

Biomass Market Update

Pellet prices spike

(RBCN) European wood pellet prices have surged by more than a quarter since the end of Q2 due to heightened demand in light of record high prices across the wider energy complex.

Market participants assessed I2 industrial wood pellet prices at an average of €157/t (US\$183/t) CIF ARA, up €33 against the previous quarter, according to an RBCN survey. ENplus A1 residential pellets were largely seen in line with industrial prices, although certain buyers were prepared to pay a small premium.

“The market is developing nicely. All fuels are becoming more expensive and pellets certainly are following,” said a European biomass trader.

“The appetite for biomass is being driven by electricity and heating demand,” he said, noting that spot cargoes for delivery in northwest Europe were selling for at least €155/t.

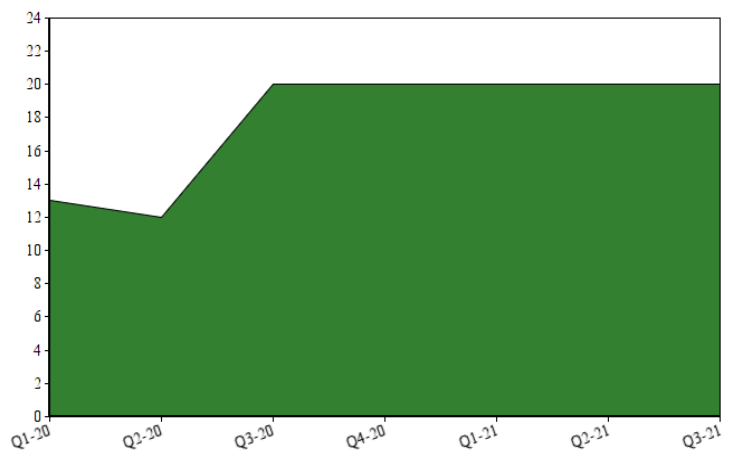
“Prices are similar for residential pellets, although there’s maybe a slight premium for some qualities and destinations – such as Italy,” he said, adding, “I have buyers calling me, which is good, rather than having to chase them. It’s happy days for suppliers.”

Market participants said biomass was rising in tandem with soaring coal and gas prices across the continent, as well as surging carbon-market costs, which have seen European electricity prices jump to multi-year highs in recent weeks.

RBCN Wood Pellet Price and Stock assessments		
	End Q3 2021	Vs. Q2 2021
Industrial (I2), CIF ARA	€ 157/t	+26.6%
ENplus (A1), CIF ARA	€ 158/t	+26.4%
ARA stocks, tonnes	20,000	Unchanged

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

ARA wood pellet stocks, ‘000 tonnes



“There is a correlation with coal, when you can co-fire, as in the Netherlands,” said another trader.

He said the doubling of benchmark European carbon prices so far this year, to above €65/t, had resulted in an increased call on biomass-fired units.

“This has a good effect [on biomass demand], as biomass burning has been pushed up the priority ladder and this has resulted in more consumption,” he said. *Continues on p.2...*

Wood Pellet Imports*, tonnes	Q2-21	Q1-21	Year-to-date	vs. Q2-20	vs. YTD 20
Netherlands	882,196	597,101	1,479,297	72%	68%
UK	2,307,294	2,074,710	4,382,004	2%	-1%
Belgium	249,647	166,034	415,681	-26%	-26%
Denmark	453,627	871,534	1,325,160	47%	64%
<i>Of which in Q2-21</i>	US	Canada	Russia	Portugal/Spain	Baltics**
Netherlands	440,036	125,292	202,354	1,135	113,380
UK	1,361,969	465,719	43,516	42,122	393,969
Belgium	98,741	0	112,621	0	38,285
Denmark	6,468	20,880	101,573	61,009	263,697

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

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The first trader said demand was only expected to grow further, as winter drew closer and the weather became colder.

“The burn rate will increase quite a lot in the winter. Obviously, [generators] have contracted as much as they need for now, but storage [at plants] is limited, so they may need to buy more, if the winter is colder than expected.”

He said that for the “first time in quite a while”, there was a risk of a lack of volume, if there is a severely cold spell of weather over the coming months.

“There are no inventories,” he noted.

Total stocks at monitored Amsterdam, Rotterdam and Antwerp (ARA) import terminals remained unchanged at around 20,000 tonnes, according to RBCN estimates.

Stocks have rarely strayed much above this level over the past year, although throughput at import hubs has been relatively buoyant.

“There are no changes in stock position at our terminal,” said a source at one ARA terminal.

He noted the transshipment of pellets at Rotterdam port was “still at a high level”, with product being barged onward to the nearby Amer and Eemshaven power plants, but also to the north of the country.

“I trust volumes will stay high in the coming months,” the source added.

“It looks like the strong market conditions will continue for some time to come,” echoed the first trader.

EDF ends wood-fuel project

French utility EDF has decided to put an end to Ecocombust, a project to develop a fuel from waste wood as an alternative to coal.

“The conditions to continue the project are effectively not met,” it said, noting two main reasons had led to this decision.

Firstly, the cost of the project would not make it possible to guarantee an attractive price for the final product, and secondly, EDF’s industrial partner recently withdrew from the project.

EDF initiated the Ecocombust project in 2015. Since the end of 2018, the project consisted of both adapting the Cordemais (Loire-Atlantique) power plant to use this alternative fuel and producing pellets on site by building a dedicated production plant there.

“EDF successfully carried out the technical and environmental feasibility studies,” EDF said, adding “these results were obtained thanks to the remarkable commitment and capacity

for innovation of the teams involved in this project.”

“The very innovative nature and the lack of feedback on this type of product as well as the recent surge in raw material prices impacted the project’s cost,” it said.

The partner, with which EDF had opened discussions concerning the treatment of effluents from the pellet production plant, decided to withdraw from the project earlier this year.

“As this withdrawal delayed the industrial commissioning date to 2024, the Cordemais power plant would not have been able to generate electricity using an alternative fuel to coal over the 2022-2024 period,” EDF said.

“EDF therefore decided to put an end to Ecocombust, despite the remarkable commitment of the teams working on the project and the support of local stakeholders.”

EDF said the decision had no impact on the use of the Cordemais power plant.

“The Cordemais power plant will continue to meet the needs of the electricity system expressed by [French transmission system operator] RTE, in compliance with the French Energy Code and energy-climate law,” it added.

Apollo to acquire majority stake in Graanul Apollo Global Management has agreed to acquire a majority stake in Europe’s largest wood pellet producer Graanul Invest, which is also one of the largest producers globally.

“Since its inception in 2003, Graanul has been pioneering some of the most advanced processes and technologies in the biomass and bioenergy industry and providing a critical base-load renewable energy resource,” Graanul said in a note.

The firm operates 12 pellet production plants located in the Baltics and North America as well as operating six combined heat and power (CHP) plants in Estonia and Latvia.

It is one of the largest producers of renewable energy in the Baltic region, having generated more than 17% of all renewable bioelectricity in Estonia in 2020.

“The highly energy efficient CHP plants power the company’s manufacturing operations, helping it to achieve the lowest carbon footprint in the industry,” Graanul said.

The firm’s wood pellets are manufactured from waste wood, such as sawdust, wood chips and shavings, and forestry residues, which is processed into pellet form, creating a high energy density fuel source.

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“All Graanul operations and activities follow the principles and criteria of the leading sustainable forest management systems, and the company maintains multiple independent, third-party sustainability certifications confirming that it excludes any unverified material in its production processes to ensure environmentally friendly and sustainable sourcing of materials,” it said.

“With the accelerating Energy Transition in Europe and globally, baseload renewable energy sources such as biomass are a critical and enabling piece of the puzzle, by providing dispatchable electricity and heat to must-run facilities,” said Apollo principal Brad Fierstein.

Geoffrey Strong, Senior Partner and Co-Head of Natural Resources and Infrastructure at Apollo, added, “we believe Graanul is a unique energy transition platform from which to build around the once-in-a-generation shift in the European energy mix.”

The transaction, which is expected to close later in 2021, is subject to antitrust and regulatory approvals and other customary closing conditions.

Drax starts US plant construction

UK energy firm Drax Group has started construction on the second of three satellite pellet plants in the US state of Arkansas, the company said in September.

Work is underway at the site in Russellville, Pope County in north-western Arkansas, with commercial operations expected to begin at the plant in 2022.

The move was part of a US\$40 million investment by Drax in the state, creating approximately 30 new direct jobs and many more indirect jobs across Arkansas, the firm said.

The three pellet plants are expected to produce a total of around 120,000 tonnes of sustainable biomass pellets a year from sawmill residues, supporting the renewable energy company’s plans to increase self-supply to its power station in the UK.

The development of the “satellite” pellet plants, which are situated near sawmills, is part of Drax’s strategy to increase biomass self-supply to five million tons by 2027, improving supply chain resilience while reducing pellet costs.

it said that locating the plants near sawmills provided the satellite plants with a ready feedstock of sawdust and other residues left over when timber is processed, reducing emis-

sions in the supply chain as well as reducing infrastructure, operational, and transportation costs.

Drax has transformed its power station in the UK to become the largest decarbonisation project in Europe by converting it to use biomass instead of coal. Although its two remaining 645 MW coal-fired units were brought back online in recent weeks to help offset a shortfall in power across the country.

Earlier this year, construction began at Drax’s first satellite pellet plant in Leola, Grant County, and commercial operations are expected to begin late this year. Progress was being made on selecting the third and final site, Drax said.

“The investment that Drax is making throughout Arkansas is proof that the state’s timber industry is poised for a bright future and is a great example of how a global economy works,” said Arkansas Secretary of Commerce Mike Preston.

“These plants support Drax’s plans to develop bioenergy with carbon capture and storage – a vital negative emissions technology that will be needed around the world to meet net zero targets,” said Matt White, Drax Biomass Senior Vice President.

Meanwhile, Drax has teamed up with the National Farmers Union of England and Wales (NFU) to identify opportunities to scale up perennial energy crop production and help the UK meet its climate goals.

The UK’s Climate Change Committee (CCC) has previously stated that if the UK is to meet its decarbonisation objectives, a substantial area of energy crops must be planted each year to deliver the low carbon, renewable fuel required over the coming decades.

“Through the partnership...Drax and the NFU plan to develop a roadmap for boosting the market in perennial energy crops, identifying how they can be used sustainably,” Drax said.

The programme of work would help to provide insights into important diversification opportunities for UK farming businesses as they adapt to new agricultural policies and would seek to identify new revenue streams that may include utilising marginal land unsuitable for food crops, as well as delivering meaningful climate action, it said.

It would also support Drax’s ambition for British farmers to supply some of the biomass needed for its plans to develop the vital negative emissions technology bioenergy with carbon capture and storage (BECCS), the generator noted.

The partnership follows a government announcement in August, which outlined the provision of £4 million in funding to increase British biomass production for green energy.

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