Press Release – For Immediate Release

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Wood pellet producers are increasingly competing with pulp manufacturers for wood fiber, reports WRQ.

The global wood pellet industry has developed remarkably fast, evolving from being practically non-existent 15 years ago to being an important wood fiber consumer which is increasingly competing with pulp and wood-panel industry for wood raw-material.

Global pellet production was close to 10 million tons in 2008, according to the Wood Resource Quarterly. It is estimated that production will double over the next 4-5 years and some industry experts forecast an annual growth of 25-30% globally over the next ten years. Europe is currently the major market for pellets, but the interest for non-fossil fuels in North America is growing. The new leadership in the US government is going to have a positive impact on alternative fuel usage and the expected change in energy policy could very well result in increased imports of pellets from Canada to the US, which will eventually diminish the flow of biomass from North America to Europe. As a result, European pellet consumers will have to search for alternative supply sources in Asia, Latin America, Africa and Russia.

The major raw-material used for pellet manufacturing has traditionally been sawdust and shavings from the sawmilling industry. As this supply source has started to tap out, there is now an increased interest in searching for alternative fiber. It can be expected that European pellet manufacturers will increasingly use forest residues, urban wood waste and fast-growing tree species. They will also begin to compete more aggressively with pulpmills and wood-panel mills for sawmill chips and pulplogs. Imports of wood chips from over-seas may also be an option for some pellet plants.

A surprisingly large share of the global pellet production is being shipped to markets outside the producing country, not only between countries but also intercontinentally. According to the Wood Resource Quarterly, an estimated 25% of world production was exported in 2008. Most of the overseas volume was shipped from British Columbia, Canada to Belgium, the Netherlands and Sweden, despite the seemingly prohibitively costly 15,000-kilometer journey from the Interior of BC to the European market. This situation can be explained by the currently low costs for raw material (shavings and sawdust) in Canada and the high prices for wood pellets in Europe.

The rapid expansion in global trade of biomass (both wood chips and pellets) is likely to continue over the next three to five years as more countries favour renewable energy and as local, relatively inexpensive supplies of biomass reach their limits. The question is how long expansion of the overseas water-borne transport will continue to grow, given the uncertainty of future costs of oil and the paradox of consuming large quantities of low-refined heavy fuel oils for the shipments of green energy to European customers.

Global wood fiber and sawlog market updates are included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 20 countries, tracks wood prices in most regions around the world and also includes regular updates of international timber, pulp, lumber and biomass markets.

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