

Biomass Market Update

Supply remains strong

(RBCN) European wood pellet prices have come under pressure over the past quarter as plentiful supply and slowing demand weigh on the market.

I2 industrial wood pellets were seen at an average of around €156/t (\$169/t) CIF ARA, which was \$44 lower than in the previous quarter, according to a survey of market participants.

ENplus A1 residential pellets were seen at a €30 premium to the I2 price.

“It’s been a pretty decent winter. No craziness like last winter and now spring is coming so things are calming down and markets are back to normal,” said a European biomass trader.

While industrial pellet demand was still muted, demand for heating had been “pretty normal” this winter, the trader said, adding “prices stayed relatively high, mainly because raw material costs for a lot of pellet producers were high.”

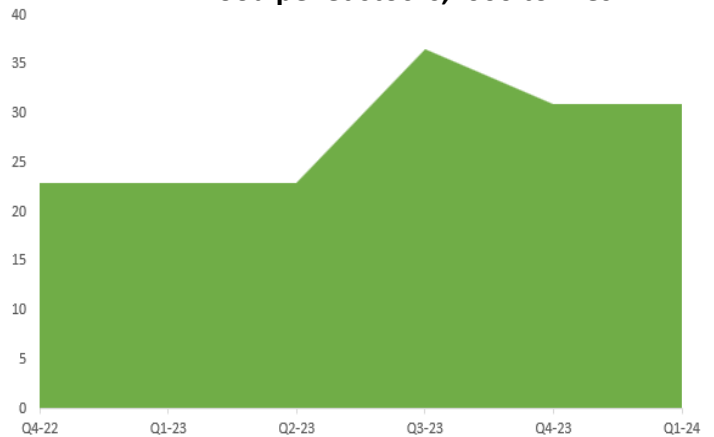
“There was a lot of nervousness around wood chips for energy,” he said, adding “if we’d had a cold winter, that market would have been tough.”

But in the end, there were no significant supply issues, he said, noting “the power producers that use pellets have been oversupplied via long-term contracts, so they’ve been throwing volume back to the markets all winter really which has put a big downward pressure on pricing.”

RBCN Wood Pellet Price and Stock assessments		
	End Q1 2024	Vs. Q4 2023
Industrial (I2), CIF ARA	€ 156/t	-22%
ENplus (A1), CIF ARA	€ 186/t	-19.1%
ARA stocks, tonnes	31,000	Unchanged

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

ARA wood pellet stocks, ‘000 tonnes



Meanwhile, combined inventories at several monitored Amsterdam, Rotterdam and Antwerp (ARA) import terminals were unchanged from the end of last year at around 31,000 tonnes, RBCN estimates showed.

“The stock figure at our terminal has not changed,” said a source at one ARA import hub.

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Wood Pellet Imports*, tonnes	Q4-23	Q3-23	Year-to-date	vs. Q4-22	vs. YTD-22
Netherlands	226,460	309,315	1,644,161	-63%	-35%
UK	251,796	1,056,693	4,238,578	-85%	-43%
Belgium	49,965	47,931	445,364	-71%	-49%
Denmark	374,701	441,184	1,563,388	98%	-18%
<i>Of which in Q4-23</i>	US	Canada	Russia	Portugal/Spain	Baltics**
Netherlands	200,145	24,851	0	115	1,349
UK	1,469	236	0	45,496	204,595
Belgium	45,366	2,140	0	0	2,459
Denmark	159,867	55,298	0	16,385	143,151

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

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“We see a slowdown of imports due to [lower] energy prices, the availability of pellets in storage and mild winter,” he said, adding there were also some concerns that the EU could tighten rules relating to the usage of certain forms of woody biomass.

“This might have influence on imports in 2024,” he said.

From a supply viewpoint, there was an abundance of US pellets on offer, but only limited demand.

“No one's really in any stress to buy. But there's been an opportunity for traders to pick up [higher-grade supplies], store them and distribute in smaller parcels to customers who require a slightly better-quality pellet,” the trader said.

But he noted higher-cost Baltic and Portuguese pellets had been largely priced out of the European market.

“As there's surplus volume scheduled to arrive to Europe from North America, and no storage space or demand, no one's going to sell any spot from the Baltics or Portugal,” he said.

He noted that high raw material costs for Baltic producers had kept their pellet prices somewhat inflated.

“Since the raw material is such a big part of the cost composition, you can only supply on existing contracts that are above your break-even cost and you're not selling any spot,” he said.

And from a demand standpoint, alternative fuels were becoming more attractive to power generators.

“In Europe, it's a matter of the cost of coal, which is now interesting again, and the cost of gas and the cost of producing electricity from those fuels. So [pellet] demand is going to depend on a lot of things, other than just the pellet market,” he added.

At the same time, some coal trading firms were seeking opportunities in the biomass market, amid EU-wide efforts to phase out coal as a generation fuel.

“We are trying to do more biomass business, but even with growing biomass demand in Europe, it's difficult to place moves and tonnages,” said a coal and biomass trader with a German trading house.

“Industrial pellet demand is very low in Europe, so it's really difficult for the trader, and complicated too,” he said.

UK's Drax partners with LSU on sustainable forestry

UK independent carbon removals and renewable energy firm Drax will create a new scholarship fund, worth \$62,000, to support existing funds and become a sustaining member of Louisiana State University's (LSU) Center for Energy Studies' (CES) endowment.

“The collaboration will allow LSU and Drax to help advance energy innovation on a global level, while building on LSU's legacy of sustainable forestry and innovative energy research,” it said.

“This partnership with LSU is the first of its kind for Drax in Louisiana and exemplifies Drax's commitment to fostering collaborations,” said Dawn Whitworth, Head of International Partnerships and Advocacy at Drax.

“Just like our existing Louisiana operations, our goals are to boost economic development, support future workforce training, and build a foundational knowledge exchange through world-leading research in the fields of renewable energy and sustainability.”

As part of the agreement, Drax has pledged a \$55,000 donation to the LSU Foundation to establish a new scholarship and support existing funds to benefit LSU's College of Agriculture and Department of Career Services.

Drax will also become a sustaining member of the LSU Center for Energy Studies' endowment through a separate donation of \$7,000.

“As an international leader in agricultural research, education and extension, the LSU College of Agriculture is excited to partner with a global industry leader like Drax,” said Matt Lee, Vice President of Agriculture and Dean of the College of Agriculture.

“LSU prepares the next generation of innovators and leaders for the agricultural and energy sectors, and it seeks to chart new directions in low carbon solutions through this critical partnership.”

Drax will also join the CES Advisory Council, a group of representatives from organisations, companies, state government, and general citizens that provide direction and guidance regarding energy policy and research.

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US could triple biomass output

The US could sustainably triple its production of biomass to more than 1 billion tons per year, the country's Department of Energy (DOE) said in March.

"Advancing clean energy solutions like biomass is critical to reaching long-term national decarbonisation objectives and a key component of President Biden's [plans] to deliver new economic opportunities across the nation while tackling the climate crisis," it said.

The US currently uses about 342 million tons of biomass, including corn grain for ethanol and wood for heat and power, to meet roughly 5% of America's annual energy demand.

"The US can triple the production of biomass, producing an estimated 60 billion gallons of low greenhouse gas liquid fuels, while still meeting the projected demand for food, feed, fibre, conventional forest products, and exports," it said.

Currently available but unused biomass resources could add around 350 million tons of additional biomass per year above current uses and double the US bioeconomy, it said, noting biomass resources, such as energy crops, could potentially provide more than 400 million tons of biomass per year above current uses.

"Further technological innovations could lead to evolving and emerging resources that represent additional biomass potential," it noted.

Scottish government launches bio-energy consultation

The Scottish government is seeking views on the use of bioenergy, as well as the potential to scale up domestic production of biomass, it said in March.

"Biomass feedstock comes in many forms and has great flexibility in how it can be processed," the government said in a consultation paper.

"Whilst combustion of biomass does produce emissions at the point of use, these emissions are part of the biogenic carbon cycle," it said, noting the carbon that was absorbed from the atmosphere when the plants grew is returned when combusted, unlike for fossil fuels.

"Well managed forests or energy crops can reabsorb carbon emissions from combustion in a relatively short time, re-

sulting in lower net emissions," it added.

Scotland has planted over 50,000 hectares of woodland since 2018, with a mix of native species and fast growing conifers. A recent report by Forest Research suggested that conifers could capture up to eleven times as much carbon as broadleaved woodlands in the short term, the consultation said.

"Felling Permissions are required to fell trees in Scotland and applications will be assessed against the Sustainable Forest Management principles as set out in the UK Forestry Standard," it said.

The government said the use of bioenergy had been forecast to increase under nearly all pathways to net zero. The International Energy Agency (IEA) suggests an increase of 8% per year until 2030 and more than 80 countries have policies in place which support the use of biofuels.

"Bioenergy has many applications across heat, power, industry and transport, with a diverse range of mature and emerging technologies," the consultation stated.

"We recognise that the use of, and demand for, bioenergy will evolve as new technologies, market opportunities and evidence develop," it said, noting the consultation therefore represented the government's "initial thinking" on future bioenergy use in Scotland.

Neste merges renewables units

Finland's Neste has completed its organisational change process, originally announced on 1 November 2023, to merge its three renewable business units into one renewable products business unit.

The leading producer of sustainable fuels and renewable feedstock would also restructure its functions to better support business-driven ways of working, it added.

"With the simplified organisational structure and operational model, Neste secures the execution of its growth strategy with improved cost-efficiency and strengthens its long-term competitiveness," it said.

The planned organisational changes were expected to lead to a reduction of approximately 400 job roles globally and the restructuring was expected to result in total annual cost savings of approximately €50 million.

Enviva files for bankruptcy

The world's largest producer of industrial wood pellets, Enviva, filed for bankruptcy in mid-March, after running up significant levels of debt.

The US Bankruptcy Court for the Eastern District of Virginia approved, among other matters, its previously announced \$500 million debtor-in-possession financing – or “DIP” facility – pursuant to the debtor-in-possession credit and note purchase agreement and the procedures and related materials that will govern the syndication of the DIP Facility, it told investors.

“There was no way they could sustain their business, because the only thing that's changing is that pellet prices going down, and that certainly isn't helping,” said a source familiar with the matter, noting Enviva was also reported to have overhead costs of some \$100 million per year.

“\$5-10 million should be a reasonable overhead cost for them,” he said, citing a comparison with Estonia-based Graanul Invest.

“It's a big chunk of money, but the mills are in good shape and well run. So those mills will be picked up, and there will be a lot of people interested in picking them up, I'm sure,” he said.

But any buyer was unlikely to be Europe based – such as UK independent generator and pellet producer, Drax – due to EU policy uncertainty, the source said.

“Enviva makes a lot of its pellets from old trees and possibly overnight, or very quickly, there could be a law in Europe that prohibits that fuel from being used,” he said.

Graanul launches new pellet brand for Baltics

Estonia-based wood pellet producer Graanul Invest has launched a new premium pellet brand, g Graanul, tailored specifically for Baltic customers.

“This locally produced, high-quality product represents a significant milestone for Graanul Invest as it celebrates its 20th anniversary,” the firm said in press statement.

“With the introduction of this new g Graanul brand, our primary objective is to provide our home markets with an affordable and high-quality renewable energy solution,” said Jaano Haidla, Chief Operating Officer and Member of the

Management Board.

The unveiling of g Graanul followed recent initiatives aimed at enhancing the firm's presence in the Baltic region.

In September 2023, Graanul launched a dedicated e-shop for Lithuanian customers and earlier this year it developed an transport solution for its Latvian e-shop.

“Creating a distinct Baltic premium pellet brand represents a strategic decision to bolster Baltic energy security and advocate for wider renewable energy use,” said Haidla.

Graanul's Naturkraft-branded wood pellets and 15 kg pellet bags will continue to be sold in all European countries outside Baltics.

Biomass Power Association changes name

The US Biomass Power Association (BPA) changed its name in March to the American Biomass Energy Association (ABEA).

The change was to better reflect the association's role in the developing use of clean, renewable and reliable domestic biomass energy through legislative and regulatory advocacy, it said.

ABEA members own and operate more than 80 biomass power plants in 20 states across the US and produce eco-friendly renewable energy solutions that provide communities with locally-sourced power that replaces the need for “foreign” oil or burning fossil fuels, it said.

Most ABEA member companies convert wood and wood products including forest debris, wood “leftovers” from logging activities and other discarded items into clean electricity. Some ABEA members create renewable electricity by using the same technology on rice hulls and nut shells.

“ABEA as an organization is going to maintain and build on BPA's well-earned reputation as a strong presence among policymakers in Washington when issues relating to American biomass are on the table,” said Carrie Annand, ABEA's executive director, in a press statement.

The biomass energy industry provides approximately 14,000 jobs across the US.