

PELLET MARKET

covid-19 impact

&

future perspectives

Pellet conference

28th September

Gilles
Gauthier
Bioenergy Europe

About us



Common voice of European bioenergy for the past 29 years.



Unites **45 national associations** and **105 companies** from Europe.



Umbrella organisation for the European Pellet Council and the International Biomass Torrefaction Council.



Aims at a **sustainable bioenergy market** based on fair business conditions.

Our activities



We carry **advocacy activities** in key policy areas & organise **dedicated working groups** to support the specific needs of our members.



We conceive and deploy **targeted publications & communication campaigns** to educate about bioenergy.



We **collect data** on the evolution of the **bioenergy market** and **produce tailored analyses** along the year.



We own and promote **international certification schemes** to guarantee high quality standard for fuels.

Our members



Companies



Associations



Academia & Research Centres

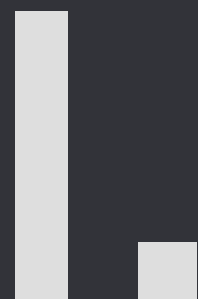


Content



- Pellet production (Europe)
- Industrial pellet use (Europe)
- Premium pellet use (Europe)





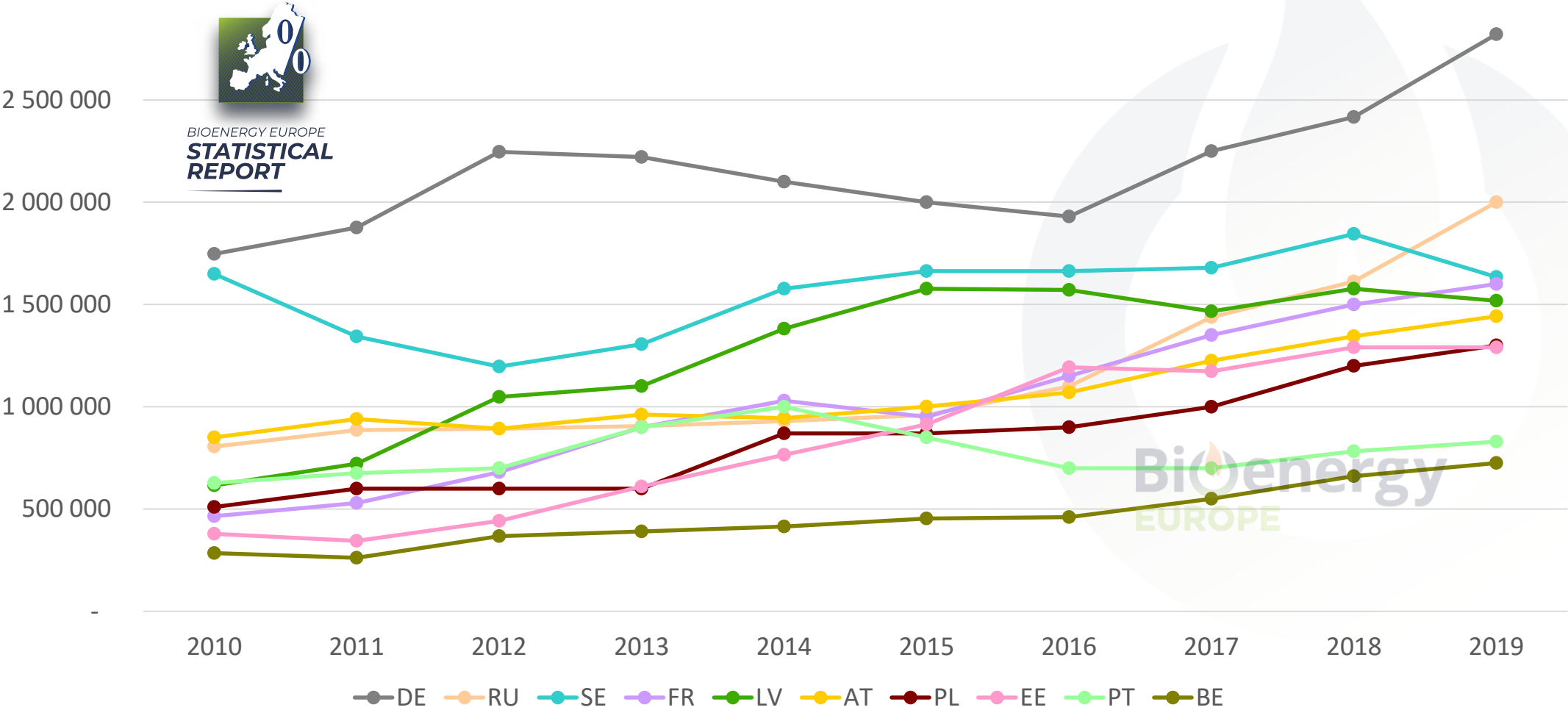
Pellet production

Pellet production

European update



EVOLUTION OF WOOD PELLET PRODUCTION IN TOP 10 COUNTRIES OF EU (IN TONNES)



Source: EPC survey 2020

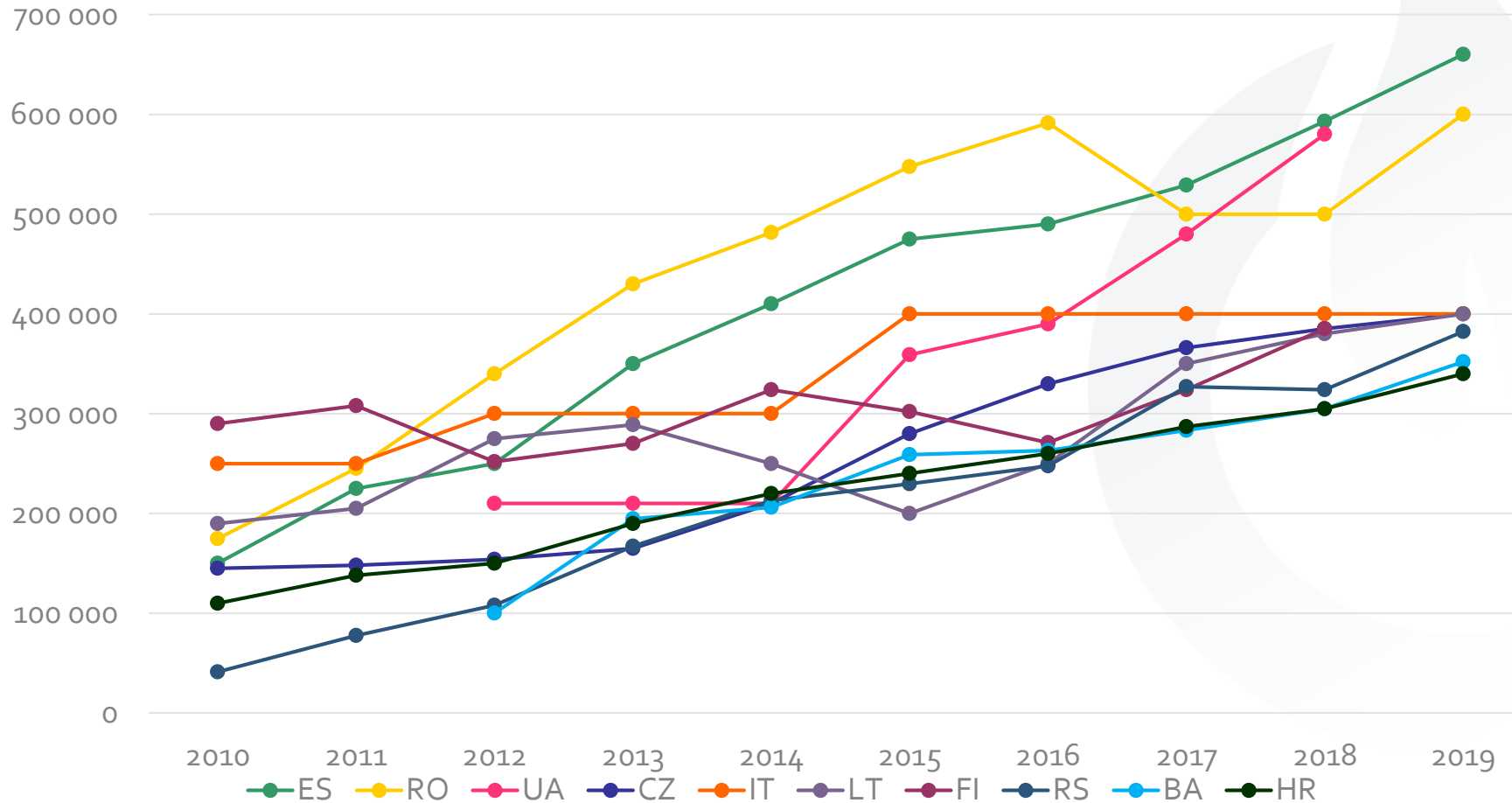
Pellet production

European update



BIOENERGY EUROPE
**STATISTICAL
REPORT**

EVOLUTION OF WOOD PELLET PRODUCTION IN TOP 11-20 COUNTRIES OF EU (IN TONNES)



Source: EPC survey 2020

Pellet production

Europe/Covid-19 impact on European pellet production

COVID-19

Raw material

- Wood processing industry has been impacted => less byproducts available for energy purposes
- Byproduct is still available but price is increasing/using more roundwood
- Byproduct stock level seems sufficient for the moment
- High wood availability in some areas due to the bark beetle (e.g. Czech Republic)

Pellet production

- Highly automated processes limiting risk exposure
- OK in most countries but Italy
- Industrial producers limiting production to contractual obligations

Logistic

- Containers shipping, truck transportation has been deeply impacted
- Large bulk cargos show limited impact

Stock level

- Inventories are high for all market players (producers, traders, ports)

POSSIBLE SHORTAGE

For 2020-2021 heating season?



Industrial Pellet Use

Industrial Pellet Use

European update

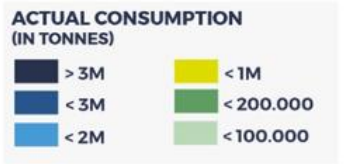


EUROPEAN/EU-28 INDUSTRIAL WOOD PELLET CONSUMPTION

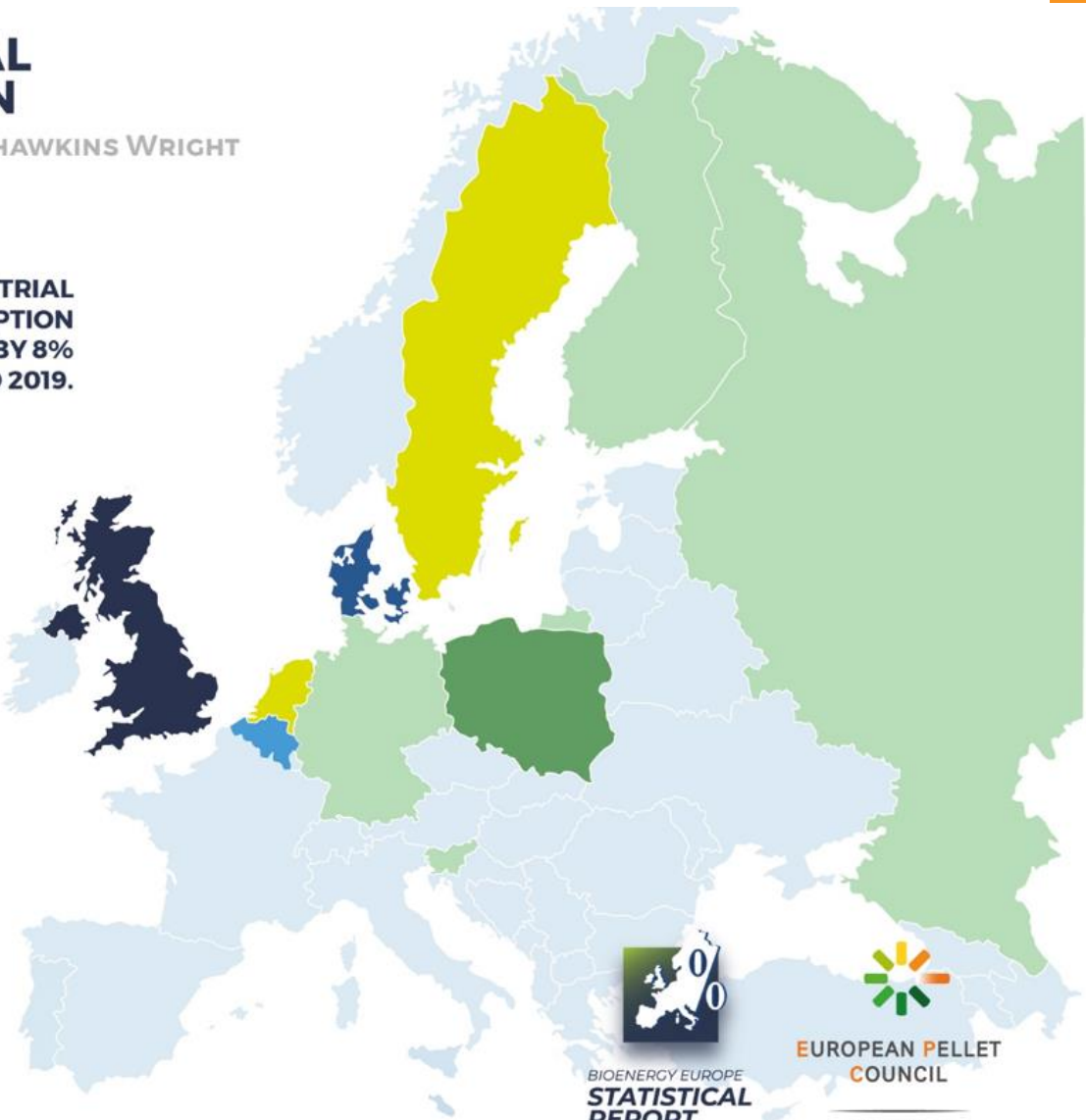
(IN 2019, TONNES, %) SOURCE: EPC SURVEY 2020, HAWKINS WRIGHT



EU-28 INDUSTRIAL PELLET CONSUMPTION INCREASED BY 8% BETWEEN 2018 AND 2019.



CONSUMPTION IN TOP 5 EU-28 COUNTRIES IN 2019 (Million tonnes)



Industrial Pellet Use

European update

Before the COVID-19 situation

COVID-19

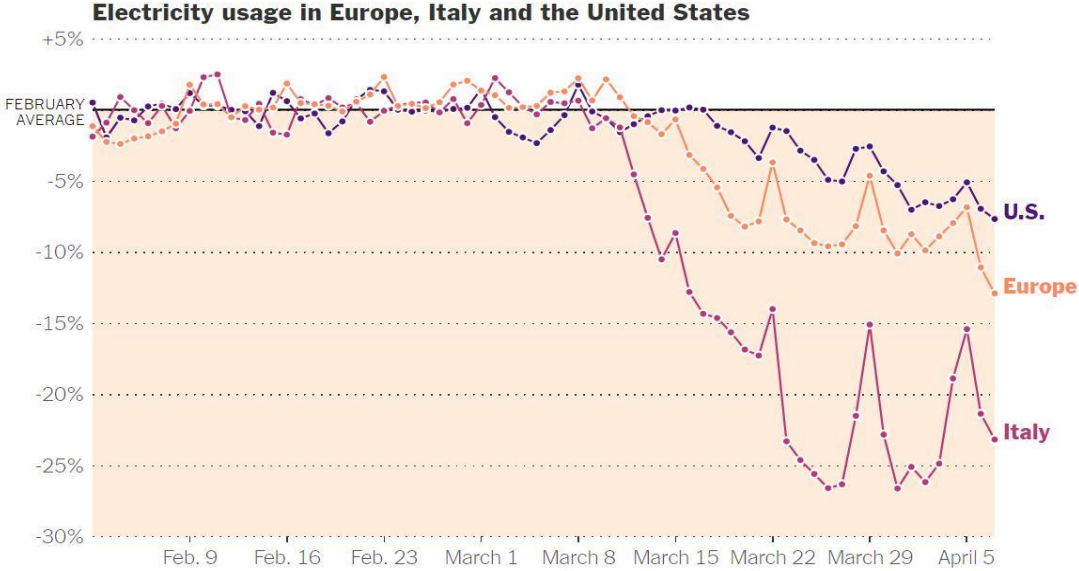
- Strong production in Europe/North America
- High stock level
- Utilities took long position for 2019-2020 winter after tight 2019 Q1-Q2

Industrial Pellet Use

European update

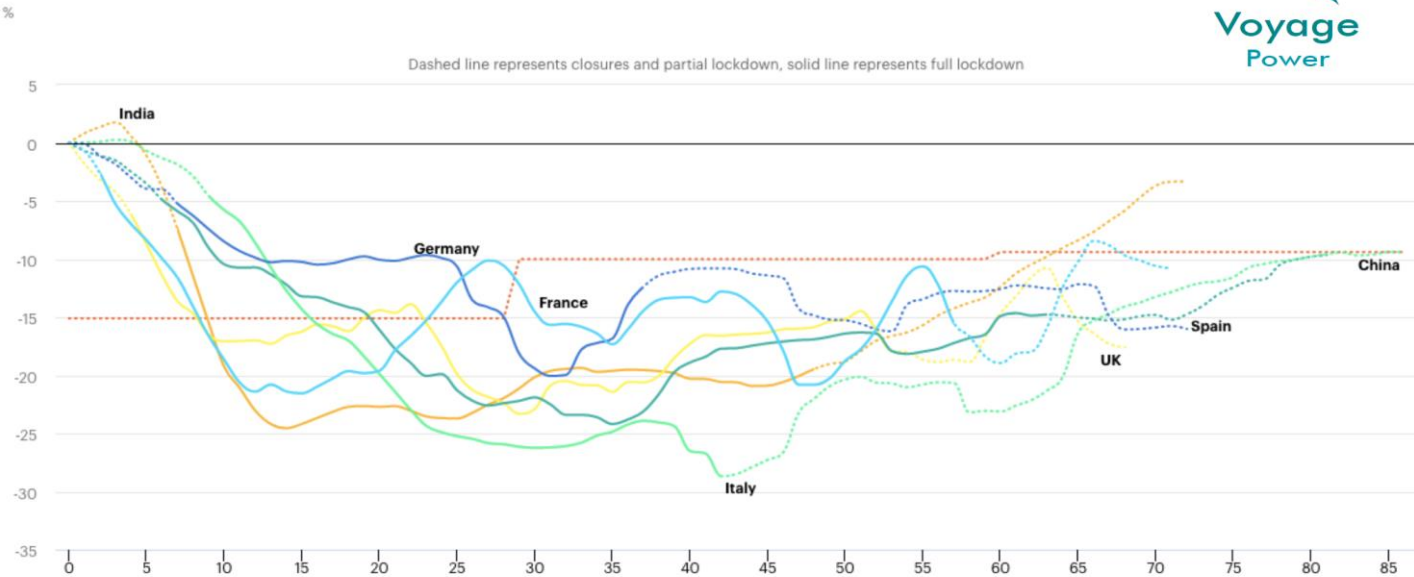
Covid-19 impact

COVID-19



BiOenergy
EUROPE

Electricity Demand During Lockdown



Voyage
Power

Industrial Pellet Use

European update
Covid-19 impact

COVID-19

Electricity price dropped in Europe

PRICE (€/MWh)									
WEEK	EPEX SPOT DE	EPEX SPOT FR	MIBEL PT	MIBEL ES	IPEX IT PUN	N2EX UK	EPEX SPOT BE	EPEX SPOT NL	NORD POOL
Mar 09	20.96	26.66	34.54	34.41	36.24	35.62	27.30	27.44	9.13
Mar 16	21.34	21.29	28.55	28.55	29.84	36.60	21.01	22.45	8.06
Prev. Week	+1.8%	-20.1%	-17.4%	-17.0%	-17.7%	+2.8%	-23.0%	-18.2%	-11.7%

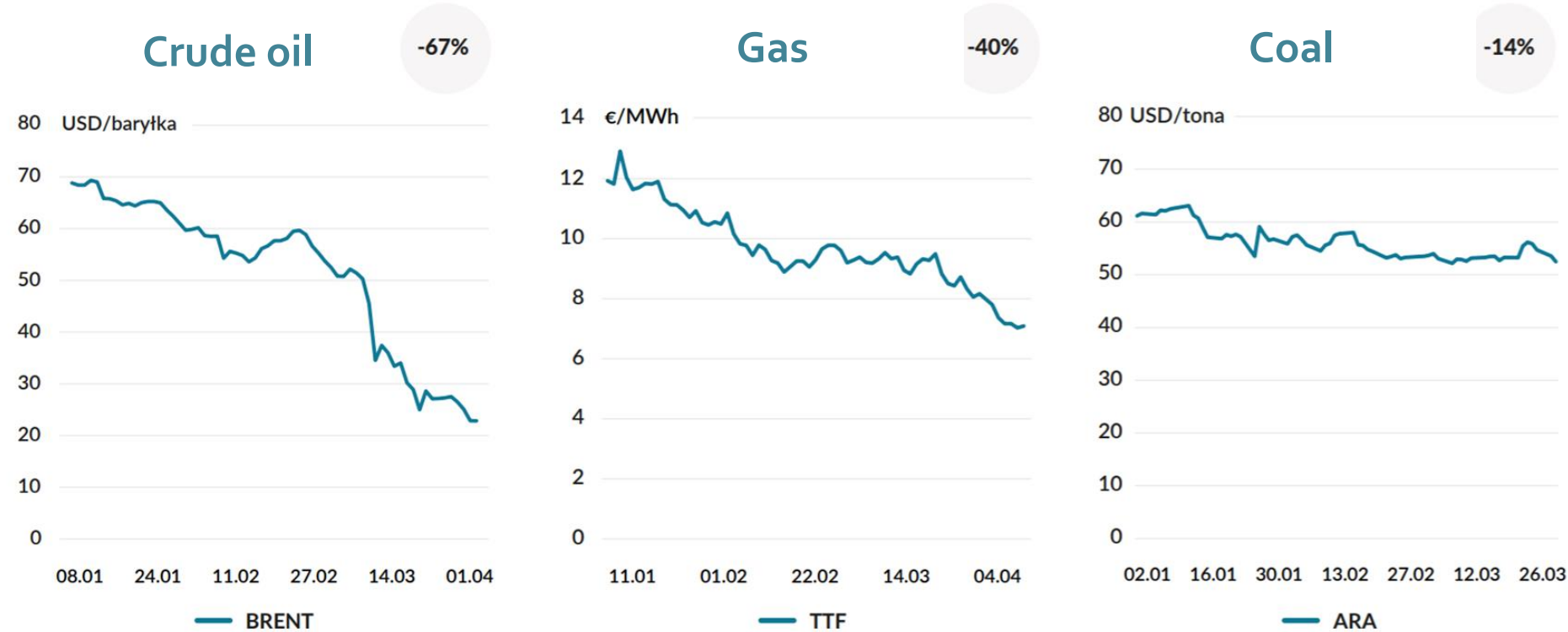
Price currently increasing

Industrial Pellet Use

European update
Covid-19 impact

COVID-19

Price of energy commodities – perfect storm



Industrial pellet use might be impacted because of drop of electricity use + lower profitability

Industrial Pellet Use

European update

During the COVID-19 situation

COVID-19

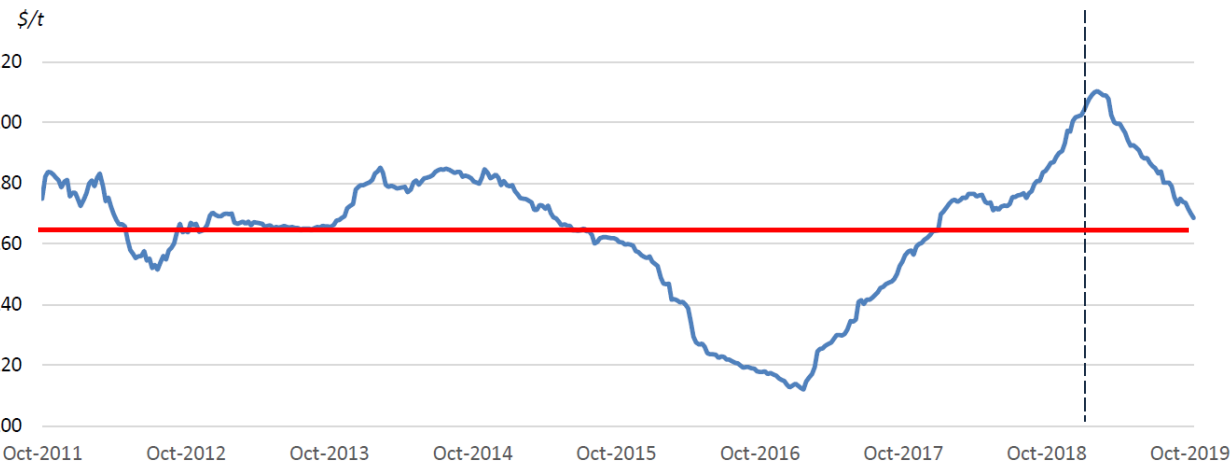
- **Market oversupplied, utilities pushing back volume**
 - Drax plans outages (maintenance)
 - Asian market not a buffer anymore
- **Producers cut production for uncontracted volume in 2H 2020 and 2021**
- **Power price starting rising again, might encourage increased usage of biomass**

Industrial Pellet Use

European update



Development of Argus wood pellets 90 days Index CIF NWE USD/t

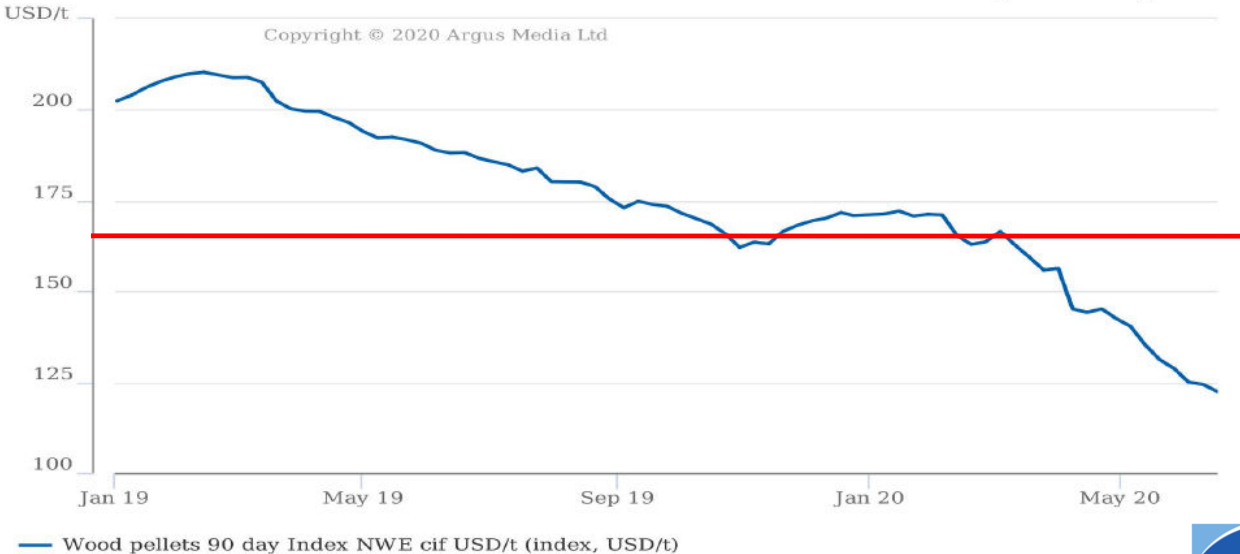


illuminating the markets

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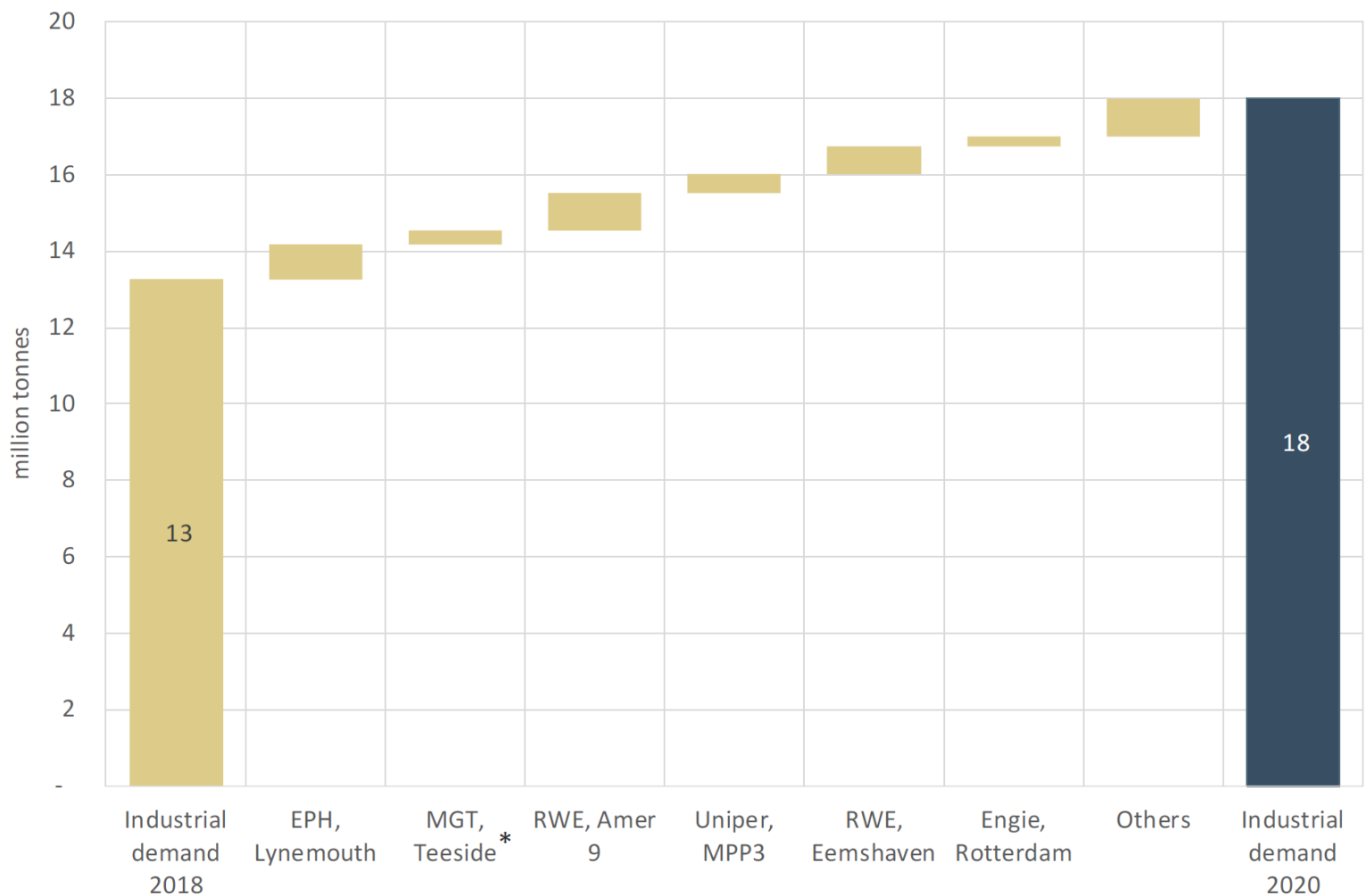


Historical average



Industrial Pellet Use

European update



Main industrial demand growth comes from UK and the Netherlands.

Source: Hawkins Wright, Outlook for Wood Pellets

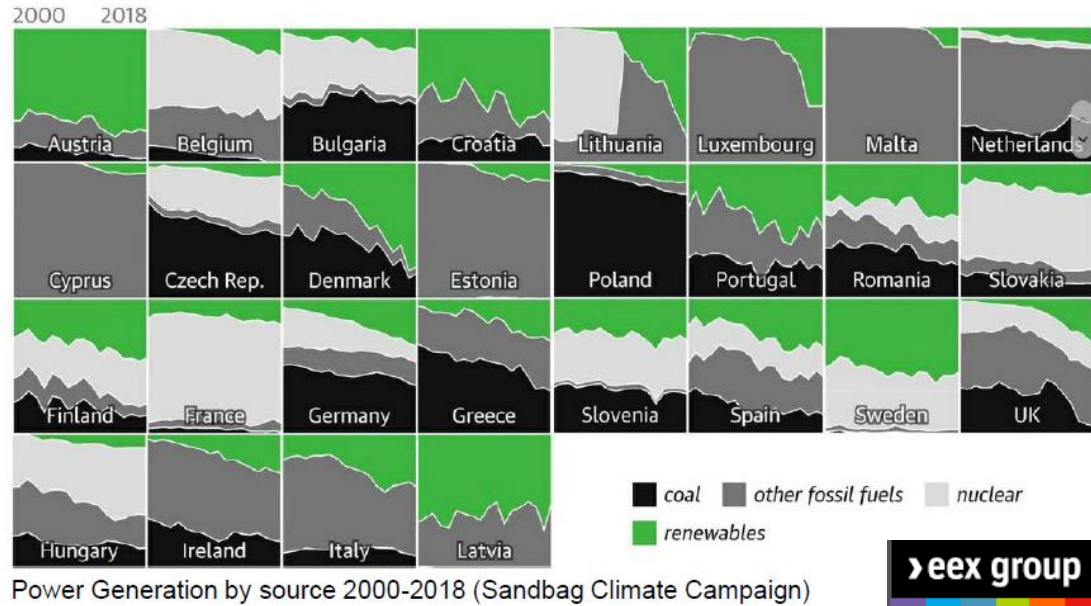
*Demand adjusted to account for construction delay

Industrial Pellet Use

Future outlook



Highlight



GERMANY

Coal phase out

By 2038 the latest

Climate protection programme 2030

- CO₂ tax - 10 EUR/t CO₂ in 2021 to 35 EUR/t CO₂ in 2035

=> Pellet offers a great solution!

DEPV Deutscher Energieholz- und Pellet-Verband e.V.



POLAND

Great potential for biomass



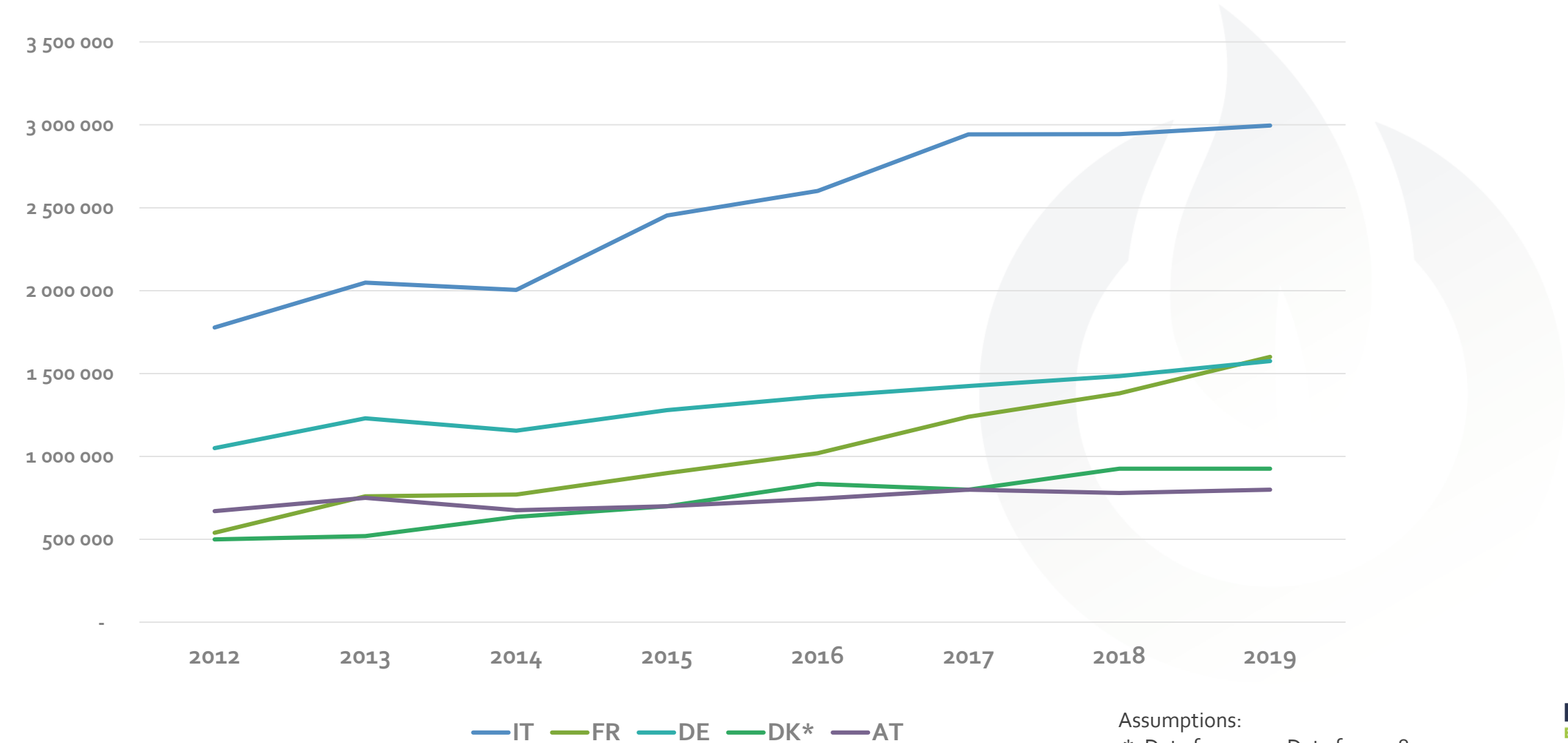
European Premium Pellet Use

Premium Pellet Use

European update



EVOLUTION OF WOOD PELLET CONSUMPTION FOR RESIDENTIAL HEATING IN EUROPE IN TOP 5 COUNTRIES OF EU (IN TONNES)



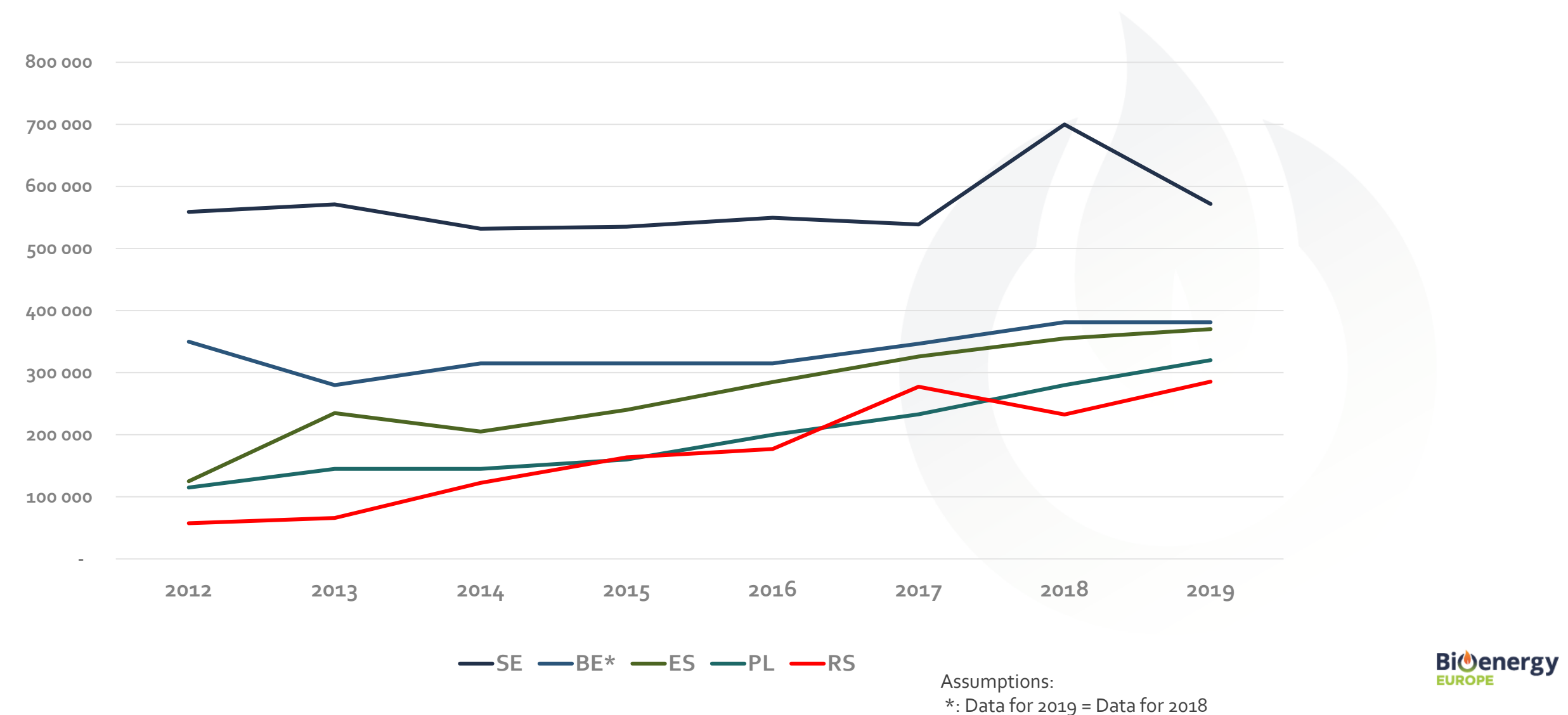
Assumptions:
*: Data for 2019 = Data for 2018

Premium Pellet Use

European update



EVOLUTION OF WOOD PELLET CONSUMPTION FOR RESIDENTIAL HEATING IN EUROPE IN TOP 6-10 COUNTRIES OF EU (IN TONNES)



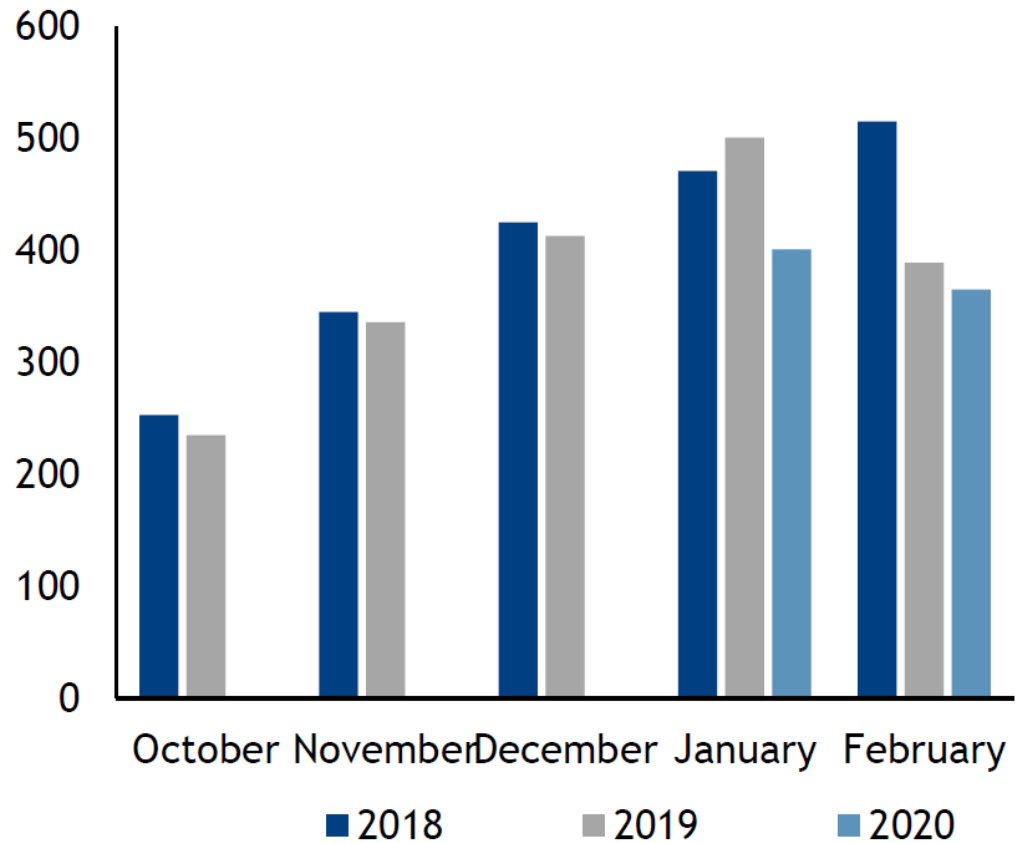
Premium Pellet Use

European update

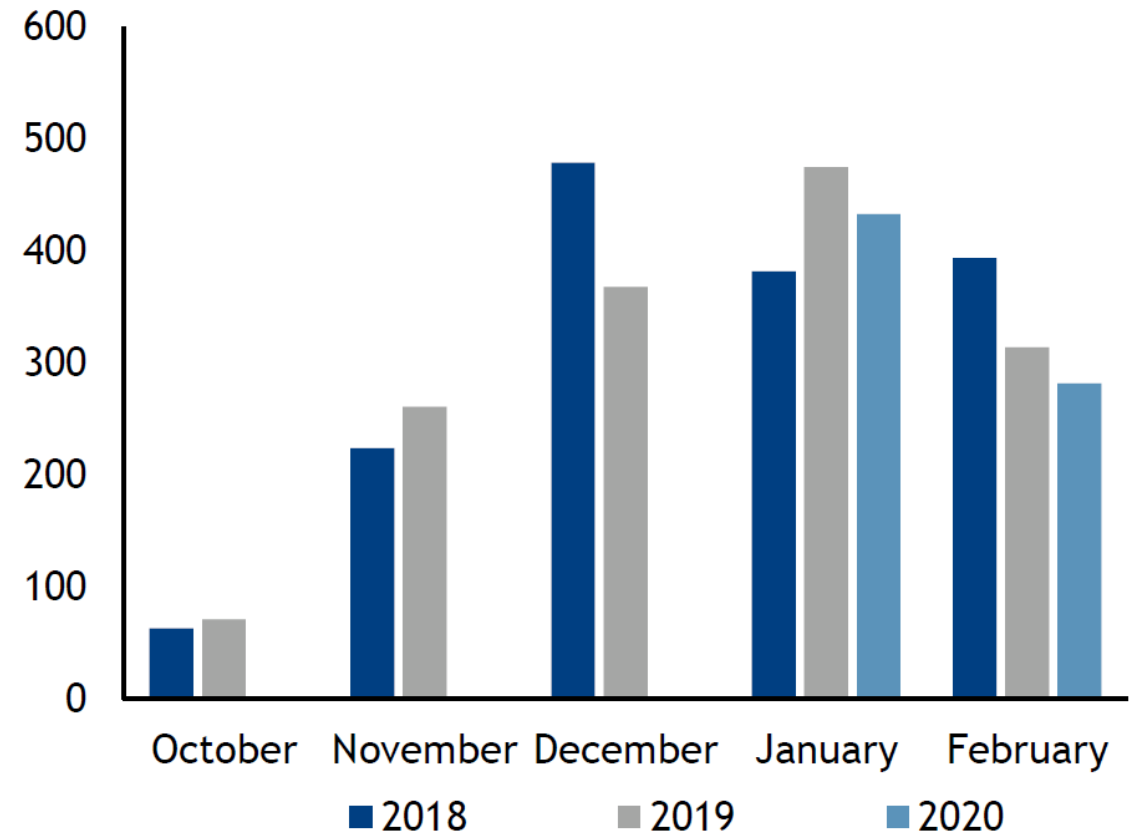
Low energy demand



Copenhagen HDDs



Milan HDDs



Premium Pellet Use

European update
Covid-19 impact

COVID-19

PELLET SALES

Local market

- Poor heating season but increase observed in some areas from March (e.g. Spain)
- DIY closed - created stress (e.g. Austria) => fuel companies increased sales (e.g. France)

Import

- Difficult in many countries (ok in UK) because of Covid-19 + low heating season

Export

- Difficult in many countries because of Covid-19 + low heating season

Thank you

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