

Biomass Market Update

Prices ease from highs

(RBCN) European wood pellet prices have declined by around 20% over the past quarter amid some softening of demand although they remain at historically elevated levels following this year’s ban on Russian imports.

I2 industrial wood pellets were assessed at an average of around €348/t (US\$367/t) CIF ARA, down €92 against the previous quarter, according to a survey of market participants. ENplus A1 residential pellets were seen still at a substantial premium of around €100 to the I2 price.

“The market has softened a bit, or at least prices have come down,” said a Nordic biomass trader, adding there was “very limited spot trading”.

Prices reached as high at €450/t in September but have since declined more than €100, market players said, with latest deals concluded at around €330-340/t CIF northwest Europe.

“This is still very high of course,” the trader said, noting however that mild weather so far this winter had resulted in lower-than-expected demand.

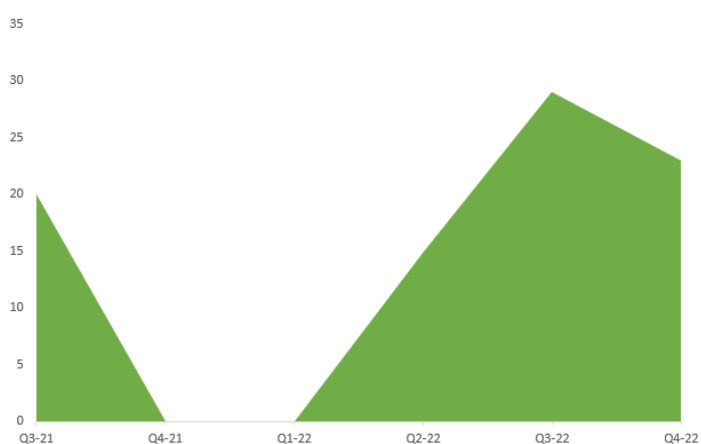
As such, inventory levels at plants were healthy, he said, adding “but they will deplete quickly”.

And at ports, combined stocks at several monitored Amsterdam, Rotterdam and Antwerp (ARA) import terminals slipped 20% over the past three months to around 23,000 tonnes, RBCN estimates showed. Yet this was up from negligible levels at the same time last year.

RBCN Wood Pellet Price and Stock assessments		
	End Q4 2022	Vs. Q3 2022
Industrial (I2), CIF ARA	€ 348/t	-20.9%
ENplus (A1), CIF ARA	€ 448/t	-17%
ARA stocks, tonnes	23,000	-20.7%

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

ARA wood pellet stocks, ‘000 tonnes



A source at one terminal said throughput was relatively strong in order to fuel the Dutch Amer and Eemshaven power plants.

Meanwhile, the outlook for prices remained bullish.

“Next summer, 2023 delivery is still close to current spot prices – around €300 CIF for yearly contracts – so anticipation on the market is that it will remain tight next year,” said a European biomass trader.

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Wood Pellet Imports*, tonnes	Q3-22	Q2-22	Year-to-date	vs. Q3-21	vs. YTD-21
Netherlands	880,853	489,176	1,928,130	26%	-12%
UK	1,923,460	1,723,131	5,713,154	-11%	-13%
Belgium	174,548	293,541	699,135	11%	22%
Denmark	269,496	696,618	1,723,564	24%	12%
<i>Of which in Q3-22</i>	US	Canada	Russia	Portugal/Spain	Baltics**
Netherlands	647,087	63,169	34,591	4,289	131,717
UK	1,265,337	210,229	3,254	61,649	382,990
Belgium	98,578	945	8,864	0	66,161
Denmark	169,288	0	3,986	16,485	79,737

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

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“Prices could theoretically stay high for the next winter season too,” he said adding, “it’s still an undersupplied market – it’s a sellers’ market.”

An EU-wide ban this year on Russian and Belarusian wood pellet imports – among other energy products, such as coal – has resulted in a shortfall of as much as 3 million tonnes/year in supply. Of this, as much as 2 million tonnes was of industrial-grade pellets for use in power generation, predominantly in Denmark, with the remainder earmarked for the premium domestic heating market.

“There is no replacement for Russian pellets to speak of,” the second trader said, adding “the US is producing as much as possible [but] there are not going to be any more pellet plants coming online over the next couple of years.”

He noted also that raw material prices in Baltic countries were very high, meaning producers were unable to sell at less than €300/t FOB Baltic ports.

“If raw materials were cheaper, there is physical capacity to produce more,” he noted.

Meanwhile, US pellet producer Enviva said in its Q3 results that, in the current geopolitical environment, customers’ purchasing decisions were being driven by both the urgent need to decarbonise their supply chains while seeking to secure reliable, affordable, low-carbon feedstocks over the long term.

Countries and companies were not only facing high and volatile fossil fuel prices, while they navigated toward net-zero goals, but they were also revising the long-term security of supply for the carbon feedstocks they are sourcing, it said.

“As a result, our current customers are increasingly looking for supply in a structurally short market and are willing and able to collaborate with suppliers like Enviva to develop mutually beneficial solutions,” it said.

This included pricing new contracted volumes at terms more reflective of the current pricing environment, in which pricing for prompt delivery of biomass has more than doubled in the past year, and also, at times, repricing original contracted volumes at a significant premium to our historical weighted average contract prices in consideration of the overall transaction.

BECCS policy support not sufficient – IEA Current policy mechanisms are not sufficient to incentivise bioenergy with carbon capture and storage (BECCS) investment across all applications, the International Energy Agency (IEA) said in a report.

“While investment in low-cost BECCS applications such as bioethanol is gaining momentum, a suite of policies is required

to address barriers in power and industrial BECCS applications, including high upfront investment needs, long payback periods, uncertain carbon markets (carbon price), the sustainability of biomass supply and access to CO₂ transport and storage infrastructure.”

In the European Union, carbon removal was not credited under the EU Emissions Trading System, the IEA noted.

However, the first Communication on Sustainable Carbon Cycles – released by the Commission in December 2021 – suggested that 5 million tonnes of CO₂ should be removed annually by 2030 from the atmosphere and permanently stored through land- and technology-based approaches such as BECCS, it noted.

“In January 2021 the Swedish government tasked the Swedish Energy Agency with designing a support scheme for BECCS, to be implemented in 2023 as a reverse auction,” it added.

And in the United Kingdom, the Net Zero Strategy released in October 2021 sets out a 5 million-tonne CO₂ per year target for engineered carbon removal via BECCS and DACS by 2030, with the aim of achieving 80 million tonnes by 2050.

“A public consultation on business models for removals was also launched in July 2022, with a focus on first-of-a-kind BECCS power plants,” it added.

Outside Europe, in the United States, the 2018 Farm Bill established a variety of new programmes to aid the development and deployment of a wide range of CDR carbon dioxide removal methods, the IEA said.

BECCS involves any energy pathway where CO₂ is captured from a biogenic source and permanently stored. Only around 2 million tonnes of biogenic CO₂ are currently captured per year, mainly in bioethanol applications.

Based on IEA projects, carbon removal via BECCS could reach around 40 million tonnes of CO₂ per year by 2030, which falls short of the circa 250 million tonnes per year removed through BECCS by 2030 in the Net Zero Emissions by 2050 Scenario.

“The momentum behind BECCS has, however, grown substantially in recent years,” the IEA said.

“Plans for over 50 new facilities involving BECCS were announced between January 2021 and June 2022, across several BECCS applications, boosted by company- and country-level net zero commitments.”

Wood for energy in EU has long future — Scientists

Europe should embrace wood for energy use as it will be available for many years to come can also be used to produce hydrogen and biochemicals, a group of scientists from across Europe wrote in a letter addressed to the European Commission.

“Tending forests and harvesting trees for products will always result in remnants which are not suitable for products,” the group said.

It said manufacturing wooden products results in residues, such as cuttings, shavings and sawdust, which are suitable for producing energy.

“The energy content of remnants and residues of wooden products at the end of their life cycle should be recovered ideally by using Bioenergy with Carbon Capture, Use and Storage (BECCS),” it said.

“It has been argued that wood is inefficient for energy production due to its low energy density compared to fossil fuels. However, this comparison is unfair.”

The letter stated that fossil fuels would not be available in near future, but when the energy transition in Europe is successfully achieved, BECCS technologies also have also the ability to produce hydrogen and biochemicals.

“With proper forest management the use of wood for energy is a co-product of harvest and of the processing of wood for products,” it said, adding the use of wood for energy could substitute fossil energy and was therefore a “significant part” of climate protection policy in all European countries.

“Energy substitution is an integral component of a managed forest and the associated wood products,” it said.

Enviva to double production

The world’s largest producer of industrial wood pellets, Enviva, is “progressing well” through the early stages of its growth plan to more than double production capacity over the next four to five years, it said in its Q3 results.

The US producer intends to hike output from 6.2 million tonnes per year at present to approximately 13 million

tonnes per year.

“Enviva’s Lucedale, Mississippi plant, the first plant in our Pascagoula cluster, continues to ramp production, and is on track to reach nameplate capacity of 750,000 tonnes per year by the end of this year,” it said.

In July, it commenced construction of the fully contracted 1.1 million tonnes per year plant in Epes, Alabama, the second plant in its Pascagoula cluster.

“We also formally announced plans to build the third plant in our Pascagoula cluster in Bond, Mississippi, subject to receiving the necessary permits,” it added.

The facility in Bond would be the producer’s next state-of-the-art manufacturing facility, with capacity to produce more than one million tonnes per year of wood pellets, and, similar to the Lucedale and Epes plants, would export from Enviva’s terminal at the Port of Pascagoula, it said.

“Our business model of fully contracting plants and expansions before commencing construction remains unchanged,” it said, adding “given the current pace of contracting with new and existing customers, Enviva is evaluating the timing of a fourth wood pellet production plant in our Pascagoula cluster.”

“We continue to progress our analysis of site location options and anticipate making a decision around year-end 2022.”

Enviva was also in the process of securing sites in both Georgia and South Carolina and would continue the evaluation process in the coming months to determine which site was most suitable for a new greenfield project in its Savannah cluster.

“We recently appointed Mark Coscio as Executive Vice President and Chief Development Officer to lead our corporate development and construction functions through Enviva’s next phase of significant growth,” Enviva said.

It said he brought “extensive experience” managing global engineering, procurement, and construction projects within the energy sector.