

Biomass Market Update

Costs underpin prices

(RBCN) Europe’s wood pellet prices continued to rise over the past quarter, despite an end to the winter demand season, with elevated amid still high raw material costs and diminishing stocks.

12 industrial wood pellets were assessed at an average of €195/t (\$211/t) CIF ARA, which was around €15 – or 8.3% – higher than the previous quarter, according to a survey of market participants. ENplus A1 residential pellets were pegged at a €15 premium to the I2 price.

European suppliers, particularly those from the Baltic region, continue to struggle with high raw material costs, impacting their competitiveness. However, these suppliers are largely sustained by long-term contracts, ensuring a steady flow of business, according to market participants.

“Raw material costs, particularly from sawmilling activity, have not significantly decreased, and this is limiting a potential drop in prices,” said a Nordic biomass trader.

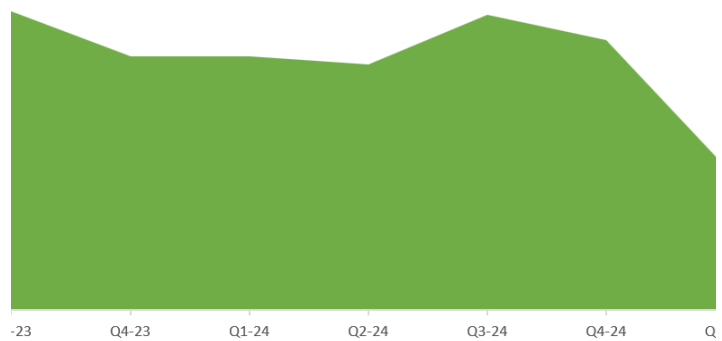
Sawmilling activity remained subdued in Europe due to lower building activity, meaning the sawmill residue for the production of pellets was still tight. If building activity increased, raw material supply could improve, but it was unlikely to drive down prices substantially due to persistent inflation, the trader noted.

However, while there was sufficient seaborne supply available, should it be required, port stock levels had nearly halved from the end of last year.

RBCN Wood Pellet Price and Stock assessments		
	End Q1 2025	Vs. Q1 2024
Industrial (I2), CIF ARA	€ 195/t	+8.3%
ENplus (A1), CIF ARA	€ 210/t	+5%
ARA stocks, tonnes	17,500	-47%

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

ARA wood pellet stocks, '000 tonnes



Combined inventories at several monitored Amsterdam, Rotterdam and Antwerp (ARA) import terminals have declined by 15,500 tonnes – or 47% – compared with the end of the previous quarter, to around 17,500 tonnes, RBCN estimates showed.

“Our stock of pellets has dropped in the last two months, as warehouses were emptied,” said a source at an ARA terminal.

“It seems there was high demand for pellets for power and heat,” he said, noting there had been a corresponding high number of vessel arrivals.

Continues on p.2...

Wood Pellet Imports*, tonnes	Q4-24	Q3-24	Year-to-date	vs. Q4-23	vs. YTD-23
Netherlands	307,543	307,543	1,123,121	36%	-32%
UK	1,985,723	1,868,841	8,117,288	463%	87%
Belgium	10,702	10,692	116,979	-79%	-74%
Denmark	168,216	165,715	925,043	-55%	-41%
<i>Of which in Q4-24</i>	US	Canada	Russia	Portugal/Spain	Baltics**
Netherlands	73,953	91,033	0	60	26
UK	1,843,978	230,450	0	1,505	212,916
Belgium	53,566	75	0	0	4,699
Denmark	237,116	99,162	0	12	48,235

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

The information in this newsletter is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any product mentioned. All pricing information is indicative only, and subject to change.

Continued from p.1...

“Warehouse volumes are picking up again,” he said, adding “we have not yet noticed a decline in imports, although this might follow soon.”

There was meanwhile some discussion as to a possible return of Russian and Belarus wood pellets, should a ceasefire agreement be reached between Ukraine and Russia. Russia’s invasion of Ukraine, more than three years ago, led the EU to ban all pellets from the country and Belarus, while the conflict also impacted Ukrainian exports, thereby cutting some 3m tonnes/year of supply from the market.

“As long as the sawmill runs, there will be wood pellets, and a few years of hibernation isn’t too bad if a pellet mill hasn’t been run,” said a European biomass trader, adding “that’s going to be on the market if Europeans accept to purchase it.”

Much of the capacity for pellet production in these regions was still uncertain. But the return of such supplies could have a significant impact on market dynamics, especially for premium pellets.

“Premium pellets were more difficult to replace because they’re not really produced in the US. Brazil and places like that who send over premium pellets... there’s been a bit of a shortage on premium pellets,” the trader said.

Premium pellets typically attract a higher price premium, driven by increased demand during the colder months. Brazilian and other non-European suppliers have partially filled the gap, but challenges remain in meeting demand.

Drax expands wood pellet operations

UK energy firm Drax Group reported a “robust” financial performance for 2024, with a key focus on its wood pellet business as a driver of long-term sustainability and profitability.

The company’s full-year results, released on 27 February, highlighted an Adjusted EBITDA of £1,064 million, up from £1,009 million in 2023. This reflected Drax’s strategic emphasis on bioenergy, particularly its wood pellet production and supply chain, it said, noting it continued to expand its global wood pellet production capabilities.

The company announced an agreement on Heads of Terms with a Sustainable Aviation Fuel (SAF) developer for a long-term supply of 1 million tonnes of biomass per year starting in

2029, with potential expansion to 3 million tonnes annually. It said this move underscored the growing demand for sustainable biomass solutions in various industries.

In addition to its supply chain enhancements, Drax launched Elimini, a dedicated Bioenergy with Carbon Capture and Storage (BECCS) carbon removals business.

Drax’s focus on biomass was further reinforced by its ongoing investment in infrastructure. The company is exploring opportunities for a 1.2GW data centre at its power station site and has committed to an £80 million (40MW) expansion of its Cruachan pumped storage hydro plant. These initiatives align with its goal of achieving net-zero emissions while ensuring energy security.

Nevertheless, the firm said the Drax Power Station, which generates 5% of the UK’s electricity and 10% of its renewable energy, remained central to its operations.

The company was negotiating a low-carbon dispatchable Contract for Difference (CfD) to secure long-term financial stability for its biomass power generation, it noted.

Looking ahead, Drax expected its financial performance to remain strong, with Adjusted EBITDA projected to align with market expectations.

“Drax has delivered a strong operational and financial performance while supporting UK energy security,” said Drax CEO Will Gardiner.

“We produced over 25% more dispatchable renewable power in 2024, keeping the lights on for millions of homes and businesses, while supporting thousands of jobs throughout our supply chain,” he said.

Drax did not breach sustainability commitments, says regulator

The UK energy regulator, Ofgem, released a statement in March regarding its investigation into Drax Power Limited’s adherence to the Renewables Obligation (RO) scheme.

The inquiry focused on Drax’s data governance and reporting practices, raising concerns about the accuracy of its sustainability reporting.

The Renewables Obligation requires large-scale biomass generators, such as Drax, to source at least 70% of their biomass from sustainable sources to qualify for government subsidies.

Continues on p.3...

The information in this newsletter is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any product mentioned. All pricing information is indicative only, and subject to change.

Continued from p.2...

Compliance is assessed through monthly reporting and annual external audits.

Ofgem's investigation found that Drax lacked sufficient internal controls, leading to inaccuracies in its annual profiling submission for the period between April 2021 and March 2022. However, the regulator did not find evidence that Drax failed to meet the sustainability threshold required to receive RO subsidies.

While Drax remains eligible for subsidies under the RO scheme, Ofgem's findings highlight the importance of stringent data governance and transparency in biomass energy reporting. The company may now face increased regulatory scrutiny and pressure to enhance its compliance measures.

Drax has reiterated its commitment to sustainability and regulatory compliance, stating that it will work closely with Ofgem to address the concerns raised and improve its reporting processes.

The investigation underscores the challenges facing biomass generators in meeting stringent sustainability criteria while maintaining operational efficiency. It also signals Ofgem's commitment to ensuring that renewable energy subsidies are allocated transparently and in alignment with environmental objectives.

EIB backs Poland's €238m Biomass-to-Energy Initiative

The European Investment Bank (EIB) has approved Poland's high-efficiency cogeneration programme, unlocking €238m in financing from the Modernisation Fund. The initiative aims to expand biogas production from biomass, particularly municipal waste, to generate electricity and heat.

Poland's National Fund for Environmental Protection and Water Management announced that the programme will provide financial support to entrepreneurs looking to develop biogas facilities. This initiative will complement existing subsidies for municipal and agricultural biogas plants.

The programme specifically targets fermentation installations that use biogas for electricity and heat generation in high-efficiency cogeneration systems, with a minimum installed capacity of 1 MW. Eligible projects include new plant construction as well as the expansion or modernization of

existing facilities.

Financial assistance will be offered through grants covering up to 40% of eligible costs or loans covering up to 100%. Running from 2025 to 2030, the initiative is projected to generate at least 40 million cubic meters of biogas.

The Modernisation Fund, which finances this initiative, derives its resources from the sale of 4.5% of CO2 emission allowances within the EU Emissions Trading Scheme. The approval of this programme represents a major step in Poland's commitment to renewable energy and improving energy efficiency.

US trade lobby "applauds" President Trump's timber order

The American Biomass Energy Association (ABEA) has expressed strong support for the "Immediate Expansion of American Timber Production" executive order, issued by the White House on 1 March.

The order directs federal agencies to develop strategies to boost domestic timber production, recognizing bioenergy as a critical component of the American forest product industry.

The ABEA, which represents biomass energy producers generating renewable electricity from non-commercially viable wood materials, has long advocated for federal support of biomass power. Executive Director Carrie Annand welcomed the order, stating that biomass energy companies play a vital role in forest management, wildfire prevention, and rural job creation. She emphasized that the industry has operated with minimal incentives compared to other renewable energy sources, leading to financial challenges and plant closures.

ABEA Board Chairman Greg Blair noted that while the organization has worked closely with the U.S. Forest Service (USFS), the agency has faced limitations in fully supporting biomass energy. He expressed optimism that the executive order would strengthen the industry, benefiting both forest industries and public safety by reducing wildfire risks.

The executive order underscores the importance of timber production for construction, energy generation, and wildfire prevention. It aligns with ABEA's mission to expand biomass energy, which currently supports 80 biomass power plants across 20 states and provides 14,000 jobs, particularly in rural areas. ABEA said looked forward to collaborating with the Trump administration on policies that sustain biomass plants and improve forest management.

The information in this newsletter is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any product mentioned. All pricing information is indicative only, and subject to change.

UK plans to support large-scale biomass generators

The UK government in February unveiled a transitional support mechanism for large-scale biomass electricity generators, aiming to ensure energy security while facilitating the shift toward low-carbon technologies such as Bioenergy with Carbon Capture and Storage (BECCS).

The decision followed a consultation that gathered input from industry stakeholders, environmental groups, and policymakers, it said in a press statement.

The policy aims to provide short-term financial support to biomass power stations beginning in 2027, ensuring they remain operational while transitioning toward more sustainable energy solutions.

The government stressed that any funding would be contingent on rigorous value-for-money assessments, enhanced sustainability standards, and alignment with net-zero objectives.

The consultation process highlighted a divide in opinion regarding biomass energy. Environmental groups and private individuals opposed the measure, citing concerns over the carbon emissions associated with burning wood pellets and the environmental impact of biomass supply chains.

Critics also expressed scepticism over BECCS technology's effectiveness in delivering genuine carbon reductions.

In contrast, trade bodies and biomass industry representatives welcomed the decision, arguing that biomass plays a crucial role in the UK's energy mix.

They emphasized the need for continued support to safeguard jobs, maintain energy security, and ensure that existing infrastructure remains viable until BECCS becomes commercially feasible.

The government's response does not guarantee long-term subsidies for biomass generators but aims to provide a bridge until greener technologies are more widely available.

As part of its broader climate strategy, the government also announced an independent review of greenhouse gas removal technologies, including large-scale BECCS and Direct Air Carbon Capture and Storage (DACCS).

This review will assess their feasibility in meeting the UK's net-zero commitments by 2050.

The level of biomass generation eligible for support is expected to be lower than current output, reducing costs to consumers compared to existing subsidy schemes. The government emphasized that only projects meeting strict environmental and economic criteria will receive backing.

Airbus-built biomass forest measuring satellite shipped to Kourou

Biomass, the European Space Agency's (ESA) Airbus-built satellite, has left Toulouse for its journey by ship to Kourou, French Guiana, ready for launch.

The Earth Explorer satellite is ESA's flagship mission to measure forest biomass to assess terrestrial carbon stocks and fluxes from an altitude of 666km above the Earth.

The spacecraft will carry the first space-borne P-band synthetic aperture radar, delivering exceptionally accurate maps of tropical, temperate and boreal forest biomass.

Alain Fauré, Head of Space Systems at Airbus Defence and Space said: "Shipping this flagship mission is a major milestone after years of hard work and dedication from all our teams."

"The satellite's groundbreaking technology will enable climatologists to accurately assess carbon stocks and fluxes from space and improve the understanding of the part that forests play in regulating climate," he said.

The spacecraft features a large 12x15 metre deployable antenna to capture the reflected SAR data that will be used to provide accurate global maps of tropical, temperate, and boreal forest biomass.

Data on changes in biomass due to forest loss (for example from logging/burning) and regrowth is unattainable by ground measurement techniques.