7% year-on-year, bringing year-to-date volumes to 9.49 million tonnes (+13%). The United States remained the primary supplier, delivering 1.81 million tonnes, with the Baltics contributing 456,421 tonnes.

The Netherlands recorded a strong recovery, with imports rising to 269,693 tonnes, up 63% year-on-year and sharply higher quarter-on-quarter. However, year-to-date volumes (824,560 tonnes) were still 16% below 2024 levels. The United States supplied the majority (159,481 tonnes), followed by the Baltics (77,665 tonnes).

Belgium imported 45,190 tonnes, down 23% year-on-year, with year-to-date volumes at 150,645 tonnes (-8%). Supplies were dominated by the United States (31,827 tonnes) and the Baltics (11,768 tonnes).

Drax posts record pellet production

UK utility Drax Group reported record wood pellet production of 4.2 million tonnes in 2025, up 5% year-on-year, in its full year 2025 results.

Pellet production remains a cornerstone of Drax's vertically integrated business model, supplying fuel to its UK power station while also enabling third-party sales.

Drax said its pellet operations were "positioned to capture value in the supply chain as a producer, user and seller of biomass," with its US production fleet highly integrated with biomass generation at its flagship power station. This integration allows the group to optimise internal pricing and reduce fuel costs for generation, even as external market conditions fluctuate.

Despite higher production volumes, pellet production adjusted EBITDA fell to £129 million in 2025 from £143 million in 2024, reflecting lower revenues under the group's intercompany pricing mechanism and broader cost pressures. However, on a like-for-like sales price basis, underlying profitability in the pellet segment improved year-on-year, indicating resilient market fundamentals.

The results also highlighted growing regional divergence in supply conditions. While US operations continued to perform strongly, Drax flagged a "more challenging outlook" for its Canadian pellet business, citing a constrained fibre market and lower margins. The company has initiated a strategic review of its Canadian operations, including the paused Longview pellet project, as it seeks to maximise value.

These pressures pointed to tightening feedstock availability across parts of North America, a key sourcing region for European biomass markets. Limited fibre supply and rising input costs were increasingly shaping pellet production economics, it said.

On the demand side, Drax's biomass generation reached record levels of 15 TWh in 2025, up from 14.6 TWh the previous year, underlining continued strong demand for pellets in the UK power mix. The company accounted for 6% of total UK electricity generation and 11% of renewable output, highlighting the scale of its biomass operations.

The signing of a new low carbon dispatchable Contract for Difference (CfD) for Drax Power Station provided longer-term visibility for biomass demand.

Chief executive Will Gardiner described the agreement as "an inflection point," adding that it "provides the foundation for us to keep supporting the UK with the flexible, renewable power it needs for security of supply this decade and beyond."

Looking ahead, Drax expects its pellet production, biomass generation and flexible generation businesses to deliver post-2027 adjusted EBITDA of £600–700 million annually, supported by continued demand for dispatchable renewable power.

ABEA welcomes Trump's timber executive order

The American Biomass Energy Association (ABEA) has welcomed a new executive order from US president Donald Trump aimed at expanding domestic timber production, saying the move could provide long-awaited support for the US biomass energy sector.

The order, issued by the White House on 1 March, directs federal agencies overseeing forestry to develop strategies to increase timber output.

It explicitly includes bioenergy among the country's critical forest product industries, alongside lumber and paper. ABEA said the policy could help strengthen a sector that has struggled with limited incentives and plant closures in recent years.

Executive director Carrie Annand said biomass producers had long played an important but under-recognised role in the US energy system.

"For too long, our members have been unsung heroes in American energy," Annand said. She highlighted the industry's role in removing low-value wood from forests, supporting wildfire prevention, and providing "reliable and well-paying rural jobs" while supplying round-the-clock renewable electricity.

However, she noted that many operators remained under pressure.

"Our members who are producing electricity operate on extremely thin margins," Annand said, adding that the executive order sent "an extraordinarily welcome message" to the sector.

ABEA board chairman Greg Blair also emphasised the potential impact of the policy on forest management and industry activity. He said the group had worked closely with the US Forest Service in the past, but that the agency's ability to fully support biomass development has been constrained.

Finland to support biomass-fired power generation

Finland is set to refocus a planned support scheme for dispatchable power capacity towards bioenergy, in a move aimed at accelerating the deployment of firm, fossil-free generation, the country's economy ministry said in mid-March.

The revised approach marks a shift from earlier plans, following discussions with the European Commission, where differences emerged over how long-duration capacity should be supported under state aid rules.

Under the new design, Finland intends to prioritise bioenergy-based power generation as a key source of dispatchable capacity. The ministry said the mechanism would be structured under an alternative EU regulatory framework, allowing it to proceed without a formal state aid notification process – a change expected to speed up implementation and bring new capacity online more quickly.

The scheme will focus on supporting firm, flexible generation from bioenergy, while authorities will also assess whether existing plants could benefit through lifetime extensions or capacity upgrades. This could help maintain and expand Finland's current fleet of dispatchable assets as the country continues to increase its reliance on intermittent renewable sources such as wind and solar.

According to the ministry, government intervention is necessary to ensure sufficient investment in long-duration, dispatchable capacity. While short-duration flexibility – such as batteries – is expected to be delivered by the market, longer-duration solutions face more challenging economics and require policy support to develop at scale.

Finland has been working on the capacity support mechanism since 2024 as part of broader EU electricity market reforms, which allow member states to back fossil-free dispatchable generation to stabilise power systems with high shares of renewables.

The updated focus on bioenergy highlights its continued role in Finland's energy mix, particularly as a reliable source of baseload and balancing power. By streamlining the approval process and targeting support more narrowly, the government aims to accelerate investment decisions and strengthen energy security.

Bulgaria begins shift to biomass

Bulgaria has begun a gradual shift towards biomass co-firing at its largest coal plant, as authorities seek to cut emissions and reduce generation costs.

The state-owned 1.6 GW Maritsa East 2 (ME2) plant would begin burning waste wood alongside lignite in February, energy minister Zhecho Stankov said.

Biomass would initially account for around 5% of the fuel mix, rising to as much as 30% over time.

Stankov said the transition could significantly improve the plant's economics.

"Upon reaching this amount, the price of electricity produced can be reduced by up to €50/MWh," he said, adding that this would boost competitiveness and support higher utilisation rates.

The move is also expected to cut carbon emissions by around 50%, helping offset the impact of high EU carbon prices, which have driven up operating costs in recent years. ME2 currently produces electricity at around EUR 140/MWh and has relied on financial support from its parent company to cover emissions costs.

Pellet users show strong loyalty as market stabilises, survey finds

A new consumer survey found Europe's residential wood pellet market is stabilising, with strong loyalty to pellet heating systems.

The biannual survey by ENplus, conducted between December 2025 and January 2026, found that over 90% of respondents have used pellets for more than three years, while 98% said they have no intention of switching to alternative heating solutions.

The results point to a mature market built on long-term adoption. Consumers cited efficiency (40%), affordability (39%) and environmental benefits (30%) as the main reasons for choosing pellets, broadly in line with previous surveys.

Price remains the most important factor when purchasing pellets, but quality certification has emerged as a key decision driver, ranking ahead of delivery convenience and supplier proximity.

By contrast, sustainability certification appears to play a more limited role in consumer choices.