

# Biomass Market Update

## Rising seasonal demand

**(RBCN) Europe’s wood pellet prices edged higher over the past quarter as seasonal winter demand and rising electricity prices provided some support, but sufficient supply limited gains.**

I2 industrial wood pellets were pegged at an average of some €180/t (\$190/t) CIF ARA, which was around €5 – or 2.9% – higher than the previous quarter, according to a survey of market participants. ENplus A1 residential pellets were assessed at a €20 premium to the I2 price.

While I2 prices were above historic norms, they remained far below peak levels seen during the recent energy crisis, market participants said.

For Baltic suppliers, the cost structure necessitated prices closer to €200 CIF to make sales viable, said a Nordic biomass trader.

He said the drop in prices over the past year had made it challenging for Baltic suppliers to compete unless they could bridge the gap through spot deals or other short-term opportunities.

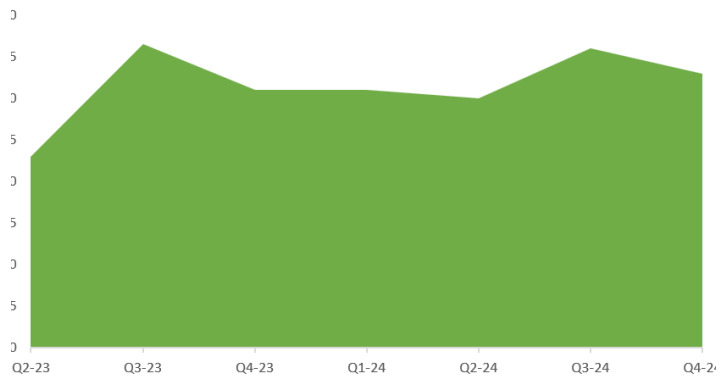
But US and Portuguese suppliers had been more active, filling utility-grade demand at these price points, he added.

On the supply side, combined inventories at several monitored Amsterdam, Rotterdam and Antwerp (ARA) import terminals have declined by 3,000 tonnes – or 8.3% – compared with the end of the previous quarter, to around 33,000 tonnes, RBCN estimates showed.

RBCN Wood Pellet Price and Stock assessments		
	End Q3 2024	Vs. Q2 2024
Industrial (I2), CIF ARA	€ 180/t	+2.9%
ENplus (A1), CIF ARA	€ 200/t	+2.6%
ARA stocks, tonnes	33,000	-8.3%

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

**ARA wood pellet stocks, '000 tonnes**



A source at one terminal said stock volumes had dropped “a little” over the past month.

“With power plants being utilised more during this time of year, as well as maintenance work ending, we see more consistent incoming transshipment volume,” he said, adding “also, volumes from different warehouses are being used.

The market continued to adapt to the loss of approximately 3.5 million tonnes of Russian and Belarusian pellets, which were cut off in the wake of Russia’s invasion of Ukraine.

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Wood Pellet Imports*, tonnes	Q3-24	Q2-24	Year-to-date	vs. Q3-23	vs. YTD-23
Netherlands	307,543	290,242	815,578	-1%	-42%
UK	1,868,841	2,063,675	6,131,565	77%	54%
Belgium	10,692	59,118	106,277	-78%	-73%
Denmark	165,715	251,504	756,827	-62%	-36%
<i>Of which in Q3-24</i>	<b>US</b>	<b>Canada</b>	<b>Russia</b>	<b>Portugal/Spain</b>	<b>Baltics**</b>
Netherlands	242,486	64,905	0	41	110
UK	1,604,917	81,759	0	676	181,489
Belgium	8,822	34	0	220	1,616
Denmark	102,715	25,087	0	5	37,908

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

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This volume was divided between utility-grade and premium-grade pellets, a European biomass trader said, adding however that, over the past two years, US mills and suppliers from other regions had stepped in to fill the void, particularly for industrial-grade pellets.

Replacing premium-grade pellets had proven more complex, he said, noting markets like Italy had diversified their imports, sourcing from South America and other European producers.

“However, the Italian market appears quieter, possibly signalling a reduction in demand or a shift in consumer behaviour,” he said.

Sweden and Denmark remained robust markets for premium-grade wood pellets, largely due to their reliance on domestic production, said the Nordic biomass trader.

Sweden's prices, in particular, remained elevated, hovering above historic averages, making it a lucrative market for pellet suppliers, he said, adding that this shift had caused exporters, who previously targeted Denmark and Holland, to redirect volumes to Sweden.

The wood pellet market otherwise remained reasonably balanced, with no significant new demand drivers on the immediate horizon.

Potential developments in Poland, such as biomass conversions, were being discussed, but the scale and timing remained uncertain. Broader industry shifts, such as the chemical, steel, and cement sectors exploring biomass options, were still several years away and may not necessarily involve traditional wood pellets, market participants said.

## UK eyes pellet import record in 2024

**The United Kingdom is set to import a record-breaking 9.64 million tonnes of wood pellets in 2024, reflecting a significant resurgence in biomass energy demand following declines in 2022 and 2023.**

A report filed with the USDA Foreign Agricultural Service's Global Agricultural Information Network underscored the UK's reliance on pellets as a critical component of its green energy strategy and its commitment to achieving net-zero greenhouse gas emissions by 2050.

The majority of the wood pellets—over 93%—have been used for industrial energy production, primarily in large-scale power plants, the report showed. The remaining 7% was designated for domestic and commercial heating applications.

The United States remains the UK's largest supplier of wood pellets, accounting for 73% of imports by volume in 2023. Other key suppliers include Canada, Latvia, the Netherlands, Estonia and Brazil. Despite the surge in imports, domestic wood pellet production in the UK continues to decline, with output projected at 219,000 tonnes in 2024, down from 239,000 tonnes in 2023. This underscores the UK's heavy reliance on international suppliers to satisfy its biomass energy needs.

The record import levels follow a period of market fluctuation driven by global pellet prices and competition from alternative energy sources. Stabilised pricing and increased demand for biomass energy have reignited the market, reinforcing wood pellets' role in the UK's renewable energy portfolio.

## France gives nod to subsidy for 150 MW biomass plant restart

**France's energy ministry has approved an €800 million subsidy to support the restart of a 150 MW biomass plant in Provence.**

The subsidy will be paid over eight years, beginning in January – pending the completion of an environmental impact study – under a plan to operate the Provence 4 plant for 4,000 hours annually, Energy Minister Olga Givernet announced in November.

The decision is aimed at securing the future of the plant and the jobs it supports. “This agreement ensures the long-term stability of operations and employment at Provence 4,” said GazelEnergie chairman Frederic Faroche.

The Provence 4 plant was converted from coal to biomass in 2015, with GazelEnergie initially securing a EUR 1.6 billion, 20-year state contract to operate it for 7,500 hours annually. However, the company terminated the contract in 2022 after biomass prices surged, rendering operations financially unsustainable.

The subsidy comes amid discussions about the future of other biomass projects in France. GazelEnergie is also negotiating the potential conversion of the 600 MW Emile-Huchet coal-fired power station in eastern France to biomass.

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## Enviva emerges from bankruptcy

**Enviva, a leading US-based producer of industrial wood pellets, has successfully emerged from Chapter 11 bankruptcy, marking a transformative milestone in its strategic restructuring, it said in December.**

With a significantly improved financial position, Enviva was poised for long-term growth and continued market leadership as a key supplier of renewable energy solutions, it said in a press note.

The US Bankruptcy Court for the Eastern District of Virginia confirmed Enviva's Plan of Reorganisation, which received support from key stakeholders. Through this process, the company eliminated over \$1 billion in prepetition debt, while American Industrial Partners (AIP) became Enviva's largest shareholder. The restructuring also included \$250 million in new financing via an Equity Rights Offering, equipping Enviva with ample liquidity and no near-term debt maturities.

The reorganization provides full funding for Enviva's eleventh production plant, currently under construction in Epes, Alabama. The facility, expected to begin operations in May 2025, will produce approximately one million metric tons of wood pellets annually. This expansion will enable Enviva to meet growing global demand for renewable energy solutions, particularly in markets such as the United Kingdom, the European Union and Japan. These markets rely on biomass to decarbonise hard-to-abate industries like steel, cement, and aviation.

As part of the restructuring, Glenn Nunziata, previously Interim CEO and CFO, has been appointed as Chief Executive Officer, while James Geraghty assumes the role of Chief Financial Officer. Nunziata described the emergence as a critical milestone, highlighting the company's strengthened balance sheet and renewed focus on serving customers. He expressed gratitude to stakeholders, emphasizing Enviva's commitment to rebuilding trust in the communities it operates and the markets it serves.

The new Board of Managers includes representatives from key shareholders such as AIP, Keyframe Capital Partners, and Ares Management funds, bringing financial and operational expertise to guide Enviva's future. Jan Trnka-Amrhein, a partner at AIP and board member, praised the company's robust portfolio of production assets and logistics capabilities, positioning Enviva as a premier provider of woody biomass renewable energy solutions.

With ten operational plants across the southeastern U.S. and a growing network of marine terminals for global exports, Enviva remains a critical player in the renewable energy sector. By producing and supplying industrial wood pellets through long-term contracts, the company is accelerating the transition from conventional energy sources to renewable alternatives.

Enviva's restructuring reflects its commitment to sustainable energy and its ability to adapt to market demands, positioning the company for continued success in driving decarbonization globally, it said.

## BMW turns to wood chips

**BMW Group's Plant Steyr has completed its transition to 100% renewable energy, with locally sourced wood chips playing a pivotal role in powering its operations, the group said in a statement.**

The plant, a cornerstone of BMW's engine production network, has fully integrated biomass heating into its energy supply, replacing natural gas as part of the company's commitment to sustainability.

The facility's heating needs are now met by district heating sourced from the nearby Fernwärme Steyr biomass power plant, operated by Bioenergie Steyr. This system relies on wood chips sourced from local forests, ensuring a sustainable and eco-friendly supply chain.

Additionally, a newly installed 10 MW boiler enhances the plant's capacity to meet its heating demands, utilising renewable materials that would otherwise go to waste.

Plant Steyr consumes around 250 GWh of energy annually, comparable to the energy needs of approximately 59,000 households.

The adoption of biomass heating is a crucial step in achieving BMW's goal of carbon-neutral production across its global facilities.

Milan Nedeljković, BMW AG's Board Member for Production, praised the initiative as a forward-thinking solution that aligns with the company's sustainability vision.

"Local wood chips are not only a renewable energy source but also support the region's economy and sustainable forestry practices," he stated at the unveiling ceremony.

The shift to wood chip-based biomass heating began over a decade ago, with the plant gradually increasing its reliance on renewable energy.

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## Study validates cost-effectiveness of in-woods biomass processing

**A study conducted by the Wood Pellet Association of Canada (WPAC) in collaboration with BioPower Sustainable Energy Corporation has confirmed that in-woods biomass processing is a viable, cost-effective and sustainable method for producing wood pellets in Ontario.**

The findings highlight an innovative approach to utilising forest residues, offering significant economic and environmental benefits while meeting stringent international pellet quality standards.

The study, funded by Ontario's Forest Biomass Program, aligns with the province's Forest Sector Strategy and Forest Biomass Action Plan. It explored the use of limbs, tops, and other forest residues as raw materials for wood pellet production. Traditionally, the pellet industry has relied on sawmill residues, but with increasing demand for renewable energy solutions, diversifying feedstock sources has become a key priority.

Fieldwork for the study was conducted in Northern Ontario near Atikokan. The material, primarily limbs and tops from freshly harvested white birch trees, was ground into biomass suitable for transport. It was then shipped to BioPower's pellet production facility for further processing and testing.

A series of tests were conducted on the ground biomass to evaluate its suitability for pelletization. Key metrics included particle size, moisture content, ash content, and calorific value. The results confirmed that with appropriate cleaning and processing, forest residues can be transformed into durable wood pellets that comply with ISO 17225-2 standards, which govern the quality of biomass fuels.

Economic analysis was a critical component of the study, comparing two operational scenarios: owning and operating grinding equipment versus outsourcing the grinding and delivery to third-party suppliers. The cost of in-house operations was found to range between \$41.68 and \$52.46 per tonne, while outsourcing costs ranged from \$44.00 to \$49.00 per tonne. Both models proved economically viable, with the choice depending on factors such as scale of operations, capital availability, and the need for cost predictability. This flexibility offers pellet producers options to suit their specific op-

erational and financial circumstances.

Dr. Fahimeh Yazdan Panah, Director of Research and Technical Development at WPAC, emphasized the broader implications of the findings: "This study demonstrates that forest biomass, when processed correctly, can produce high-quality wood pellets that meet international standards. It represents a significant opportunity for the pellet industry to diversify feedstock sources, which is essential for long-term economic and environmental sustainability."

The project's outcomes are particularly timely as Ontario seeks to enhance wood utilisation and expand the use of renewable energy. By integrating forest residues into pellet production, the initiative supports the province's goals of reducing waste, creating new economic opportunities, and advancing the transition to clean energy.

The research also provides a scalable framework for other jurisdictions to adopt similar practices, particularly in regions with abundant forest resources and growing renewable energy markets.

This study is expected to serve as a model for the pellet industry to adopt innovative, cost-effective practices that promote sustainability, enhance resource efficiency, and support global decarbonization efforts, it said. As the renewable energy sector continues to expand, the integration of forest residues into wood pellet production will play a vital role in meeting the world's clean energy needs, the study noted.

## Wood pellets drive Drax growth

**UK independent generator Drax Group delivered a strong operational performance in 2024, driven in part by its wood pellet production business, which remains a cornerstone of its renewable energy strategy.**

The company forecasts its full-year Adjusted EBITDA to reach the upper end of analyst estimates, ranging between £993 million and £1.04 billion, it said in November.

Drax's pellet production segment had been pivotal in supplying biomass fuel for its renewable energy generation facilities, it said. By producing wood pellets from sustainably sourced forestry residues and other by-products, the company was meeting the growing demand for low-carbon energy while supporting global decarbonisation goals, it noted.

The company's US-based initiative, Elimini, further expanded Drax's footprint in the wood pellet industry.

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