

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



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## **Pellet production has not kept up with consumption, report reveals**

In 2020, wood pellet production in Europe was up 4% from the previous year, and was 34% higher than in 2016, according to recent figures.

Data released by the United Nations Economic Commission for Europe revealed that despite the increase, production has not kept up with consumption, resulting in higher net imports to the continent over the past few years. To fill the supply deficit, Europe imported almost 10 million tons of pellets annually from the US, Canada, and Russia in 2019 and 2020.

Overseas pellet supply to Europe has increased, doubling between 2013 and 2020. North America's pellet production rose from 6.5 million tons to 12.2 million tons during this time, primarily driven by European demand.

Russia, while still producing fewer pellets than the US and Canada, has 'dramatically' expanded capacity over the last seven years, from 700,000 tons in 2013 to almost 2.3 million tons in 2020. Shipments in 2021 may reach closer to 2.6 million tons, with most of the volume exported to power companies in Europe.

Beyond Europe, the only other market to absorb a 'significant' amount of these additional shipments has been South Korea, which accounted for around 7% of Russia's export volume in the first eight months of this year.

Global wood pellet trade has steadily increased over the past decade, reaching an all-time high in late 2020. The UK has been the primary destination for pellets globally since 2012, but import volumes have stagnated over the past three years.

Instead, the Netherlands, Denmark and Japan have increased imports substantially in recent years and, for the first time, imported more pellets than the UK in the first half of this year. Five years ago, the UK was the world's largest market for pellet shipments, accounting for over 50% of global trade. In Q2 2021, its market share declined to 34%.

Import prices for industrial pellets ranged between \$160-200 (€139-174) per ton in Q2 2021 and were generally higher than in the same period in 2020. Denmark and the UK, the world's two largest importers, has the highest pellet prices. The Netherlands, which massively increased imports from 2017

to 2021, has seen annual import prices rise from \$150 (€131) per ton to \$190 (€166) per ton over the past four years.



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