



Rising EU wood pellet use drives surge in imports

European Union imports of wood pellets are to soar by one-quarter this year, boosted by the region's "surging" adoption of the fuel for heating homes and for small scale power generation plants.

The EU contains some 50% of the world's capacity for manufacturing wood pellets, made largely from waste from sawmills, although increasingly being made from timber left over from felling too.

Germany is the bloc's biggest producer, with output of some 2.25m tonnes of pellets a head, ahead of Sweden, with 1.35m tonnes, with Latvia, whose volumes are approaching 1m tonnes a year.

However, total EU output estimated at 11.5m tonnes last year, and expected to grow by about 1.0m tonnes in 2014, is insufficient to meet consumption which represents about 70% of the world total and is growing fast.

Consumption will rise by 14% to 20.0m tonnes this year, more than double levels five years ago, according to US Department of Agriculture staff.

Supply shortfall

"Capacity growth will not be sufficient for supply the full demand in Western Europe," the USDA officials said in a report.

"Overall, EU wood pellet production is not expected to be able to keep up with the demand from both the residential heating market and for power generation."

Wood pellets are typically used for domestic heating in countries such as France, Germany and Italy, but are used for district-level heating plants and combined heat and power plants in Denmark and Sweden.

In Belgium, the Netherlands and the UK, wood pellets are almost solely used in larger scale power plants, to help fulfil mandates for electricity generation from renewable sources.

Exporter boom

The rising demand will see imports grow by more than 1.4m tonnes to 7.5m tonnes this year – quadruple 2009 levels – largely from Canada, Russia and the US.

Top EU pellet producers 2014 and (year-on-year change)

Germany: 2.35m tonnes, (+4.4%)

Sweden: 1.35m tonnes, (unchanged)

France: 1.20m tonnes, (+35%)

Latvia: 980,000 tonnes, (unchanged)

Austria: 900,000 tonnes, (unchanged)

Source: USDA attaché report

11 July 2014

SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP

The US alone, which shipped 2.77m tonnes of pellets to the EU last year, worth \$374m, could see the value of its shipments to the bloc top \$1bn by 2020, the USDA staff said.

The rise in exports is driving a surge in pellet production capacity in North America, with output tripling in the last three years in the US South, one of the country's two main timber regions.

"Many of the recent investments in pellet capacity in the US South have occurred along the Atlantic coast, with Enviva and Fram Renewables expanding production in the states of Georgia, North Carolina and Virginia," Wood Resources International said.

"The expansion in Canadian pellet export has been less dramatic than that of the US, but 2013 volumes were still over 50% higher than in 2011, with British Columbia shipping a majority of the volume."

Top EU pellet importers 2013 and (year-on-year change)

UK: 3.389m tonnes, (+128%)

Denmark: 2.31m tonnes, (+15.6%)

Italy: 1.749m tonnes, (+46%)

Belgium: 896,000 tonnes, (-7.6%)

Sweden: 713,000 tonnes, (+45%)

Source: USDA attaché report

Import markets

The major EU import market is the UK, at 3.39m tonnes last year, half from the US, with Denmark second on 2.31m tonnes.

However, European buyers face growing competition from some other importers.

"South Korea has increased importation of pellets dramatically the past two years with Vietnam and Canada being the major suppliers," Wood Resources International said.

South Korea late last year started its first regular imports of pellets from Canada.

Richard P. Vlosky, Ph.D.
Director Louisiana Forest Products Development Center
Crosby Land & Resources Endowed Professor of Forest Sector Business Development
Room 227, School of Renewable Natural Resources
Louisiana State University
Baton Rouge, LA 70803
Phone (office): (225) 578-4527
Fax: (225) 578-4251
Mobile Phone: (225) 223-1931