

Press Release – For Immediate Release

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Increase in Demand for Wood Pellets Pushed Prices Upward in Europe in the 4Q/08, reports WRQ.

Wood pellet prices in Europe has trended upward the past six years reaching record levels in the 4Q/08 as demand stays strong, reports WRQ.

Europe is currently both the largest producer and consumer of wood pellets in the world. Consumption in 2008 was estimated to be over eight million tons, with Sweden, Denmark, the Netherlands, Belgium and Italy being the largest consumers on the continent. Sweden is the largest producer and consumer of wood pellets in the world with a total production of about 1.7 million tons in 2008. The country also imported about 400,000 tons last year to meet the total domestic demand of 2.1 million tons from both power plants and households.

There are currently over 450 pellet-producing plants in Europe, with many new projects planned over the next five years. Several investments are being delayed due to the global financial crisis, but there is no doubt that the increase in pellet capacity will continue even if the pace of expansion has temporarily slowed. The United Kingdom, Denmark, Sweden and Germany are the countries that likely will see some of the fastest increase in pellet consumption over the next few years. These countries will both invest in domestic production capacity and increase imports in the coming years.

Wood pellet prices in Europe have trended upward in key markets over the past six years. They increased substantially in Germany and Austria during the winter of 2006/07, partly because of higher demand in Germany, but also because of increased exports to Italy where demand grew substantially. With a major expansion of the production capacity in Germany and Austria in 2007, prices declined from their temporary peak in late 2006 and leveled off slightly above the 2005 prices. In recent months, demand and prices have picked up as a result of investments in large-scale energy plants in a number of countries throughout Europe.

The prices in Sweden have generally been higher than in Central Europe, where prices plummeted in early 2007. Swedish pellet prices remained at record high levels of €250/ton (bulk volumes) through most of 2007 and 2008. It was not until the 4Q/08 when prices in Sweden, Germany and Austria started to converge again. With the increased trade of wood pellets within Europe, it is likely that pellet prices for large district heating facilities will equalize between different countries. Prices for pellets delivered to households, on the other hand, will be more influenced by regional balances between consumption and production of pellets, and by the costs of competing energy sources.

Wood fiber costs, which by far are the largest cost component in the production of wood pellets, are likely to decrease in 2009 in both Europe and North America as competition for wood chips and pulpwood from the pulp and wood-panel sectors is weakens.

Global wood fiber, pulpwood 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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