

# North American wood pellet capacity set to increase to serve markets in Europe and Asia

*European demand for wood pellets has to a large extent, driven the expansion of pellet capacity in both the US and Canada the past five years. The North American Wood Fiber Review reports that in coming years, it is likely that demand for pellets will increase not only in Europe, but also in Asia and North America, which will generate new opportunities for pellet producers, particularly in Western Canada and Eastern US.*

**Seattle, USA.** A number of new wood pellet plants in the US and Canada are set to commence operations during 2011, with more plants planned in the coming years. With the additional capacity coming on line, the industry is eyeing the growing demand in four regions – Europe, Asia, and to a lesser extent the Maritime Provinces of Eastern Canada and Northeastern US. The existing coal-fired energy sector in the US South remains a potent, yet unrealized market to date. Federal policies in the US that restrict the emissions of CO2 gases would ultimately benefit the pellet industry in North America, as many coal plants would likely begin using pellets for co-firing as is the case in Europe. These changes would drastically alter existing pellet flows and production plans.

Europe has, by far, been the largest export market for North American pellet producers for a number of years, shipping nearly 1.5 million metric tons in 2010, as reported in the North American Wood Fiber Review. The most significant potential for increased wood pellet utilization, both short and long term, will continue to be in this region, as the European Union's 27 member countries have a goal of sourcing 20 percent of the Union's total energy needs with renewable sources by 2020. In 2008, biomass utilized in the EU provided 80 million tons of oil equivalents (mtoe), and the European Commission estimates that this consumption may increase to 140 mtoe by 2020. In addition, Germany's recently declared goal to totally eliminate its nuclear power industry by 2022 will increase the country's demand for renewable energy, including woody biomass in the future. Other countries, including Italy, Finland, Poland and Switzerland are starting to question the viability of nuclear power as a future source of energy.

Asian demand for biomass energy is finally beginning to emerge, and shows signs of significant potential growth. South Korea has recently announced policies to increase the portion of energy consumption from renewable sources, including woody biomass. The country's new Renewable Portfolio Standard calls for reducing green house gases by 30 percent by 2020, while concurrently increasing its use of wood pellets to five million tons in ten years. Japan's confidence in nuclear power has continued to plummet since the Fukushima nuclear plant crisis in early 2011, which will likely result in an increase in woody biomass usage as a portion of a larger renewable energy portfolio in the next few years.

The growing European and Asian demand for wood bioenergy is being answered by a number of US and Canadian companies already engaged in or moving towards an expanding export market. Besides British Columbia, which has been the major supplier of pellets to Europe, the US South has recently witnessed the opening of a few large pellet plants with plans to ship a majority of their production to European consumers.

There is much uncertainty regarding future energy policies worldwide but one thing is undeniable – pellet demand in Europe, Asia and perhaps also in the US will be experiencing dramatic growth over the next five years.

*The North American Wood Fiber Review is the only publication that tracks prices of biomass, wood chips, pulpwood and sawlogs in the US and Canada. The 36-page market report was established over 20 years ago and includes prices and market commentary for 15 regions on the continent.*

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