

Biomass Market Update

Wood pellet prices remain flat

(RBCN) European industrial wood pellet spot trading activity remained characteristically thin over the past quarter amid abundant supply and uncertainty regarding near-term demand levels.

Most large-scale consumers continued to obtain supply via long-term contracts, leaving few opportunities for traders and brokers to place spot cargoes.

A 60,000t cargo changed hands at EUR 105/t CIF ARA, but no other trades were reported. Even key consumer Drax was largely absent from the market, said traders.

Therefore, the value of I2 industrial wood pellets was broadly unchanged compared with the previous quarter, at around EUR 105/t (USD 110/t) CIF ARA, with ENplus A1 residential pellets pegged at a premium of EUR 5-15/t.

At Amsterdam, Rotterdam and Antwerp (ARA) bulk terminals monitored by RBCN, combined wood pellet stock levels were unchanged versus the previous quarter at 14,500 tonnes. This was down considerably from the 50,400 tonnes recorded at the end of the fourth quarter in 2015.

“Drax is not buying much at the moment, but it received permission to run a third unit fully on biomass (*see page 2*), which is a positive,” said a biomass trader.

“It won’t result in much more demand, as the unit was already co-firing with biomass, but it will equal an extra coaster a week,” he said.

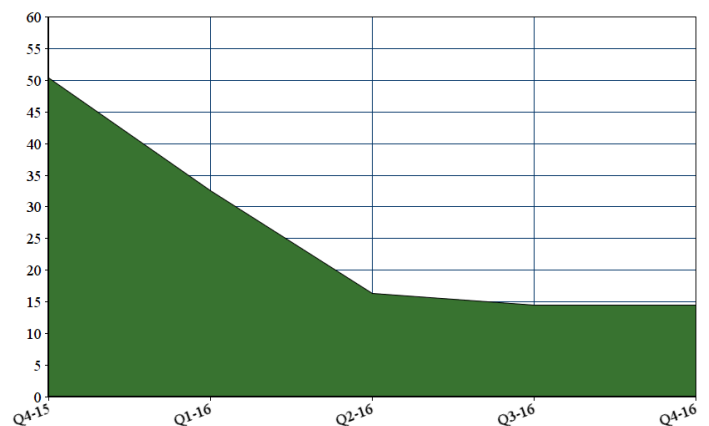
Furthermore, Denmark’s Dong Energy has converted a second 254 MW unit at Avedore, near Copenhagen, to biomass (*see page 2*), “so there is a bit more appetite in the Nordic region,” the trader said.

Also offering some optimism was news that Dutch coal-fired plants were set to receive some EUR 2-2.5bn in state subsidies to encourage the burning of biomass. But any positive implications for the market would take some time to show.

RBCN Wood Pellet Price and Stock assessments		
	End Q4 2016	vs. End Q3
Industrial (I2), CIF ARA	EUR 105/t	0.0%
ENplus (A1), CIF ARA	EUR 115/t	2.2%
ARA stocks, '000 tonnes	14.5	0.0%

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

ARA wood pellet stocks, '000 tonnes



“No one in the Netherlands will take volume before 2018, as all generators need to carry out some conversions if they go ahead biomass burning,” said another biomass trader.

“The market has been phenomenally poor throughout 2016. There will be one more difficult year, in 2017, but from 2018 onwards the outlook is brighter,” he said.

Meanwhile, on the residential (ENplus) market, while there had been some growth in demand over the past year, it had been somewhat sluggish, traders said.

“It feels like demand growth has been slowing down this year,” said a residential pellet trader.

Wood Pellet Imports*, tonnes	Q3-16	Q2-16	Year-to-date	vs. Q3-15	vs. YTD 2015
Netherlands	10,964	18,591	48,921	n/a	48%
UK	1,676,826	1,974,438	5,379,447	-9%	13%
Belgium	234,292	193,795	747,780	-13%	11%
Denmark	120,084	336,128	707,217	47%	-21%
<i>Of which in Q3-16</i>	US	Canada	Russia	Portugal/Spain	Baltics**
Netherlands	34	0	10,838	0	92
UK	1,015,955	397,130	13,734	37,937	212,070
Belgium	177,789	37,007	18,793	0	703
Denmark	25,915	0	50,086	51	44,032

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

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Drax converts third unit to pellets

(RBCN) UK independent generator Drax began running a third coal-fired unit on dedicated wood pellets in the week ending 25 December, having been granted permission by the European Commission.

Upgrading of the 645 MW unit started in July 2015, but Drax required permission from the European Commission to complete a full conversion to 100% biomass.

Now half of the plant's six 645 MW units can run entirely on biomass, with the three remaining still fuelled by coal.

In the first half of this year, 20% of the country's renewable power was provided by Drax.

The UK government has set out proposals to end coal-fired generation by 2025 as part of its plan to stimulate more clean energy generation.

Biomass key in solving coal addiction

(RBCN) The use of biomass in power generation will be an "important part of the solution" in reducing the world's dependence on coal, consultancy Pöyry said in a report.

With limited investment, wood pellets can be co-fired up to 10% with coal and with further capital investment coal at some plants can be completely replaced by pellets, it said.

"Coal-to-biomass conversion projects offer great potential as this is a proven technology and capital expenditure can be 70-80% lower when compared to a new build biomass power station," it said, adding future developments, such as black pellets, may further reduce conversion costs and allow for higher levels of co-firing.

Co-firing conversions in Europe over the past decade have mainly been driven by subsidies for renewable energy and the EU Emissions Trading Scheme (ETS), it said, adding the UK had taken the lead in this sector and had implemented stringent sustainability standards for biomass.

"Replacing coal with biomass offers the advantage of being able to provide reliable low carbon baseload energy for networks," it said.

"In addition to some form of carbon price or renewable incentive, two key enabling factors for this are the establishment of high yielding and affordable feedstock resources and the development of efficient global trade flows for biomass fuels," it added.

UK biomass giant to diversify assets

(RBCN) The UK's largest biomass consumer Drax will buy energy supply company Opus Energy and several gas-fired power plant projects with a total capacity of 1.2 GW to diversify its assets and increase earnings, it said in early December.

Drax, which operates a predominantly biomass-fuelled plant in north-east England, expects to conclude the purchase of Opus Energy for GBP 340m by the end of March 2017.

It will also buy four open cycle gas turbine (OCGT) projects for GBP 18.5m from UK energy development firm Watt Power Limited. It will also continue to seek more wood pellet plant acquisitions.

"Overall, we see Drax pursue a strategy of prolonging its life beyond 2027 through inorganic and organic investments rather than paying special dividends or buybacks, as some investors expected post the completion of the biomass transformation programme," said Bernstein Research analysts in a note.

China to hike biomass use by 2020

(RBCN) China plans to use the biomass equivalent of 58m tonnes of coal per year by 2020, in an effort to reduce coal consumption and lower emissions levels, the National Energy Administration said in December.

However, a majority of the supply is likely to be sourced domestically, with the country already producing the biomass equivalent of some 460m tonnes of coal per year, it said.

Strong UK support for biomass use

(RBCN) There is "strong public support" for producing energy from biomass in the UK, according to a survey carried out for UK-based Energy Technologies Institute (ETI).

The survey questioned over 5,300 adults to gauge public perceptions of bioenergy in the UK, and found that 74% supported producing energy from biomass.

According to ETI estimates, bioenergy – in combination with Carbon Capture and Storage (CCS) – could meet around 10% of projected UK energy demand by the 2050s.

"The UK Government is the most popular choice to lead the development of the bioenergy sector," said ETI strategy analyst Hannah Evans.