

# **Global wood pellet market update**

## **Shifts in trade dynamics**

**Hannah Adler, Senior Biomass Expert, Argus Media**

**WPAC Conference, Victoria  
17 September 2024**

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# Argus Biomass Markets

- Weekly report, launched May 2009
- Weekly wood pellet, wood chip and PKS spot prices
- Weekly European forward prices – industrial wood pellets and chips
- Short sea and Trans-Atlantic freight rates
- Market news, in-depth analysis
- Power breakeven prices – pellet, coal, natural gas
- Data and downloads (web)



## MARKET COMMENTARY

### Atlantic basin: Spot firms

The spot price of industrial wood pellets for deliveries to northwest Europe (NWE) rose in the week, as generation was expected to ramp up due to lower temperatures.

The 90-days industrial wood pellet price increase by \$1.41/t to \$202.80/t cif NWE on Wednesday.

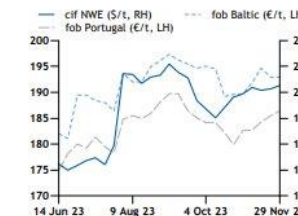
The spot window - which stretches to the last week of February 2024 - remained in a strong contango, with most demand from utilities focusing on the early months of next year. Lower-than-average temperatures forecast in key generating countries in Europe for the rest of 2023, would likely boost heating demand and draw down stocks, participants said. And due to the likelihood of higher generation within the spot window, demand increased in the week, as some utilities moved closer to a buy position.

Talks were underway to add an additional cargo onto an existing long-term contract at the originally agreed price level, a participant said. And bid levels for prompt handy-sized vessels remained at around \$175/t this week but talks did not reach agreement because sellers kept their offers remaining at a significant premium to this.

In the power sector, the UK's biomass-fired power generation stayed broadly flat on the week at 2.6GW on an average hourly basis in the week to 28 November.

A three-day outage at EPH's Lynemouth's 133MW unit 3 was extended to 2 December, from its previous 28 November end date.

Argus industrial wood pellet index



## EUROPEAN INDUSTRIAL WOOD PELLETS

	Week index		Month index		
	Price	Δ	Nov	Oct	Sep
cif NWE \$/t	202.80	+1.41	201.24	194.00	205.23
fob Baltic €/t	192.95	+0.06	192.45	192.05	195.93
fob Portugal €/t	186.35	+0.83	184.29	182.59	187.69

Wood pellets - within 90 days (spot)		Price	Δ
cif NWE \$/MWh		42.95	+0.30
fob Baltic €/MWh		40.86	+0.01
fob Portugal €/MWh		39.46	+0.17

Wood pellets - forward prices			
	Bid	Ask	Δ
<b>cif NWE \$/t</b>			
1Q24	213.50	219.50	+0.50
2Q24	212.00	218.00	nc
3Q24	212.00	218.00	nc
4Q24	217.00	223.00	nc
2024	213.60	219.60	+0.10
2025	215.50	221.50	nc
2026	209.50	215.50	nc
<b>fob Baltic €/t</b>			
1Q24	197.00	203.00	nc
2Q24	197.00	203.00	nc
3Q24	197.00	203.00	nc
4Q24	201.00	207.00	nc
2024	198.50	204.50	nc
2025	202.00	208.00	nc
2026	200.00	206.00	nc
<b>fob Portugal €/t</b>			
1Q24	187.25	193.25	-0.25
2Q24	187.00	193.00	nc
3Q24	187.00	193.00	nc
4Q24	191.00	197.00	nc
2024	188.00	194.00	nc
2025	191.50	197.50	nc
2026	189.50	195.50	nc

Contents	
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# | Agenda

**Spot markets overview**

**Shifts in demand**

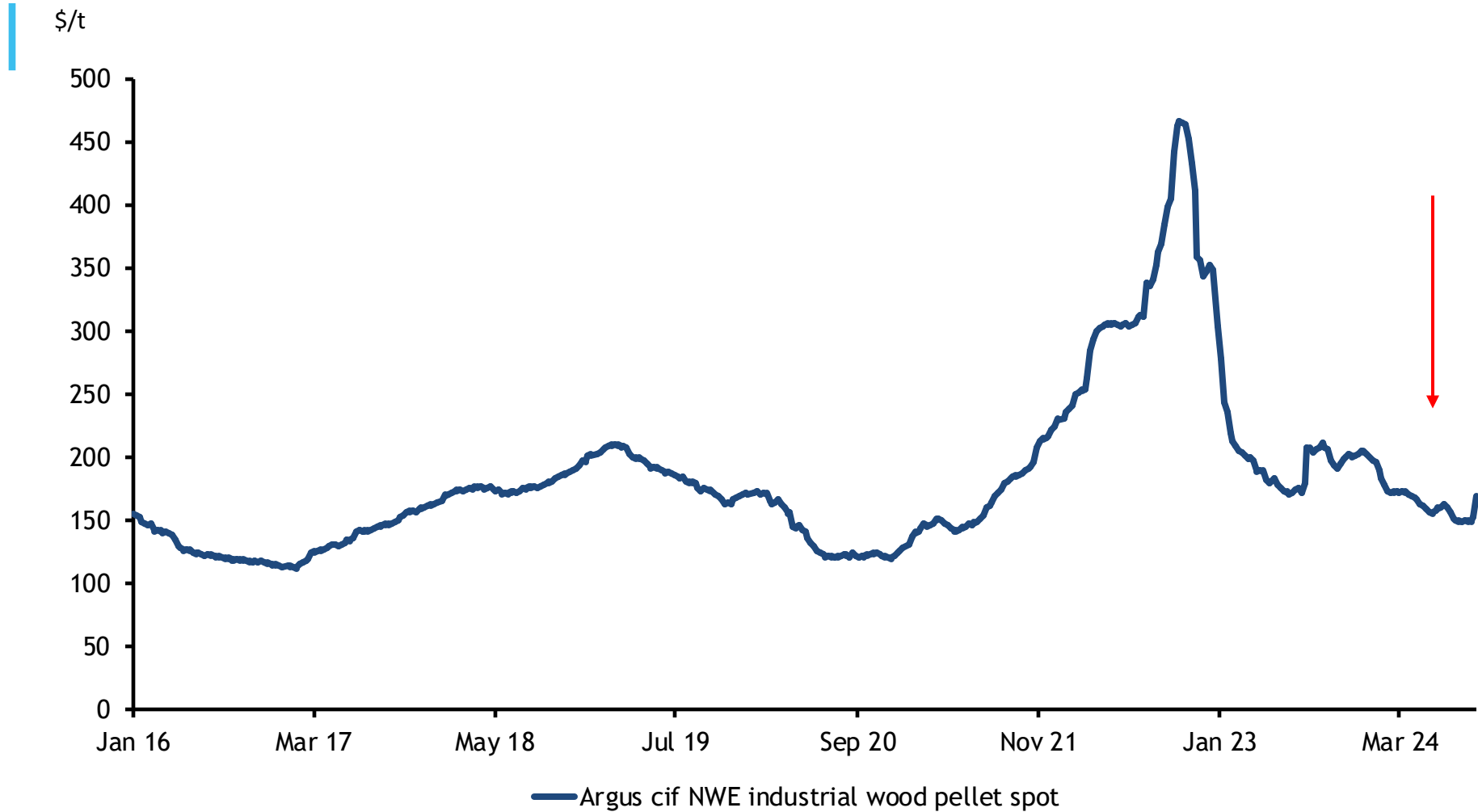
**Supply fundamentals**

**Near term outlook**

**Concluding thoughts**

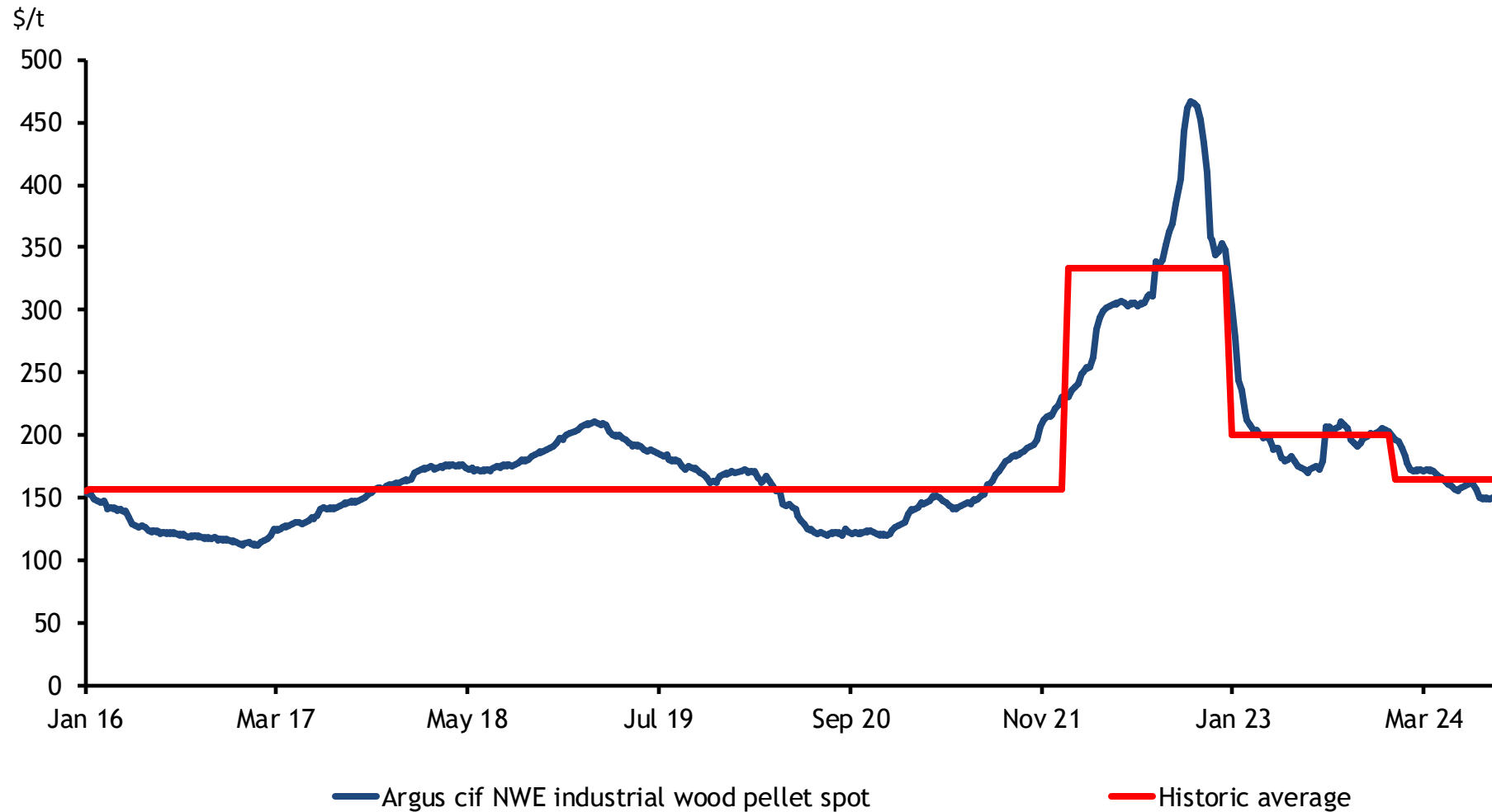
# Spot drops further in 1H24

# Cif NWE spot: Prices drop further in 2024



Source: Argus Media

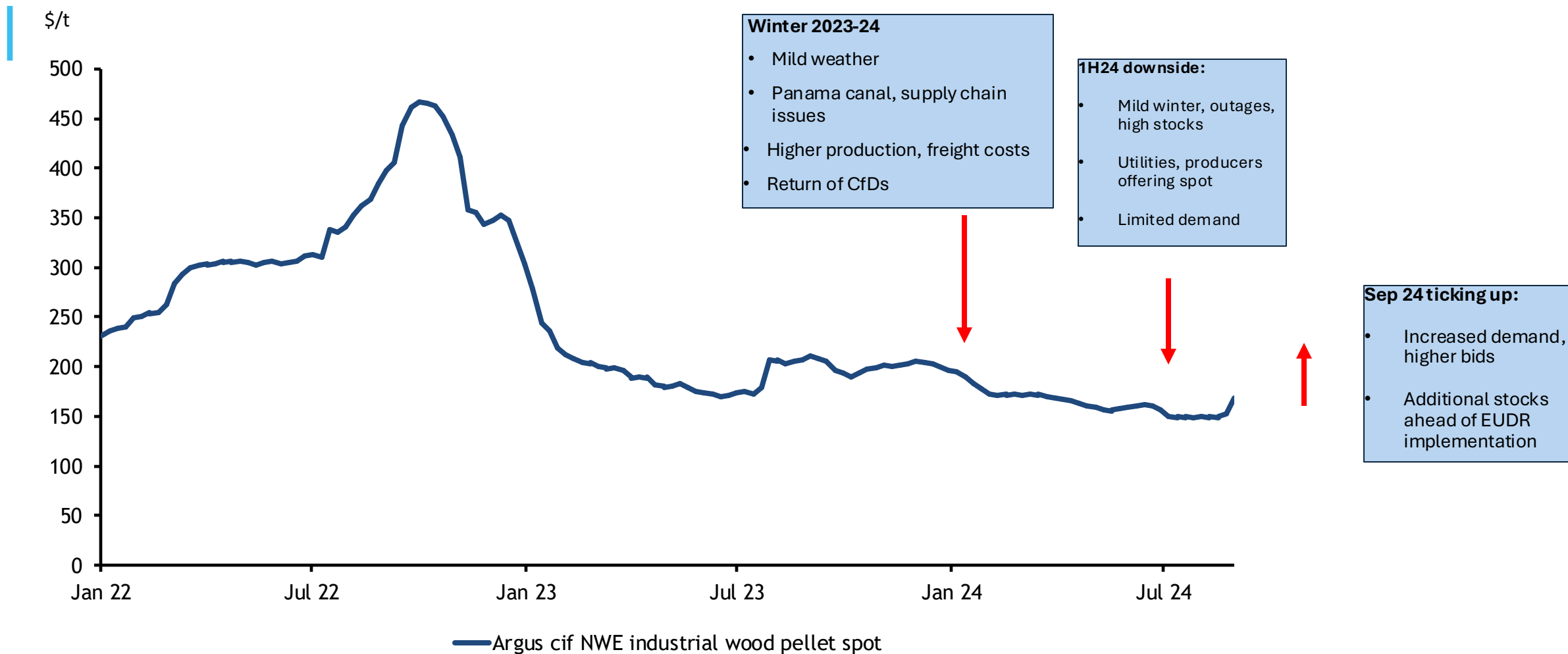
# Cif NWE spot: Nearing historical averages



Source: Argus Media

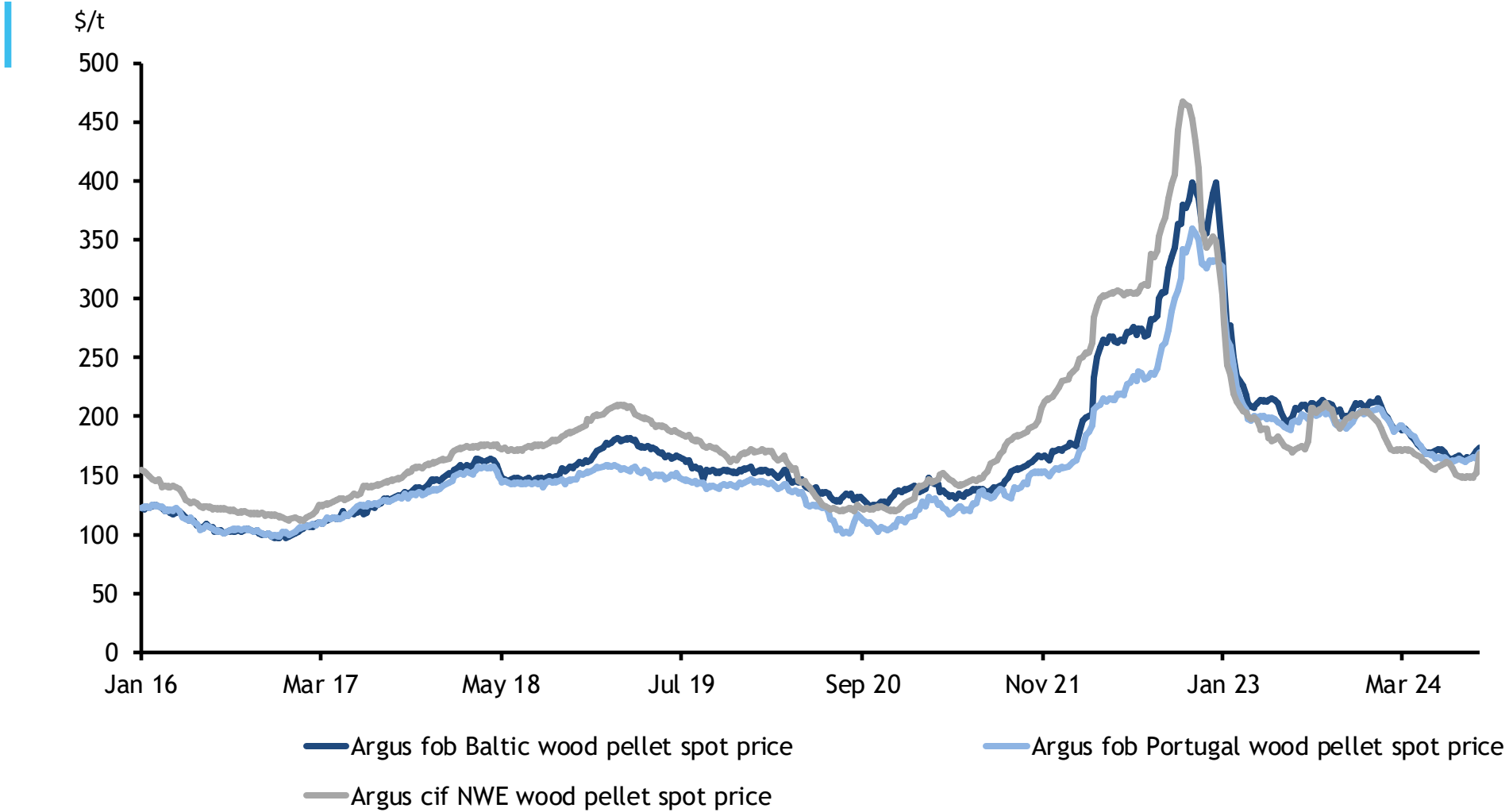


# Cif NWE spot: Uptick ahead of 24/25 heating season



Source: Argus Media

# Fobs uncompetitively priced into NWE

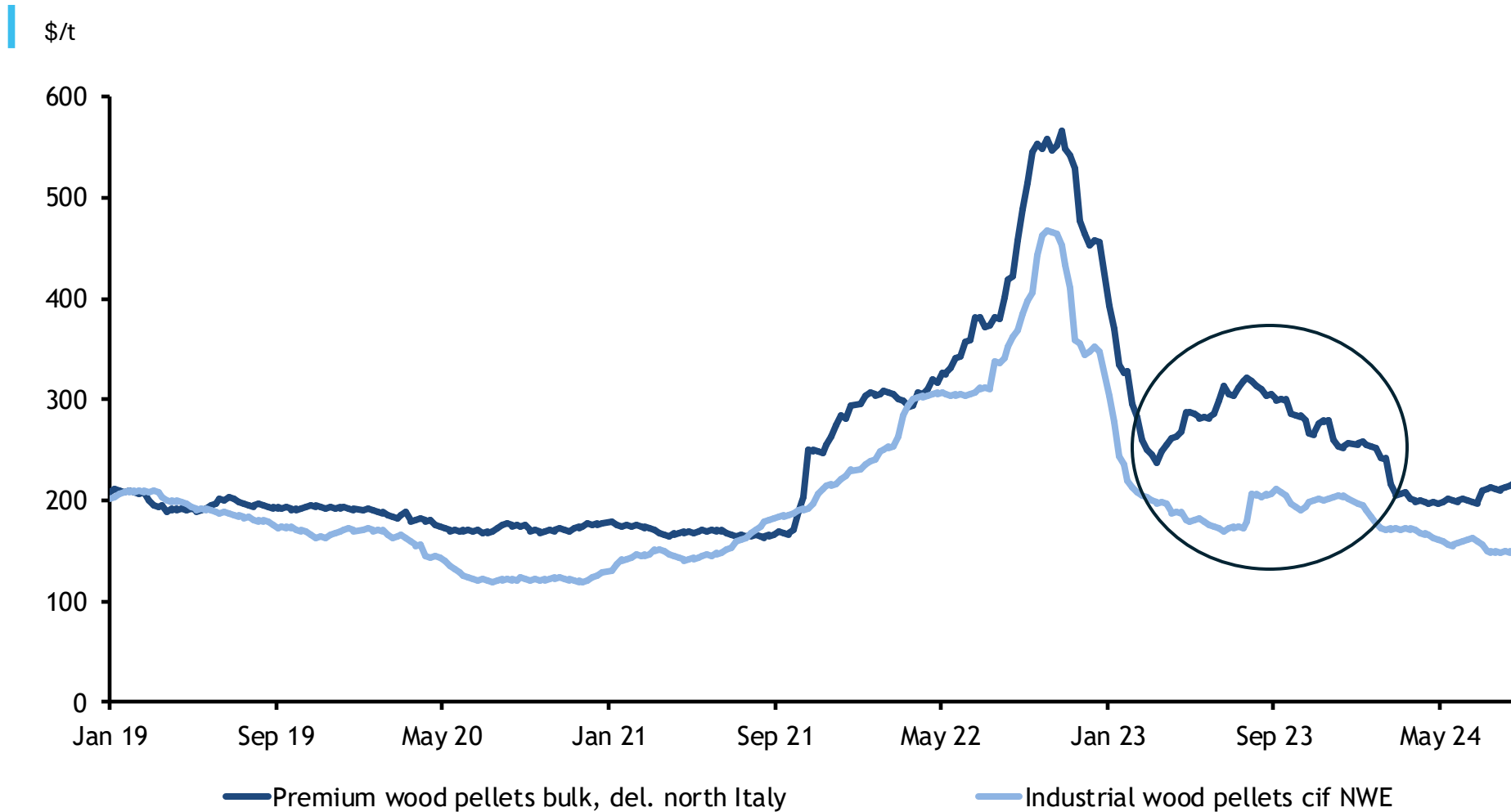


— Argus fob Baltic wood pellet spot price      — Argus fob Portugal wood pellet spot price  
— Argus cif NWE wood pellet spot price

Source: Argus Media

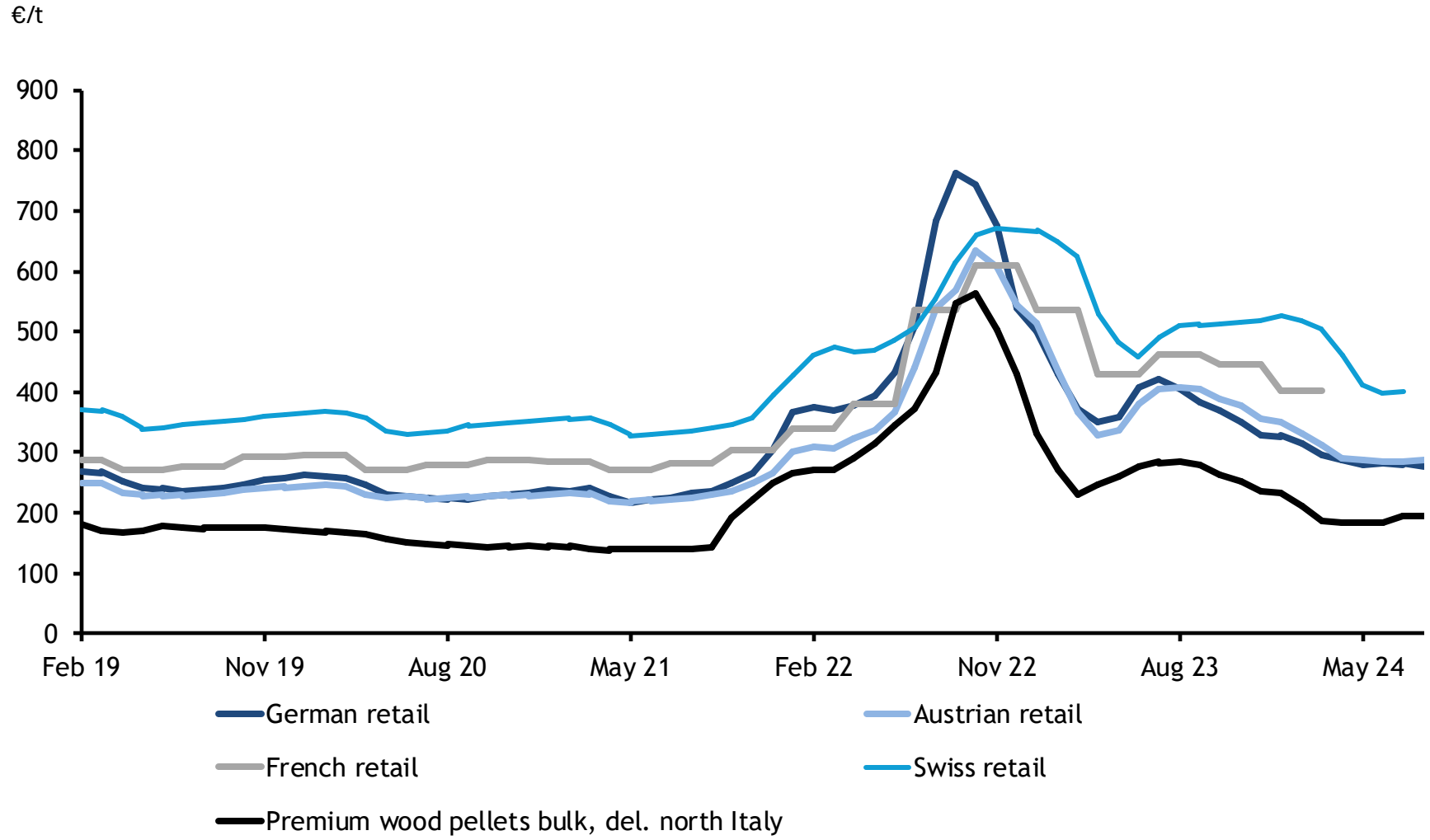


# Premium prices vs cif NWE



Source: Argus Media

# Retail\* residential pellet prices normalizing

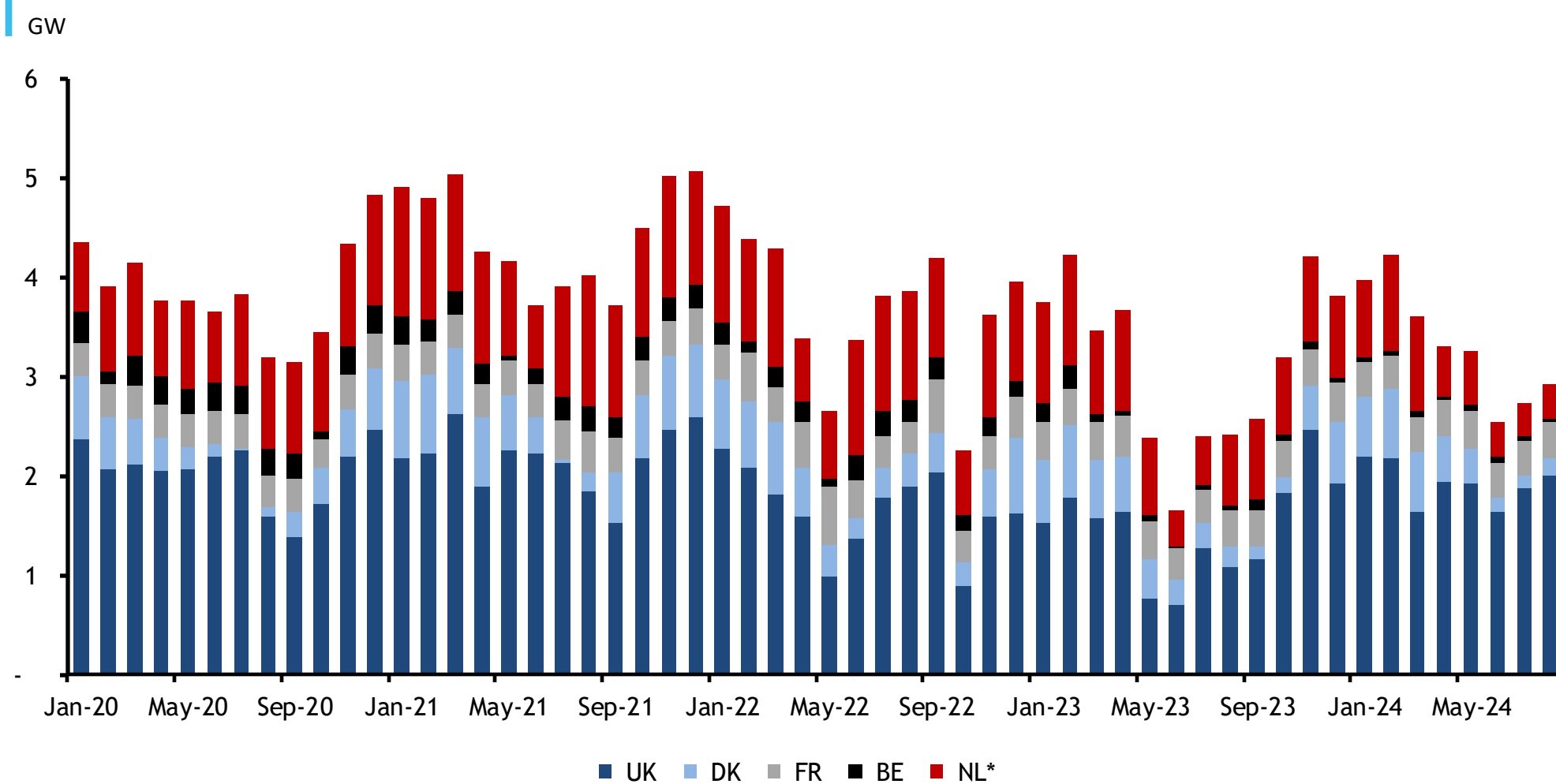


Source: Argus Media, Depi, proPellet Switzerland, proPellet Austria, French ministry  
 The Argus delivered north Italy price index is for deliveries in the wholesale market, the rest are retail prices.

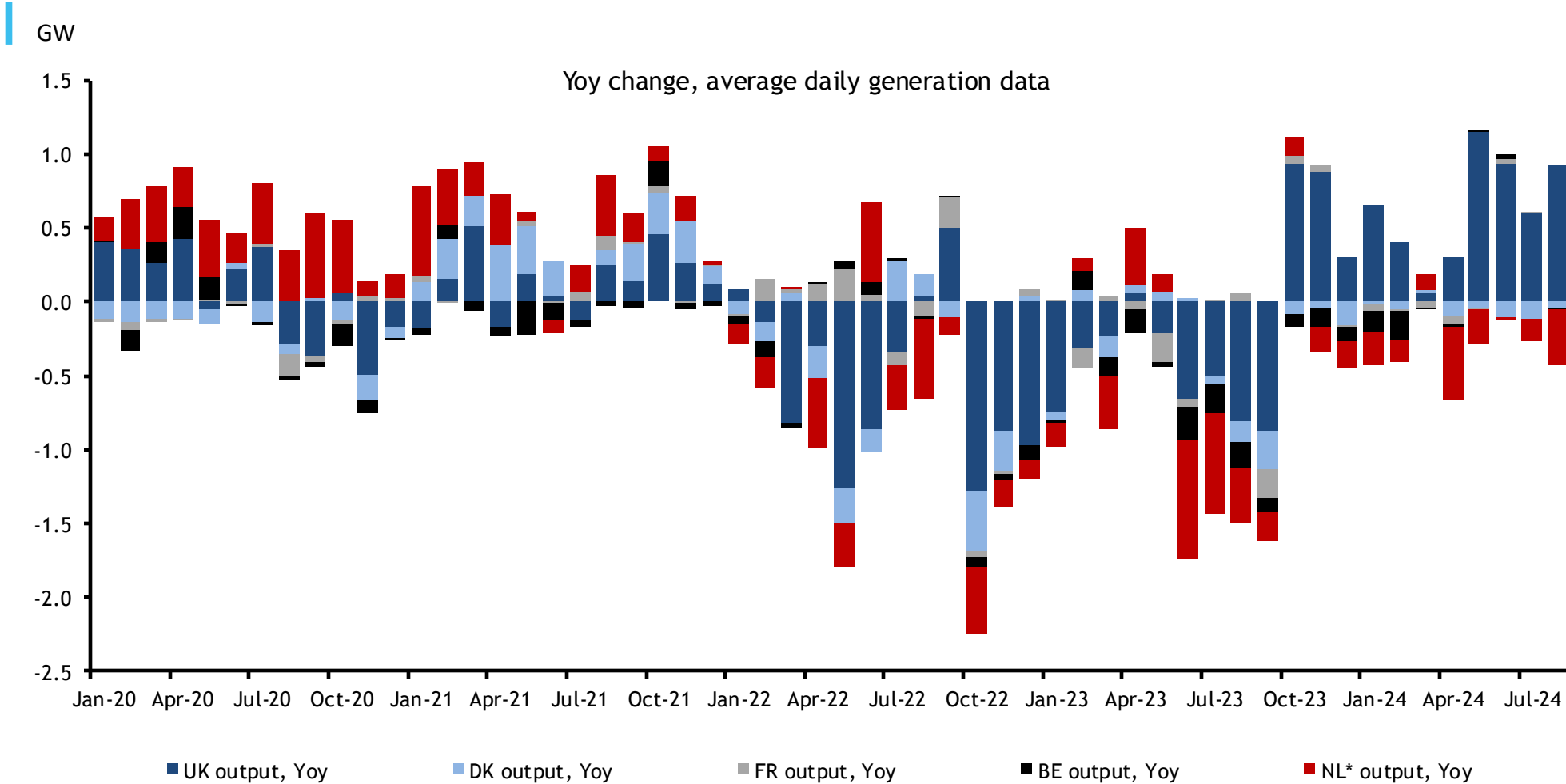


# Shifts in demand

# Jan-Aug burn up on UK CfDs, MGT Teeside



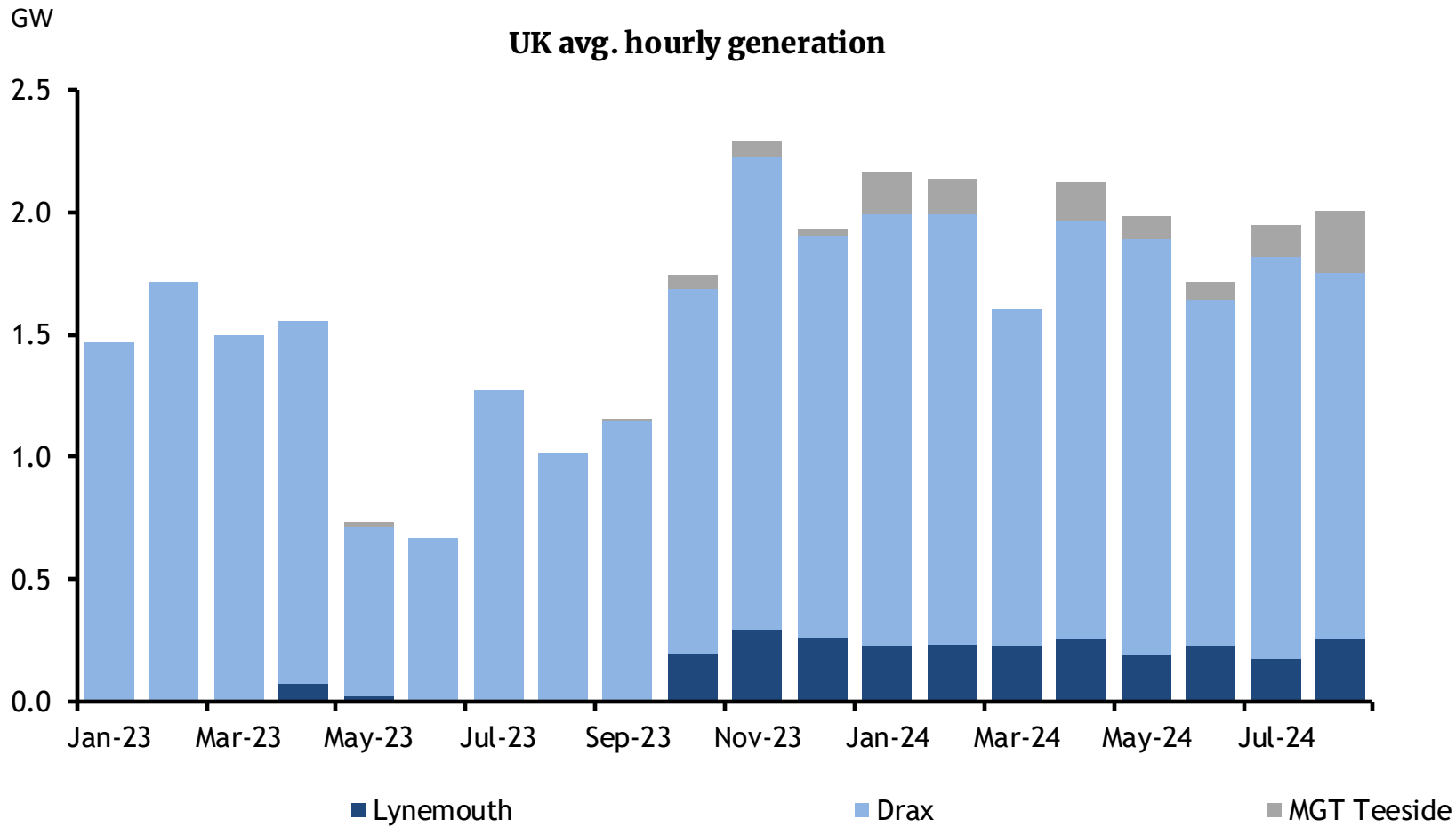
# Biomass burn up in UK, down in DK, NL yoy



Source: National Grid, CBS, Entsoe, Argus calculations; average hourly basis.

Notes: Entsoe and CBS data may include generation from wood chips and other forms of biomass. NL data assumes Jul & Aug output at parity with Jun 2024.

# CfDs strong, MGT generating



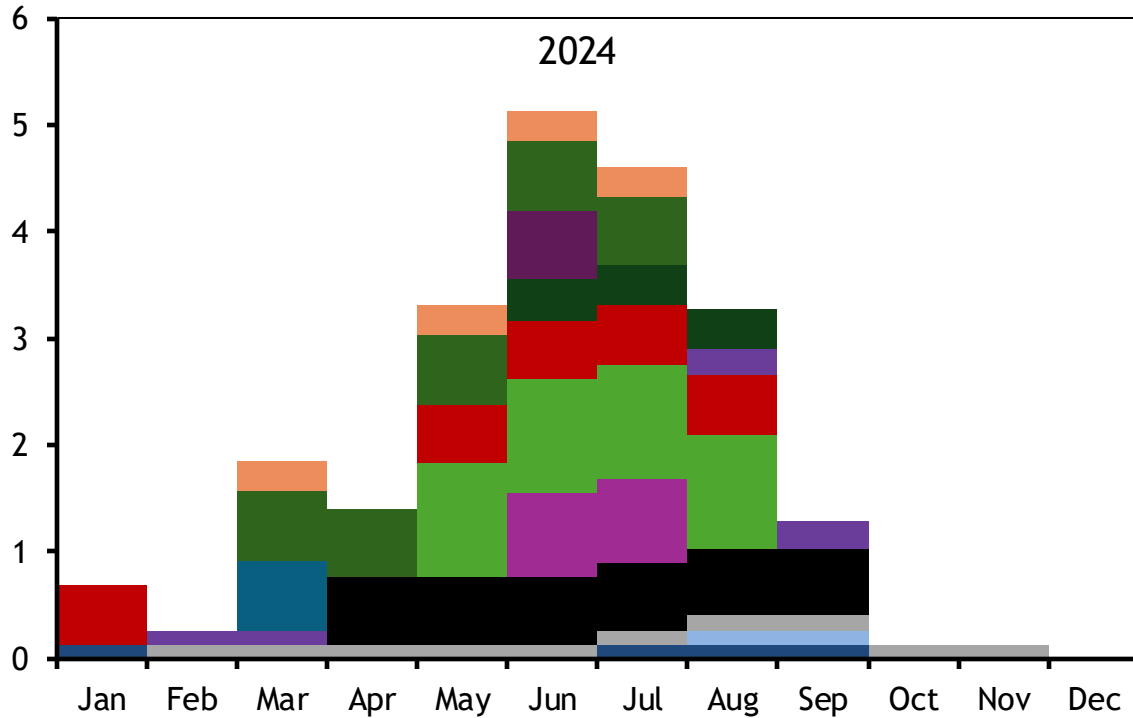
Source: Remit data

Data true as of 5 September 2024



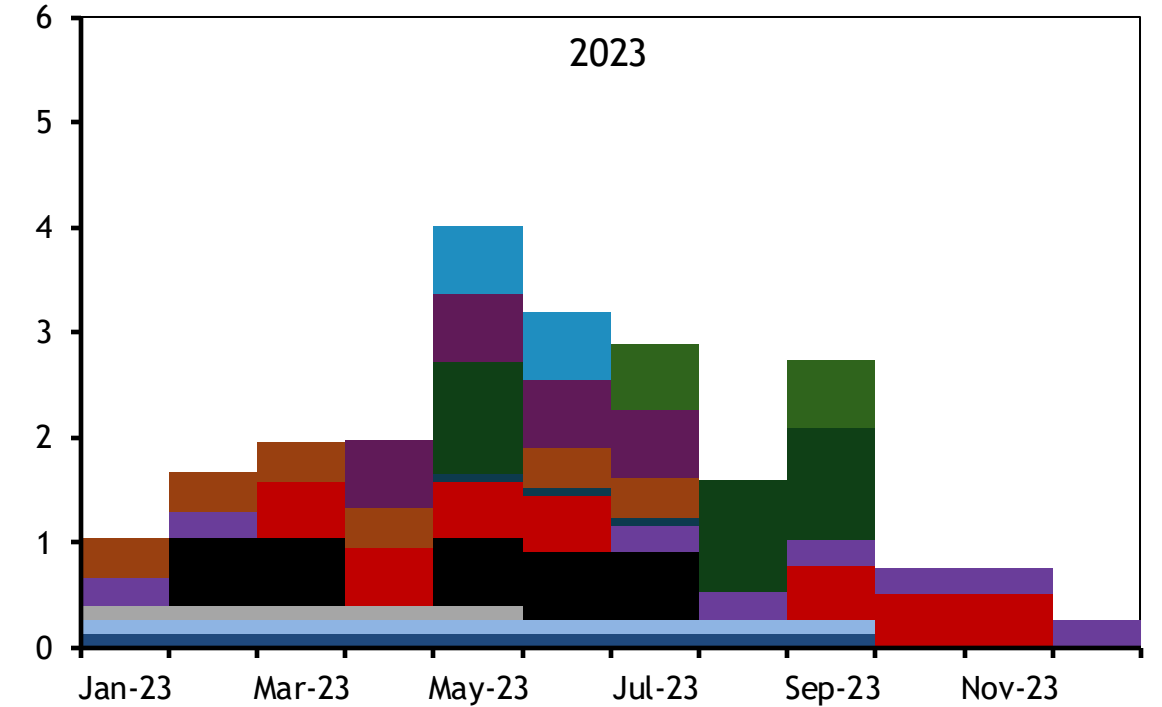
# Planned maintenance 2023 vs 2024

GW



- Lynemouth 1
- Lynemouth 2
- Lynemouth 3
- RWE Amer 9
- RWE Eemshaven B
- Uniper Maasvlakte 3\*
- Avedore 2
- Avedore 1
- Studstrup 3
- Drax 1
- Drax 2
- Drax 3
- Drax 4
- MGT

GW



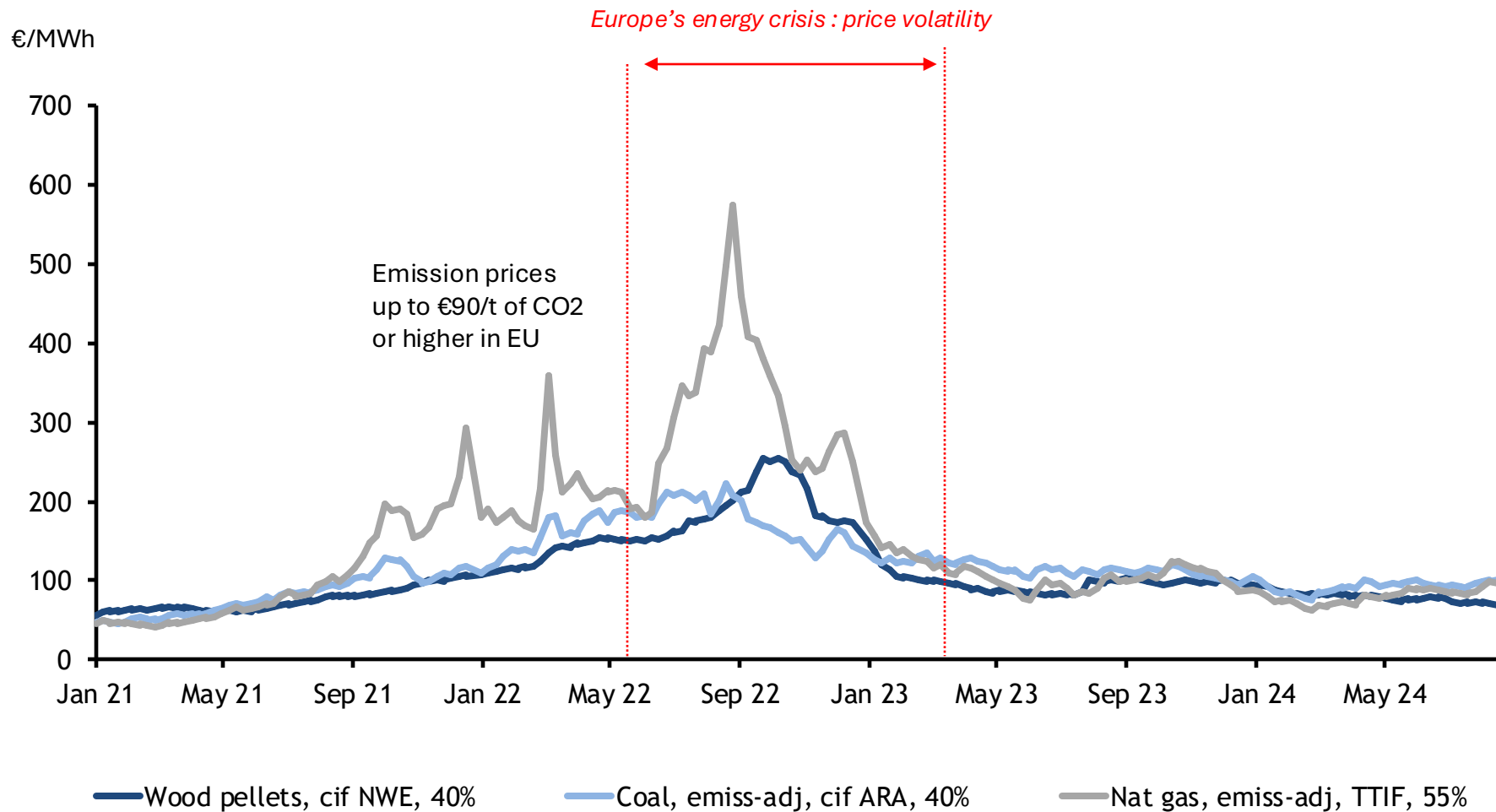
- Lynemouth 1
- Lynemouth 2
- Lynemouth 3
- Amer 9
- Avedore 2
- Avedore 1
- Rotterdam 1
- Studstrup 3
- Maasvlakte 3
- Drax 1
- Drax 2
- Drax 3
- Drax 4



Source: Remit data

Data true as of 5 September 2024

# Electricity fuel cost: pellets compete with coal, gas

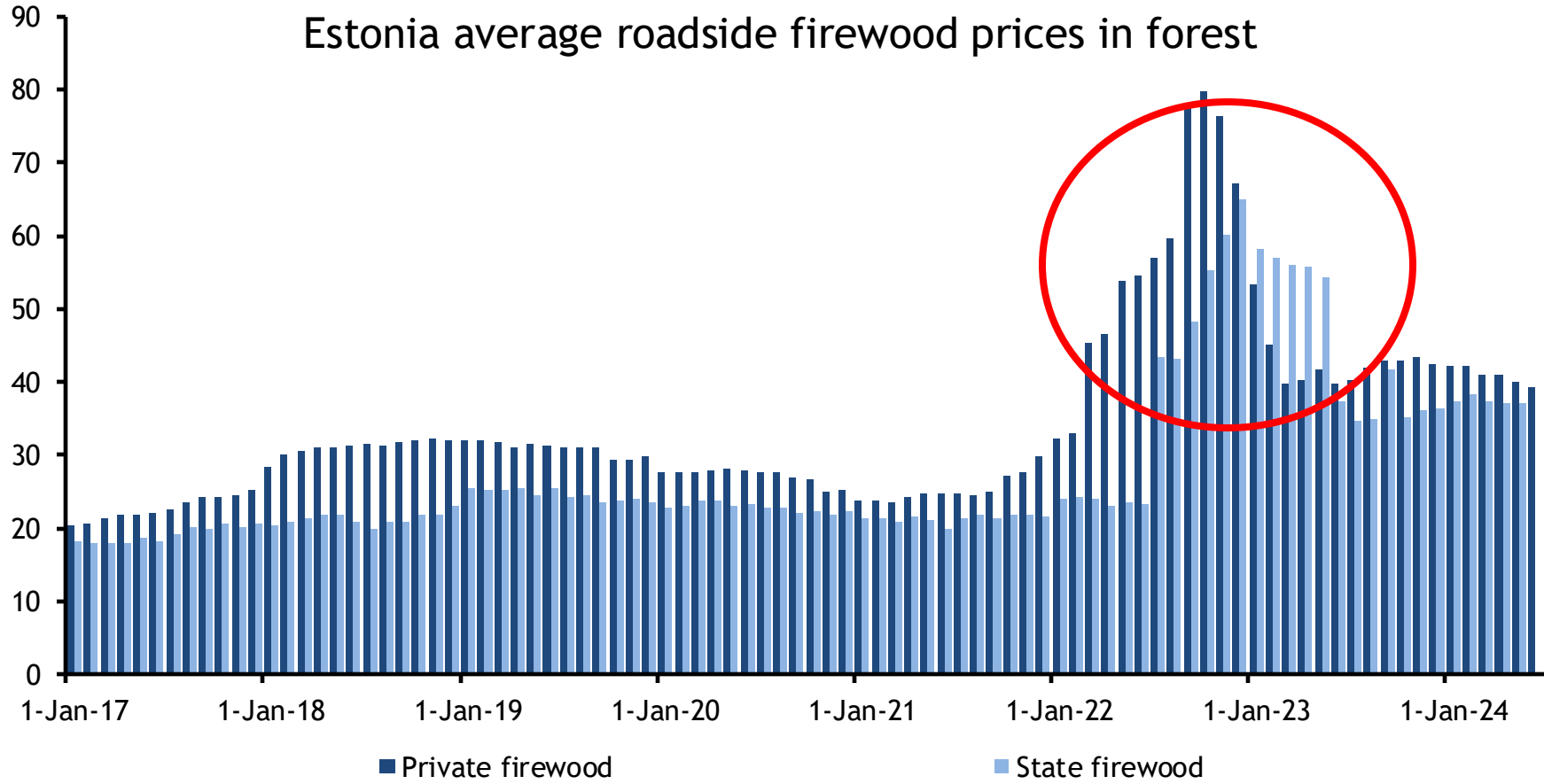


Source: Argus Media

# Supply still adapting post-2022

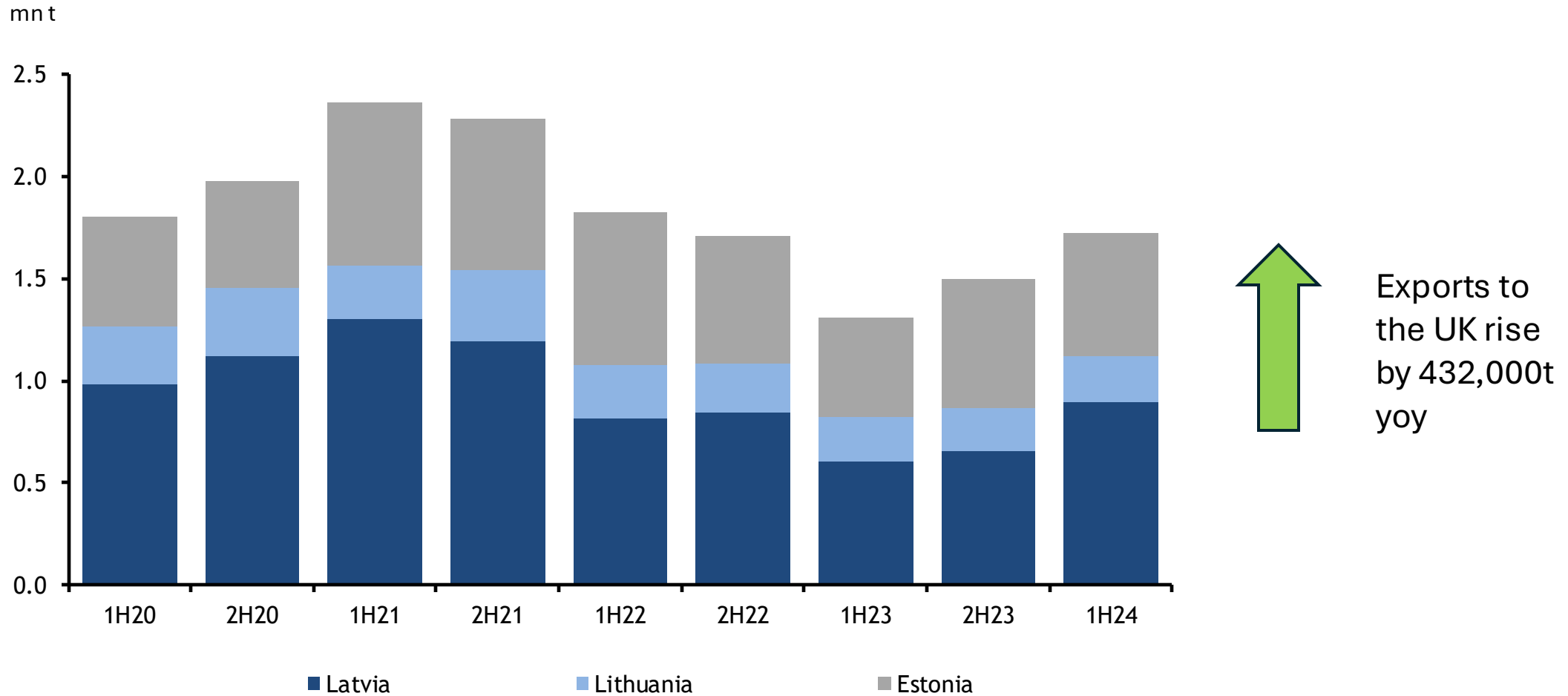
# Estonia raw material costs still above historical avg

€/m3

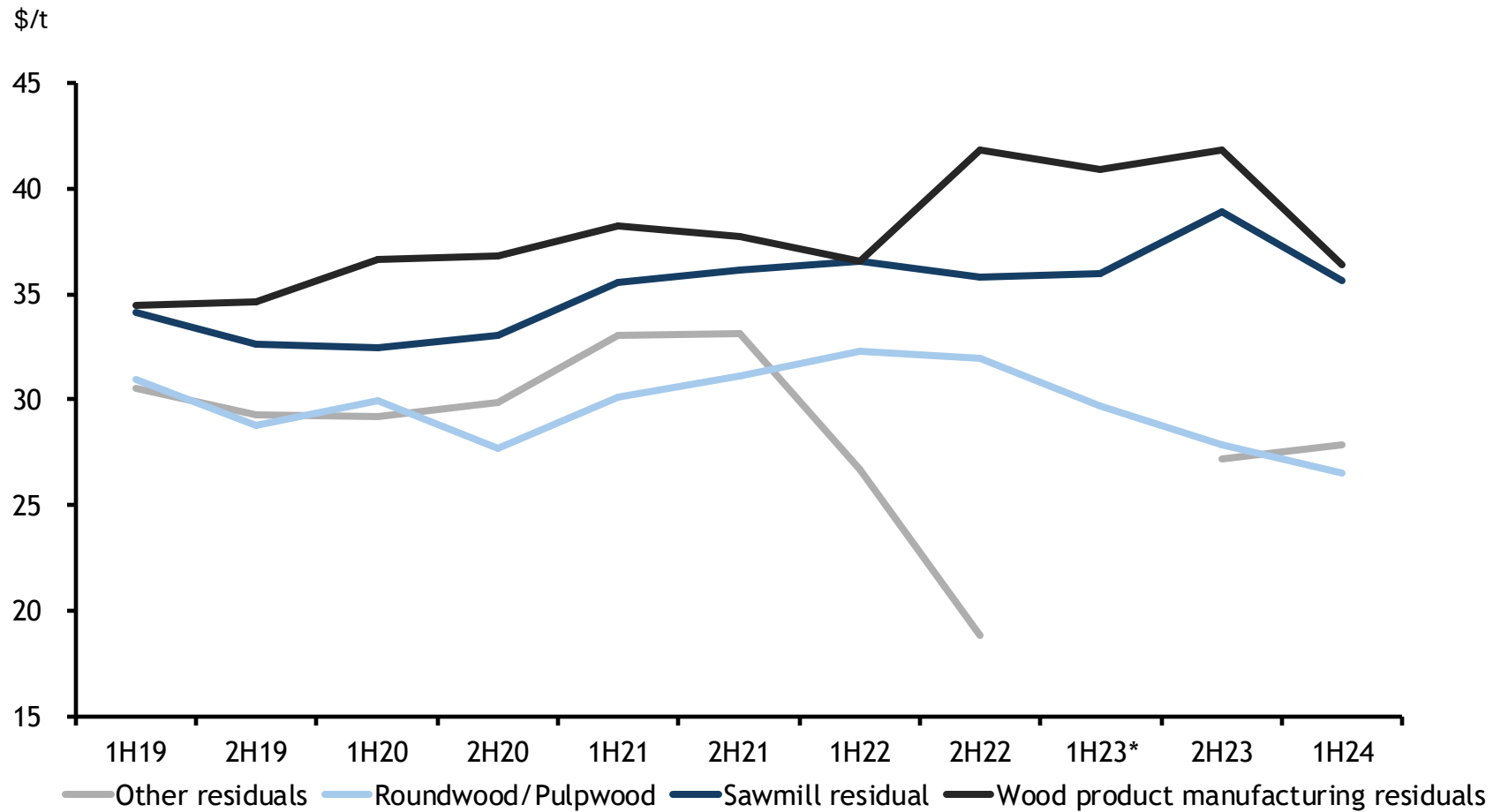


Source: RMK, Erametsakeskus

# Baltic exports up on year



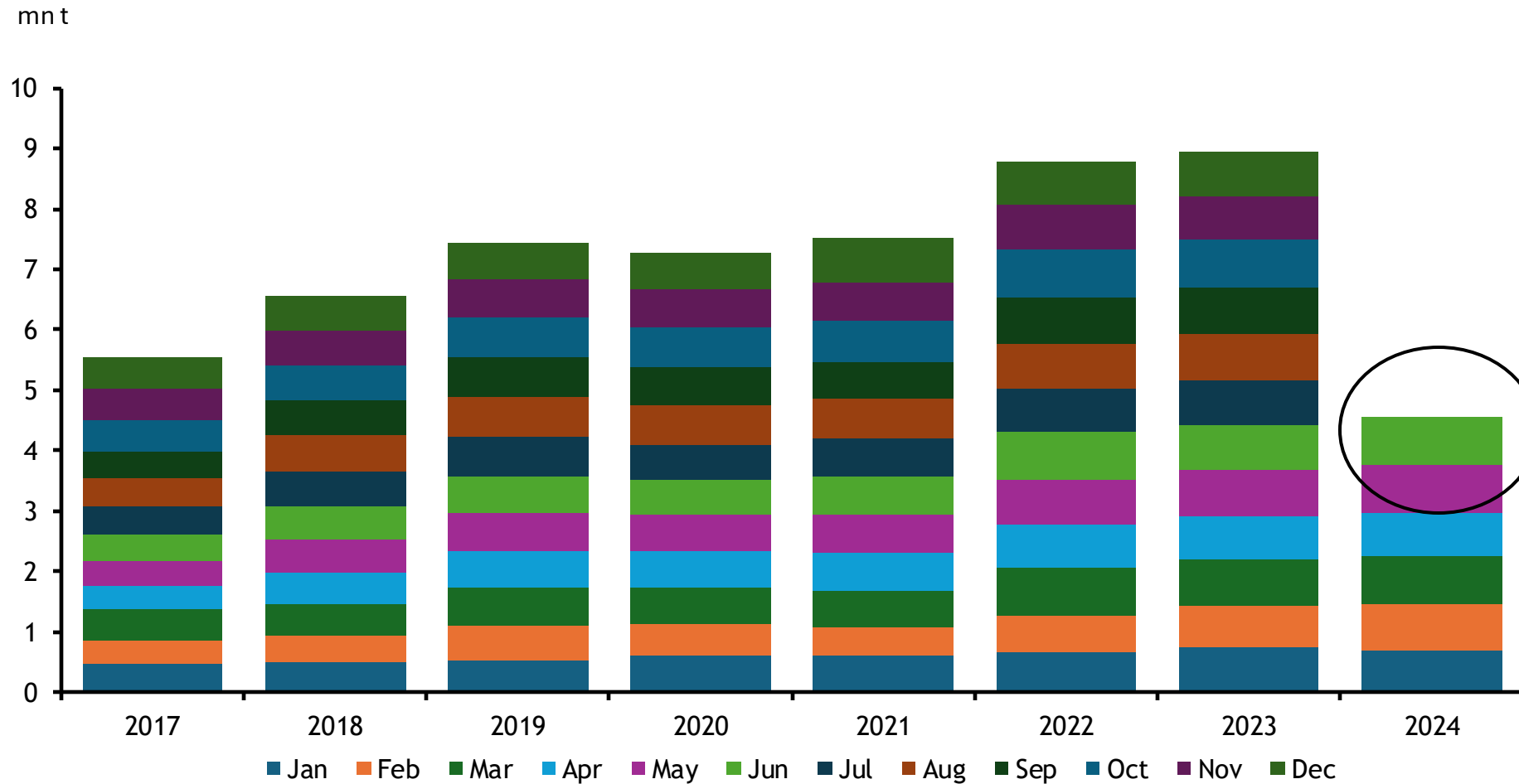
# US production costs coming down



Source: EIA

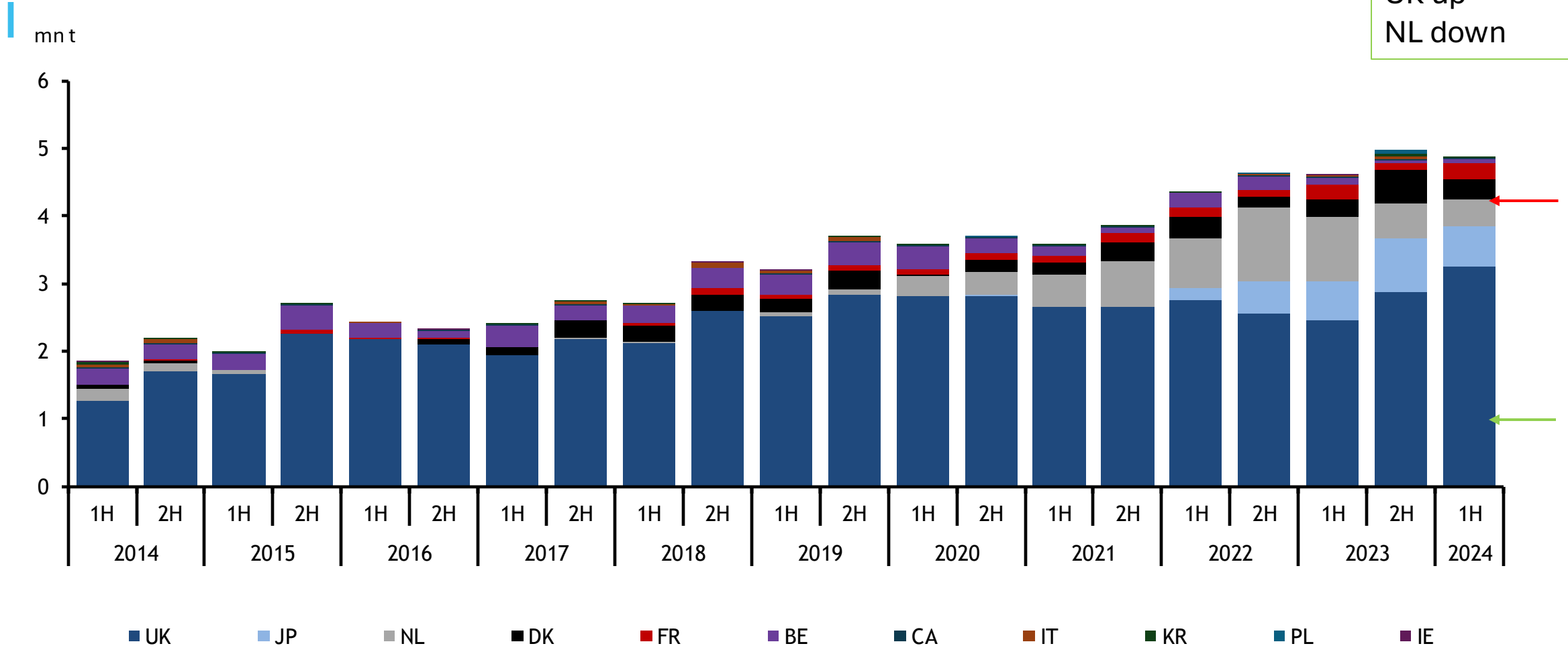
\*Data withheld for "other residuals"

# US industrial wood pellet output record high in 2024



# US exports by key destination

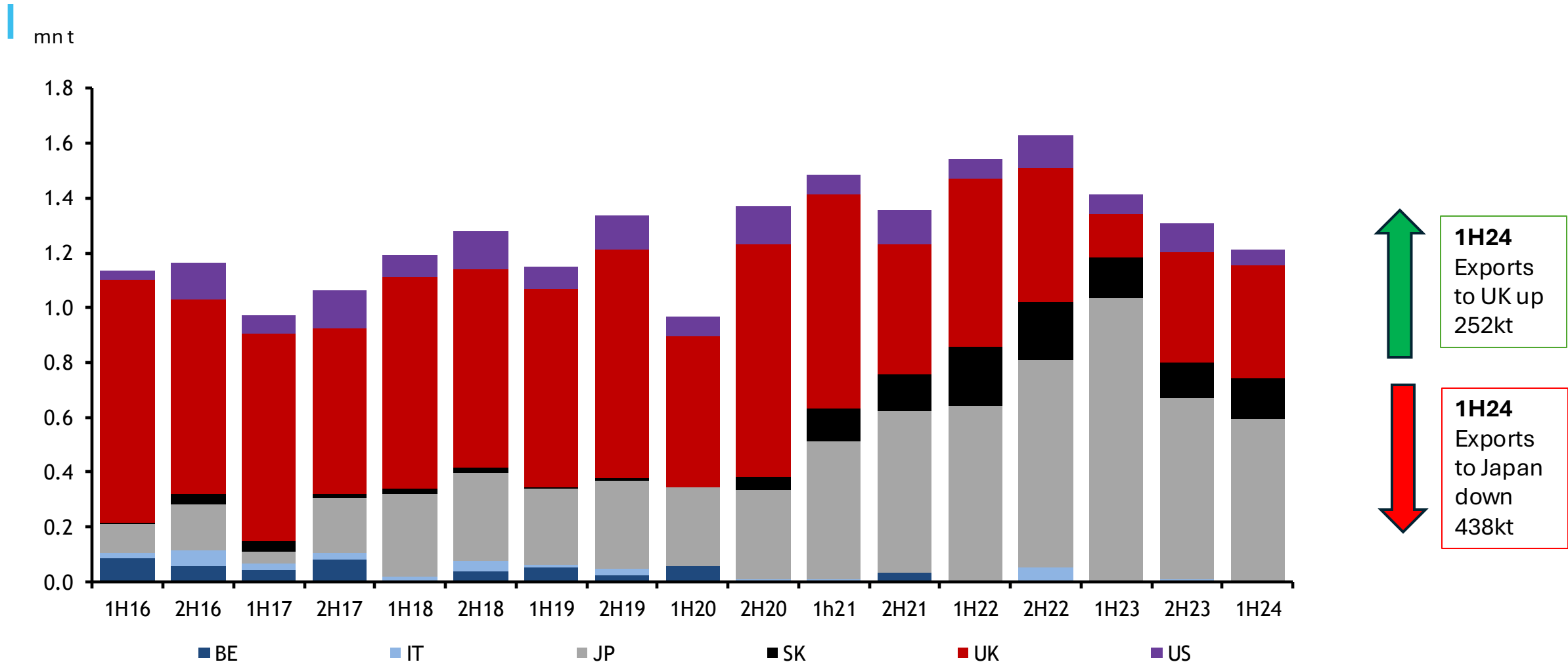
Exports to  
UK up  
NL down



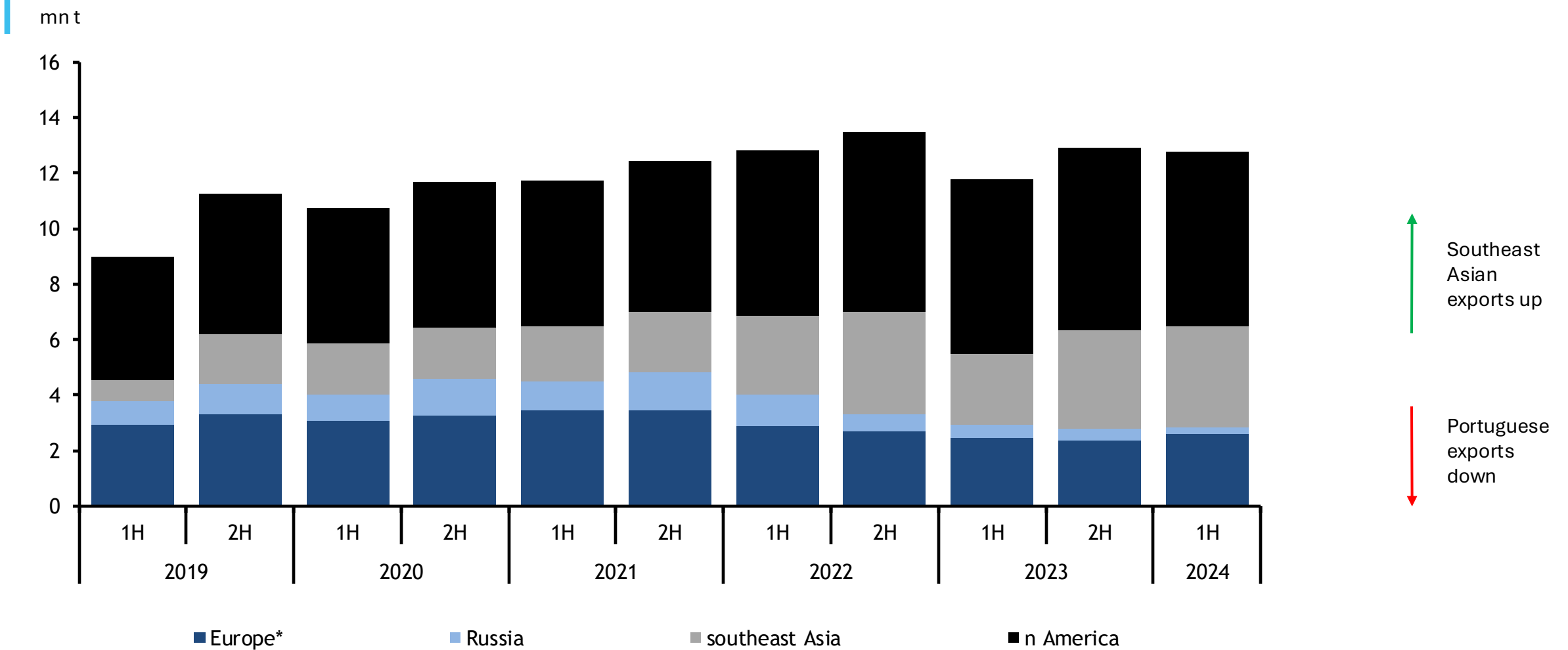
Source: Customs data



# Canada exports by key destination

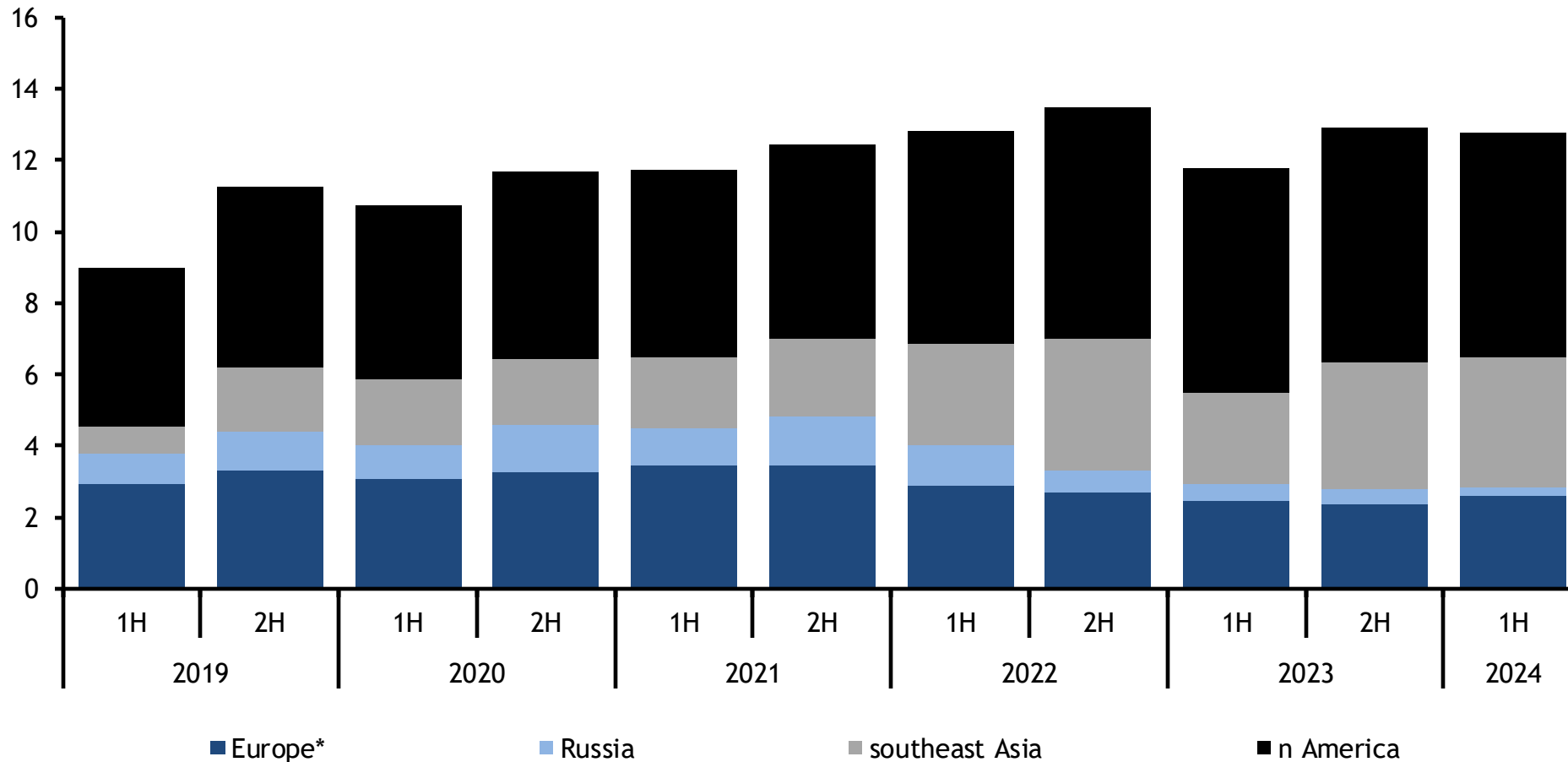


# Global exports up on quicker SE Asian shipments



# Global industrial\* exports up on SE Asia jump

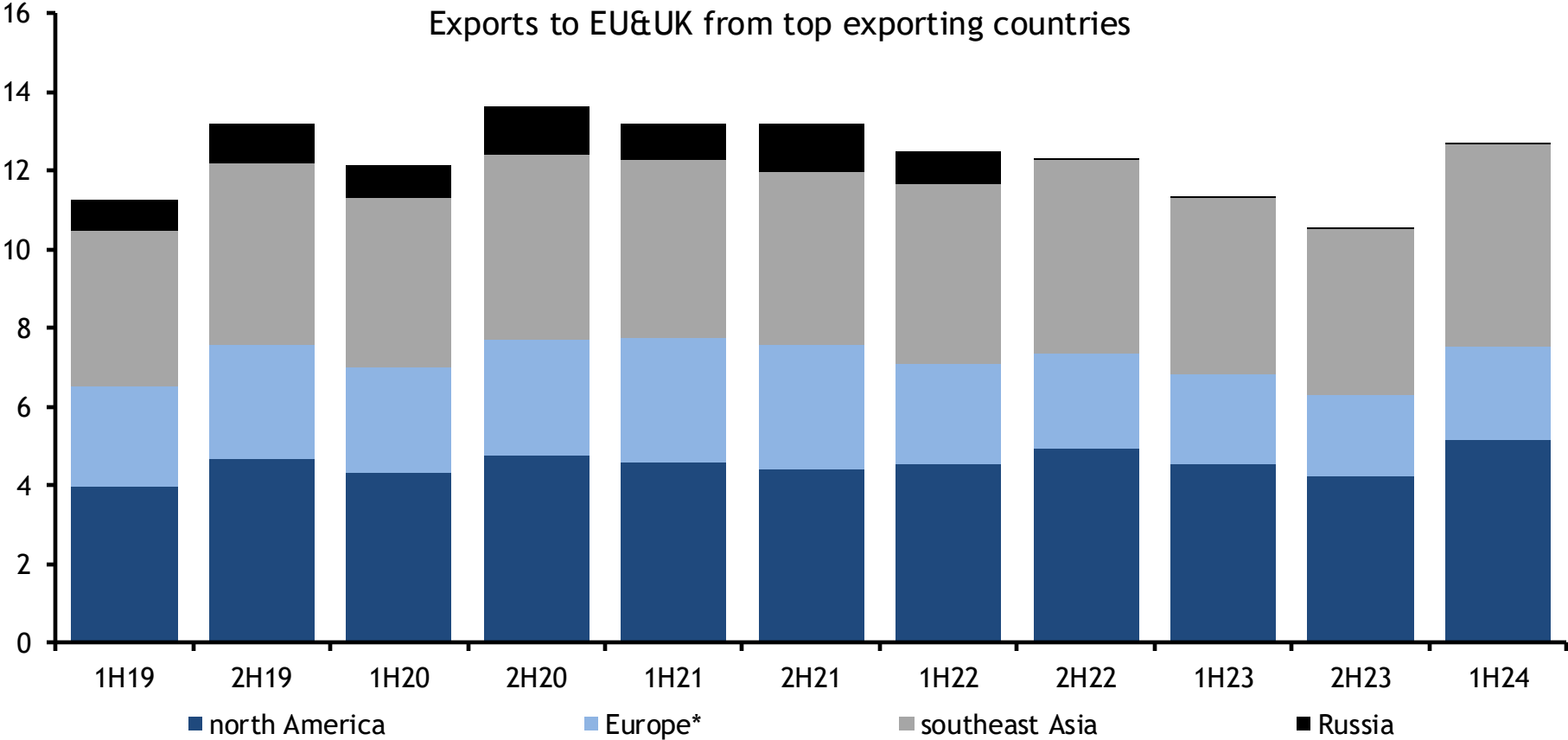
mnt



↑ Southeast Asian exports up  
↓ Portuguese exports down

# Higher US, SE Asia exports to EU and UK

mnt



Drop in Canadian exports offset by spike in US



Source: Customs data  
 Note: Europe includes only Latvia, Estonia, Lithuania, Portugal,

# Near term outlook

# Extended outages paring burn in 2H24 so far

Scheduled annual maintenance in NWE in 2024

MW

Utility and unit	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Event 1 start-end	Event 2 start-end	Event start-end
Lynemouth 1	133						133	133	133				28 Dec 23 - 20-Jan-24	12-24 July	11 Aug-9 Sep
Lynemouth 2								133	133						
Lynemouth 3		133	133	133	133	133	133	133	133	133	133		4-Feb-27 Nov		
Drax 1			660										12-22 Mar		
Drax 2						645							7-14 June		
Drax 3			645	645	645	645	645						13 Mar-8 Apr	16 May- 5 Aug	
Drax 4															
MGT Teeside			285		285	285	285						1-31 Mar	15 May- 1 Jun	14 Jun-11 Jul
RWE Amer 9				631	631	631	631	631	631				4 Apr-19 Sep		
RWE Eemshaven B						790	790						17 Jun-24 Jul		
Uniper Maasvlakte 3*					1,070	1,070	1,070	1,070					2 May-2 Sep		
Orsted Avedore 1		127	127					254	254				24 Feb-20 Mar	23 Aug-13 Sep	
Orsted Avedore 2	548				548	548	548	548					14 May-3 Sep	10-22 Jun	
Orsted Studstrup 3						380	380	380					31 May- 29 Aug		

—BMRS, EEX, Nordpool

Information valid as of 5 September 2024.

# Weather forecasts: Oct-Dec

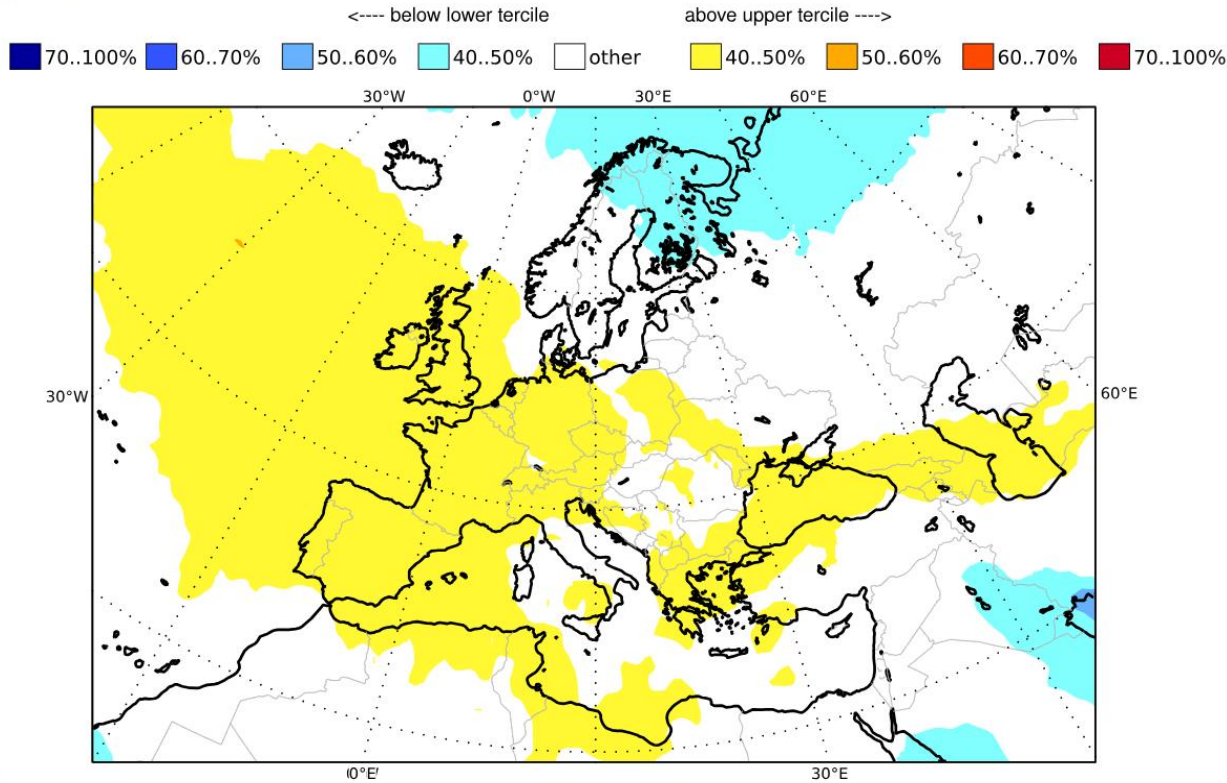
C3S multi-system seasonal forecast ECMWF/Met Office/Météo-France/CMCC/DWD/NCEP/JMA/ECCC

Prob(most likely category of MSLP)

OND 2024

Nominal forecast start: 01/09/24

Unweighted mean



# Policy/regulation: risks vs opportunities

Short term:

- CFDs profitable winter 2024-25
- Third revision of the renewable directive (RED III)
- The land use, land use change and forestry (LULUCF)
- EU Deforestation-free Products Regulation (EUDR)

Longer term:

- Bioenergy with carbon capture and storage (Beccs)
- New demand: hard to abate sectors



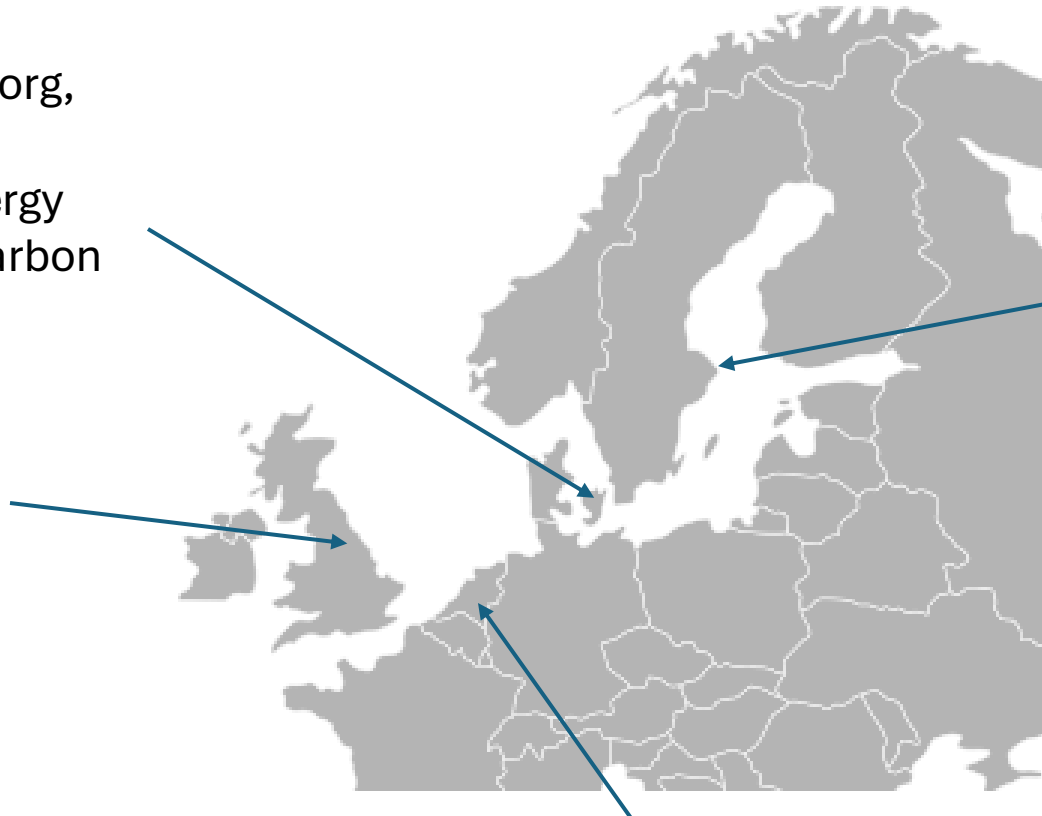
# Demand prospects: Bio-energy with carbon capture and storage (Beccs)

## Denmark

- Orsted's Avedore, Kalundborg, due operational 2025-26.
- Subsidies from Danish Energy Agency & revenues from carbon credits will finance.

## UK

- Govt consultation on bridging ongoing.
- Process delayed owing to elections in July.
- Drax aims start up by 2030



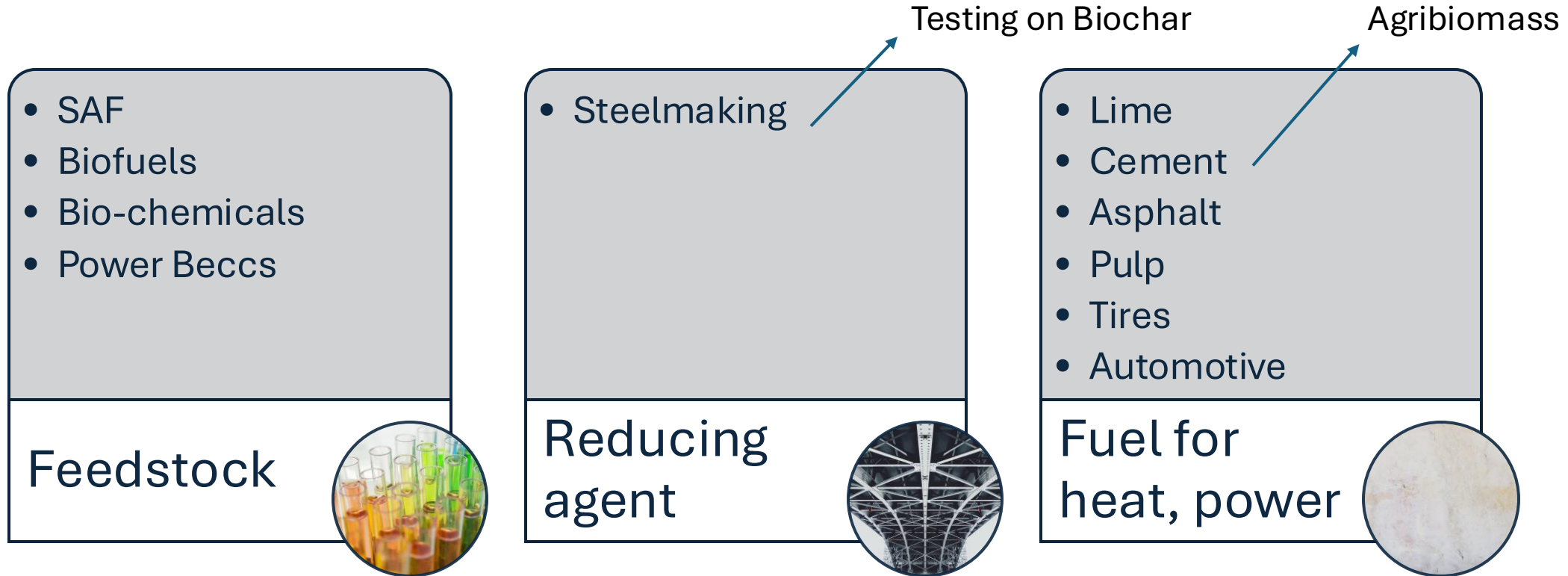
## Sweden

- Stockholm Exergi expects Beccs unit running by 2026.
- EU commission cleared €3bn (\$3.2bn) state aid package for CCS from biomass.
- First call for tenders for CCS from biomass in August, reverse auction.

## Netherlands (Beccus)

- Limit to 100MW.
- No subsidy for biomass-fired generation , only for the CCS component of Beccs projects allowed.

# Demand prospects: Heavy industries



# Questions?

# Thank you!

**Hannah Adler**

Email: [hannah.adler@argusmedia.com](mailto:hannah.adler@argusmedia.com)

Call: +44 20 3882 5763