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

Evolution Markets brokers residential wood pellet futures trade

By Evolution Markets | February 07, 2017

Evolution Markets recently announced it has facilitated the first futures trade in residential wood pellets on the Euronext exchange. The trade between Swedish utility Vattenfall and a European energy company was arranged over-the-counter and executed on Euronext as an Exchange for Swap transaction. The trade was cleared by LCH SA.

“Biomass market participants are seeking the means to hedge price risk, especially as it relates to the weather, and the Euronext futures contract offers this opportunity,” said Ben Gibson, vice president of biomass markets for Evolution Markets Ltd. “We are delighted to draw upon our deep knowledge of the biomass industry to arrange the first cleared EFS trade for residential wood pellets.”

Recent cold weather has created tight supply chains and rising prices for the wood pellets, which are traded internationally and then typically sold to consumers as bulk deliveries or via retail outlets in smaller 15 kg bags. The Euronext Residential Wood Pellet Future allows biomass market participants to manage forward price risk of EN+ A1 wood pellets, which are primarily used for domestic heating across Europe.

As large utilities seek to add renewable heating products to their portfolios, the Residential Wood Pellet Futures Contract allows them to hedge price movements in this volatile, weather sensitive market.

“Vattenfall is a strong supporter of sustainable biomass use in both the industrial and residential heating sectors,” said Christian Joore, senior biomass trader for Vattenfall Energy Trading. “As both biomass market segments see strong growth, new financial instruments like the Euronext Residential Wood Pellet future are valuable tools to manage biomass price, credit, and liquidity risk more effectively.”

“Evolution Markets brought the first wholesale trade on our wood pellets contract, and we are delighted to see the contract gaining traction,” said Olivier Raevel, head of commodities at Euronext. “We are focused on assisting introducing brokers and our members in enhancing the liquidity of the Residential Wood Pellets futures contract in the medium and long term.”

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