

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

BIOMASS

M A G A Z I N E

Global pellet market to reach \$9 billion by 2020

By [Sue Retka Schill](#) | March 24, 2014



Sue Ginther speaking in a panel at the Pellet Supply Chain Summit in Orlando, FL, March 24.

The global market for pellets is expected to double in the next seven years, growing from a \$4 billion market to \$9 billion, Michele Rebiere with Viridis Energy Inc. told attendees at the Pellet Supply Chain Summit, March 24. The summit preceded the International Biomass Conference being held March 24-27 in Orlando, Fla.

Speaking in the closing panel of the day, Rebiere said the largest market, by far, is the European, with 20 million metrics tons (mmt) used in 2013 for both industrial power and residential heat. That is forecast to grow to 28 mmt by 2015 and 42 mmt by 2020. The North American market, is now at 4 mmt and forecast to be 5 mmt in 2015, but she added, are understated going out further. "I think the forecast in North American will increase substantially," she said added, as the interest in cofiring with coal is likely to increase which the forecasts won't include until projects are announced. The Asian market is expect to grow as well, from 1 mmt in 2013, to 3 mmt in 2015 and potentially 7 mmt by 2020. While the power market is the largest market contributor, the heating market is growing rapidly. Italy, in particular, garnered attention with the doubling of its demand in one year.

Seth Ginther, executive director of the U.S. Industrial Pellet Association, was a bit more conservative on his growth projections, pointing out that 2020 estimates range between 25 mmt and 70 mmt. "I think that 2013 was the year we're beginning to see where the market is going to shake out. It's going to be more like the 25 mmt level, but that still is going to be significant."

In his discussion on the changes in the United Kingdom's incentives, Ginther said it is important to note that the incentives for biomass conversions are aimed at helping develop infrastructure. And, as the carrot is phased out, the stick – the price of carbon – is being increased, making it very expensive to burn coal. As a result, UK power producers are expected to continue to move towards biomass.

As a large UK buyer of North American pellets, Richard Peberdy, vice president of sustainability for Drax Biomass International, outlined his company's commitment to biomass power and its interest in sustainability. The UK power producer has experimented with a number of biomass sources to supplement coal since 2008, making a



24 March 2014



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

commitment to pellets to provide a large portion of its biomass needs. It has two pellet facilities under construction in Mississippi and Louisiana and is building a port facility in Baton Rouge, La.

The first of three boiler conversions has been completed at Drax, with the second to be brought into service later this year and the third planned for 2015. Peberdy reported that Drax was pleased with the performance of its first biomass boiler conversion at the end of the first year of operations. "It's outperformed our expectations in the first year at 39 to 40 percent efficiency on 100 percent biomass." That is significant, he added, because UK sustainability reports projected biomass power would only reach 25 percent efficiencies, much lower than coal power's average 35 percent efficiency.

Peberdy described Drax's commitment to sustainability, pointing out that the company established its own sustainability goals even prior to the development of UK standards. The pressure for sustainability brings benefits, he said, by increasing investments in forests, in outreach to forest owners and in safer and better systems for making, handling and moving pellets.

Ben Conte, renewable energy sales manager for Bridgewell Renewables, filled out the panel at the summit on market energies by describing the work his company has done in marketing pellets in the EU. Much of the Bridgewell's focus has been on meeting the high quality heating market, working to help its customers with their branding efforts. While Bridgewell is developing a brand to be able to meet spot markets, much of the work it's done has been in seasonal 3-6 month contracts as well as long term contracts for one or two years. "The market is evolving," he said. "The industrial and residential markets are linked in Europe and Asia," he added, and are getting more sophisticated.

Other panels during the day included industry speakers addressing forestry ownership implications, sustainable forest management, pellet mill design considerations and infrastructure.

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

