

The Pellets Market in Europe status 2008 targets for the future new approaches

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with many contributions by **pro»pellets** Austria

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„European Pellets Roadmap up to 2020“ Workshop



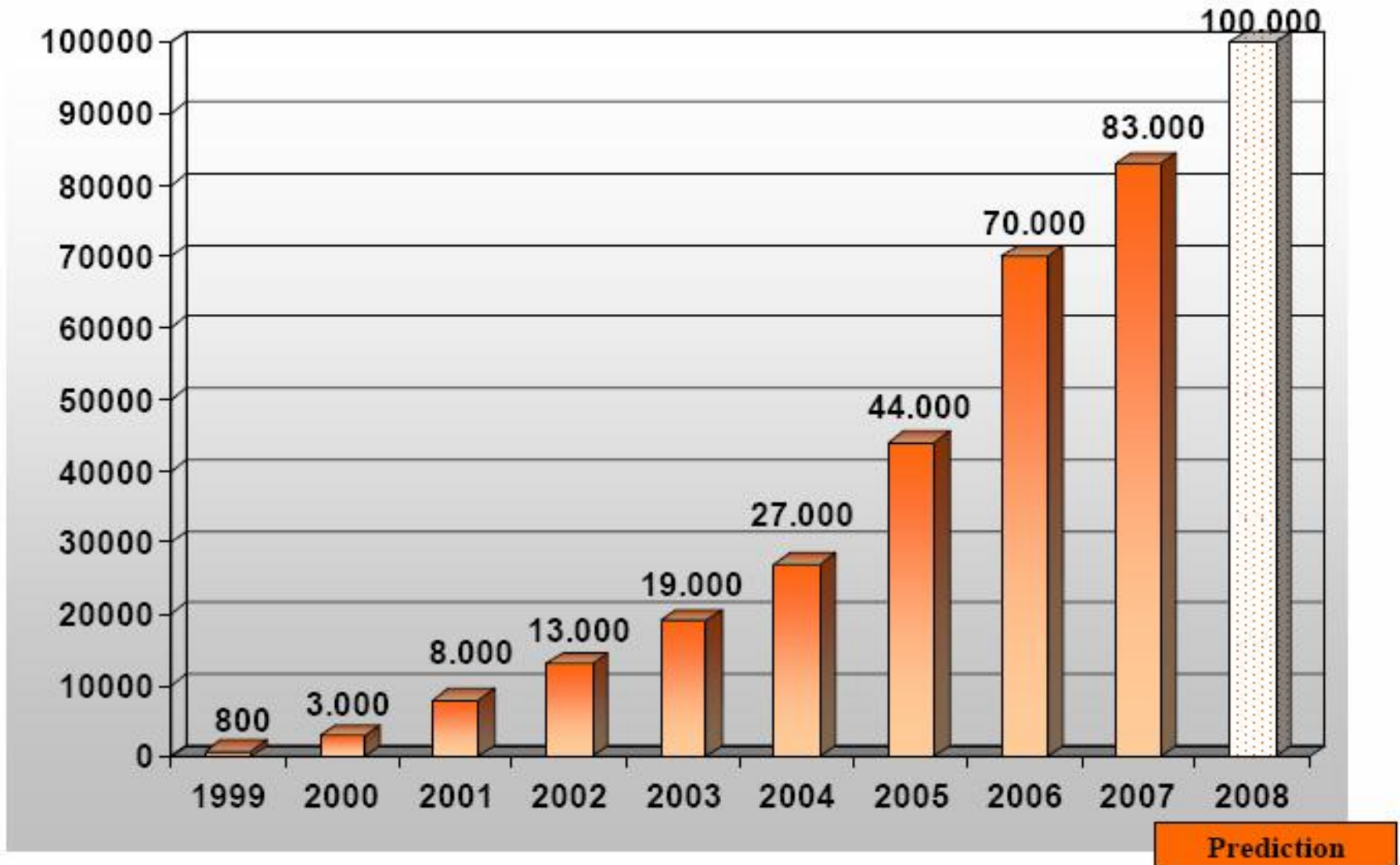
today's corner stones

- The European Pellets market is in its infancy
- However, it is the globally leading pellets market
- Heavily influenced by politics
- Limited to a few countries forming 3 kinds of markets:
 - **Pellets for Power** markets: NL, BE, UK
 - **Pellets for Heat** markets: DE, AT, IT, Irland
 - **Combined** markets: DK, S
- The market is characterised by dynamic growth
- And non transparent trade (OTC trade) resulting in higher risks for market players than with most commodities



A very young market

Pellet Heating Systems in Germany cumulative



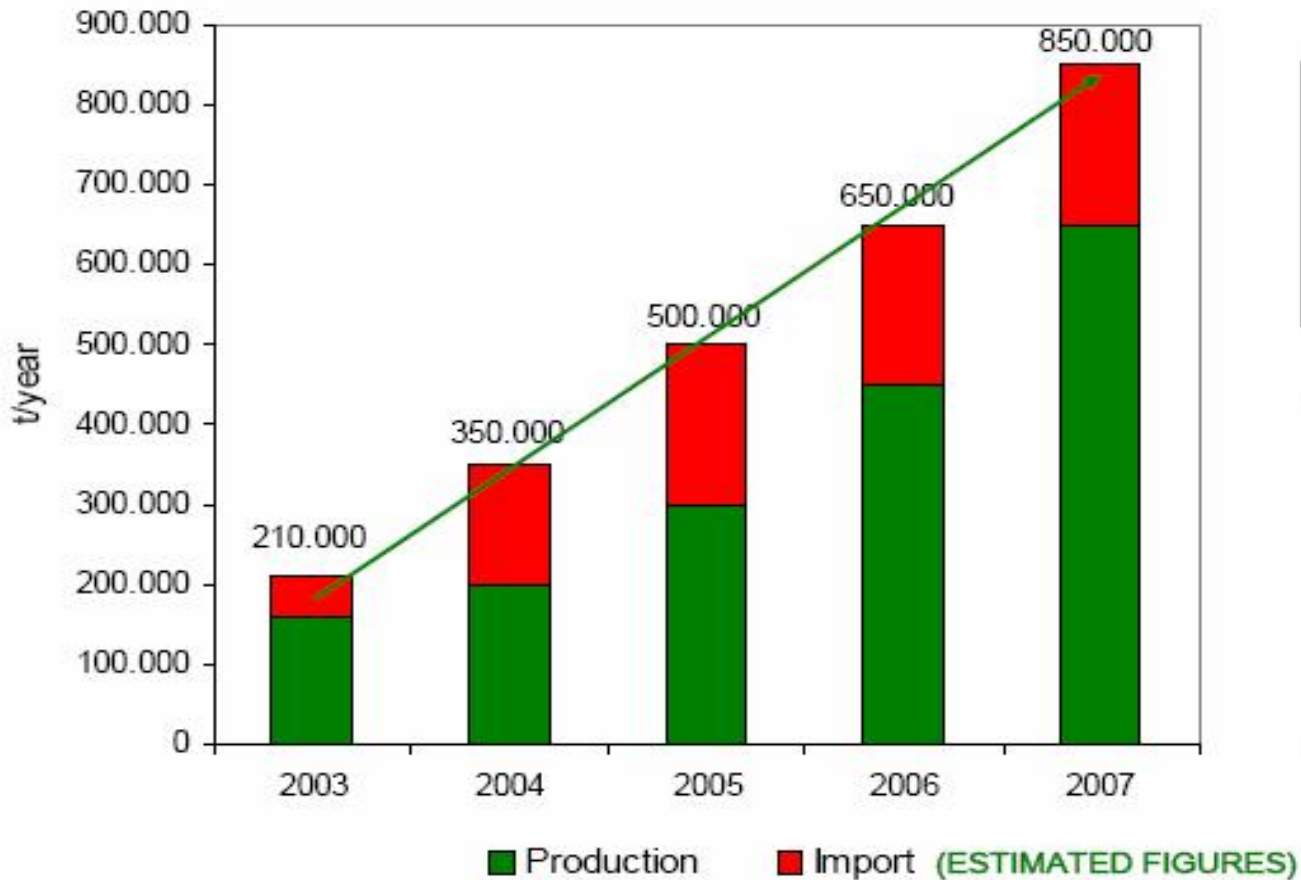
Source: Bentele, DEPV 2008

Prediction



A dynamic market: the example of Italy

Pellet demand in Italy



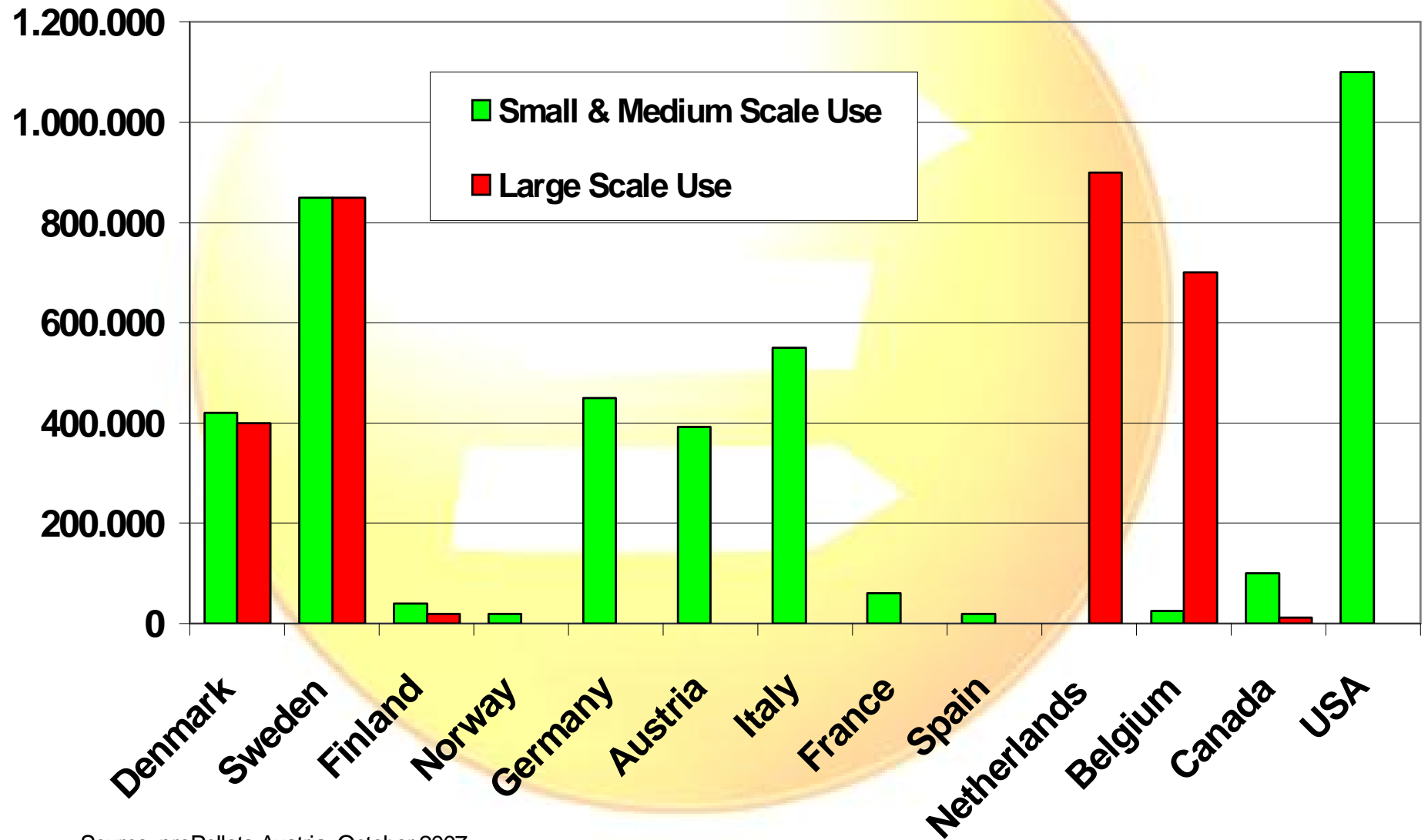
2003 - 2007
 INCREASE OVER
 300%

Pellet Producers
 Rise from 37 to 87
 (+ 135%)
 heterogeneous for
 production and size

Pellet stove sales in 2006: 270.000 units !



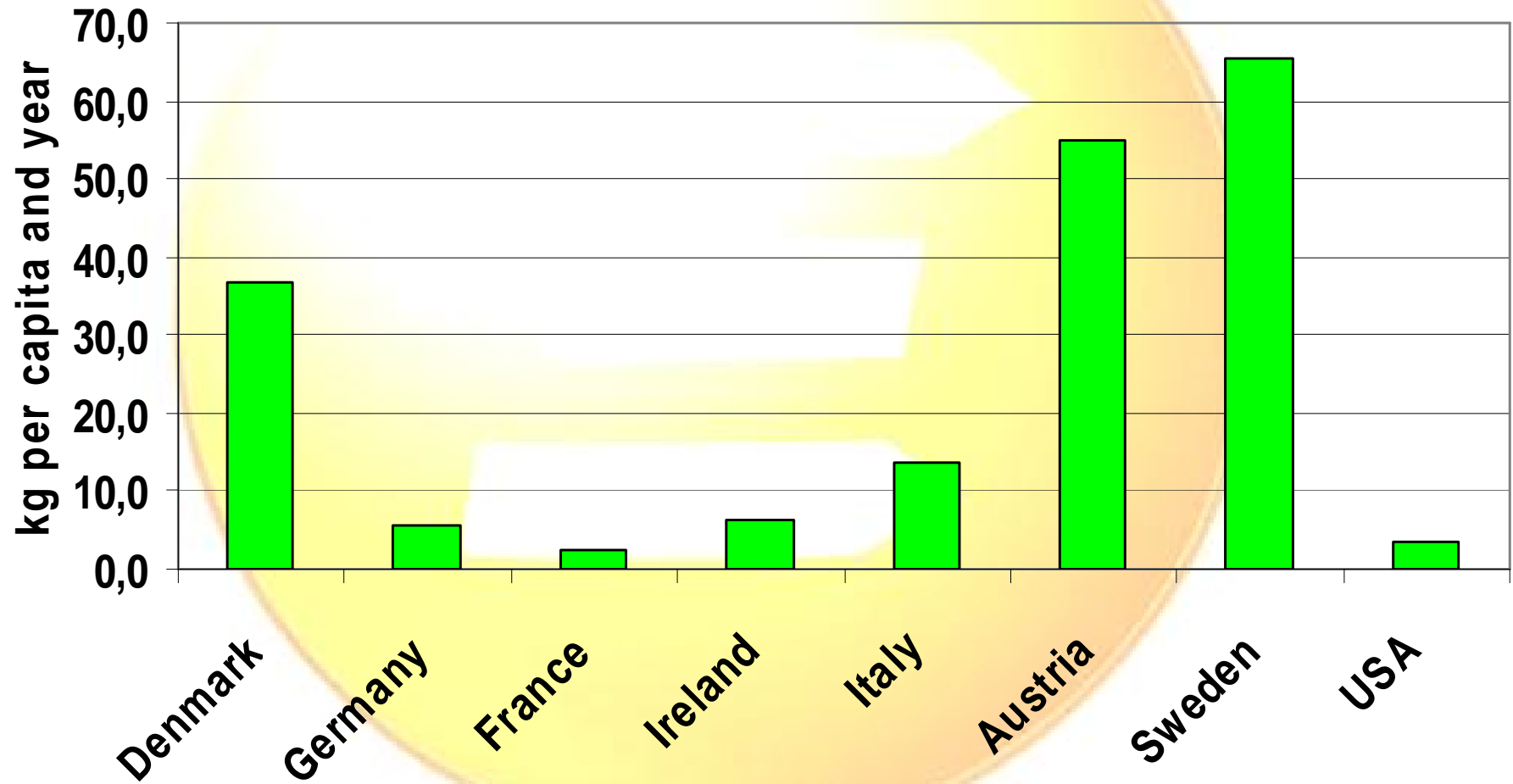
The 3 market types: heat, power & combined



Source: proPellets Austria, October 2007



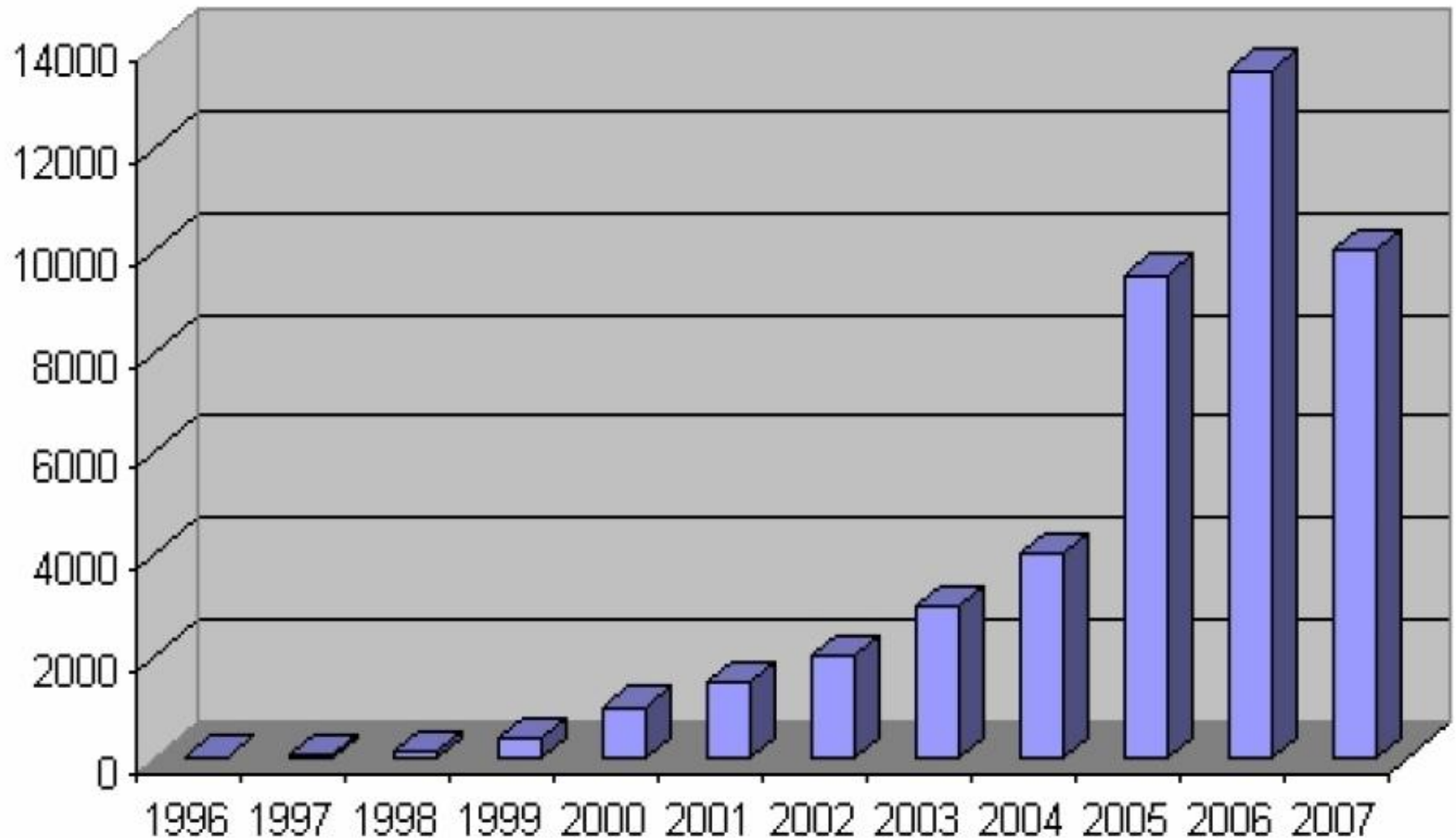
per capita use of pellets in residential heating





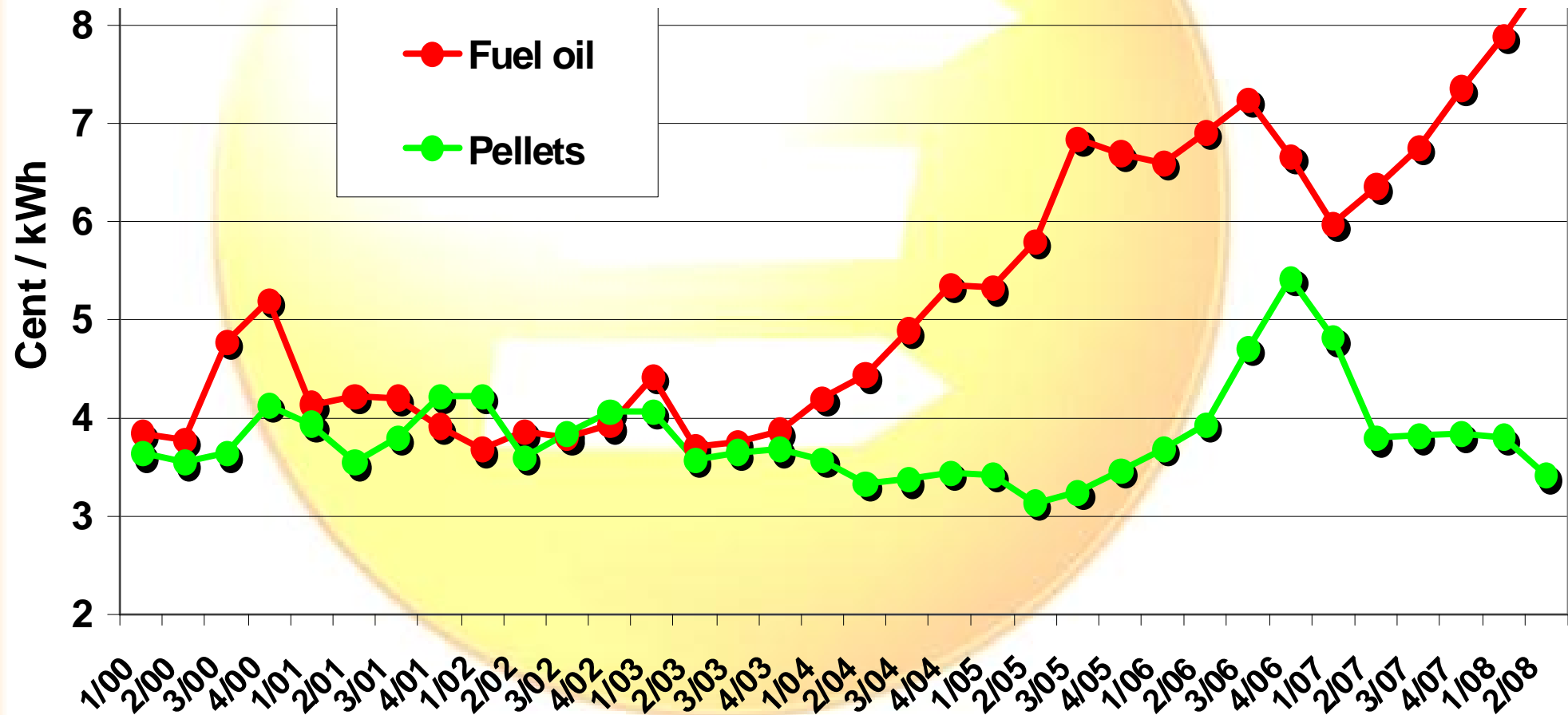
Young & Dynamic: the French pellet market

Estimation of the sales of pellet stoves in France, ITEBE





Comparison of Prices in Austria



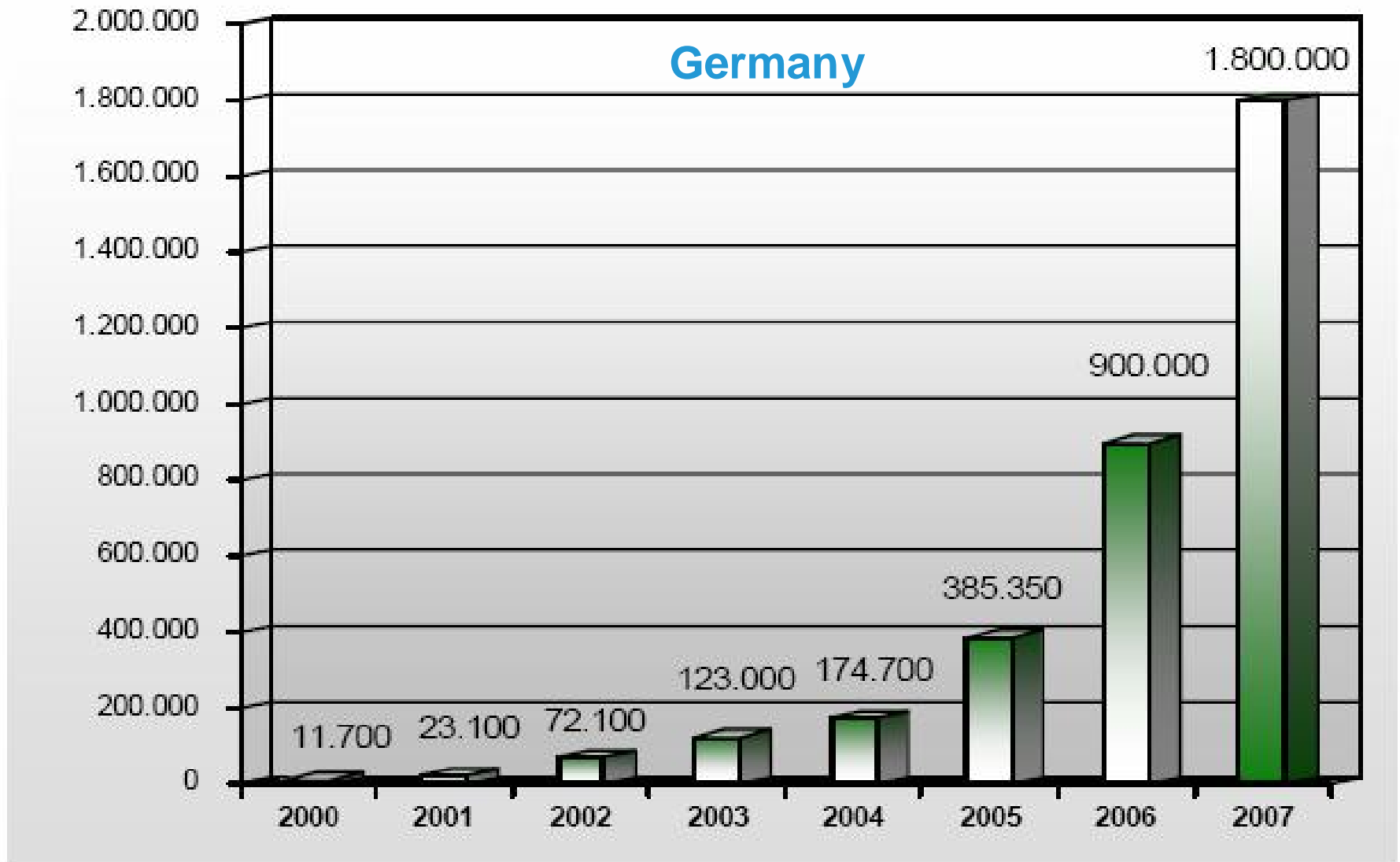
Source: proPellets Austria, IWO; May 7th, 2008



The miserable 2007

- Price peak in 2006 shocked consumers (and excited potential producers)
- Pellet stove & furnace sales declined by up to 70% all over Europe
- A very warm winter 2006/2007 decreased pellet demand for heating by 30%
- Massive investment in new production plants leading to a massive pellet surplus
- Rapidly declining pellet prices

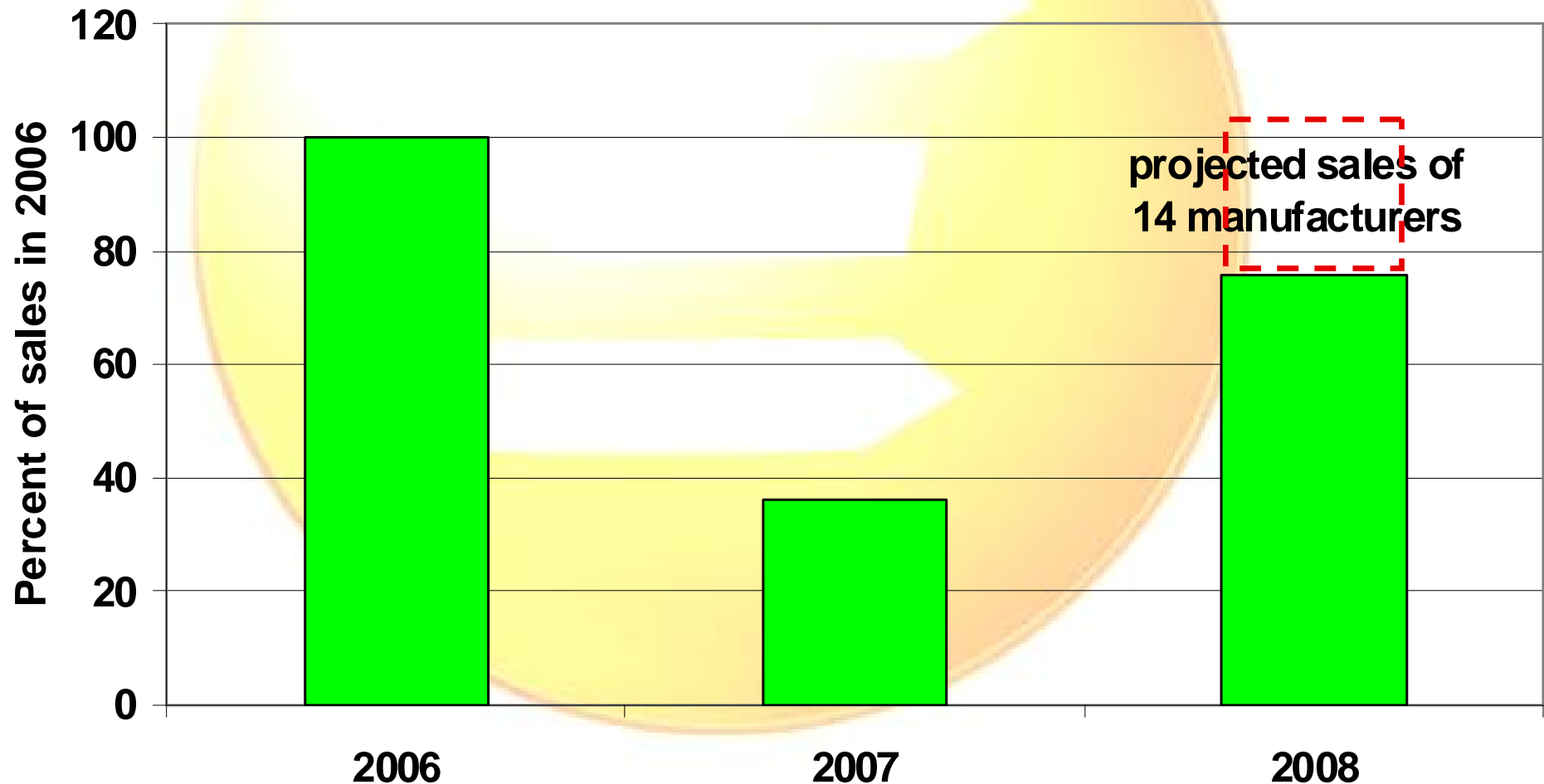
Massive increase of production capacity in 2007:





How are the prospects for 2008?

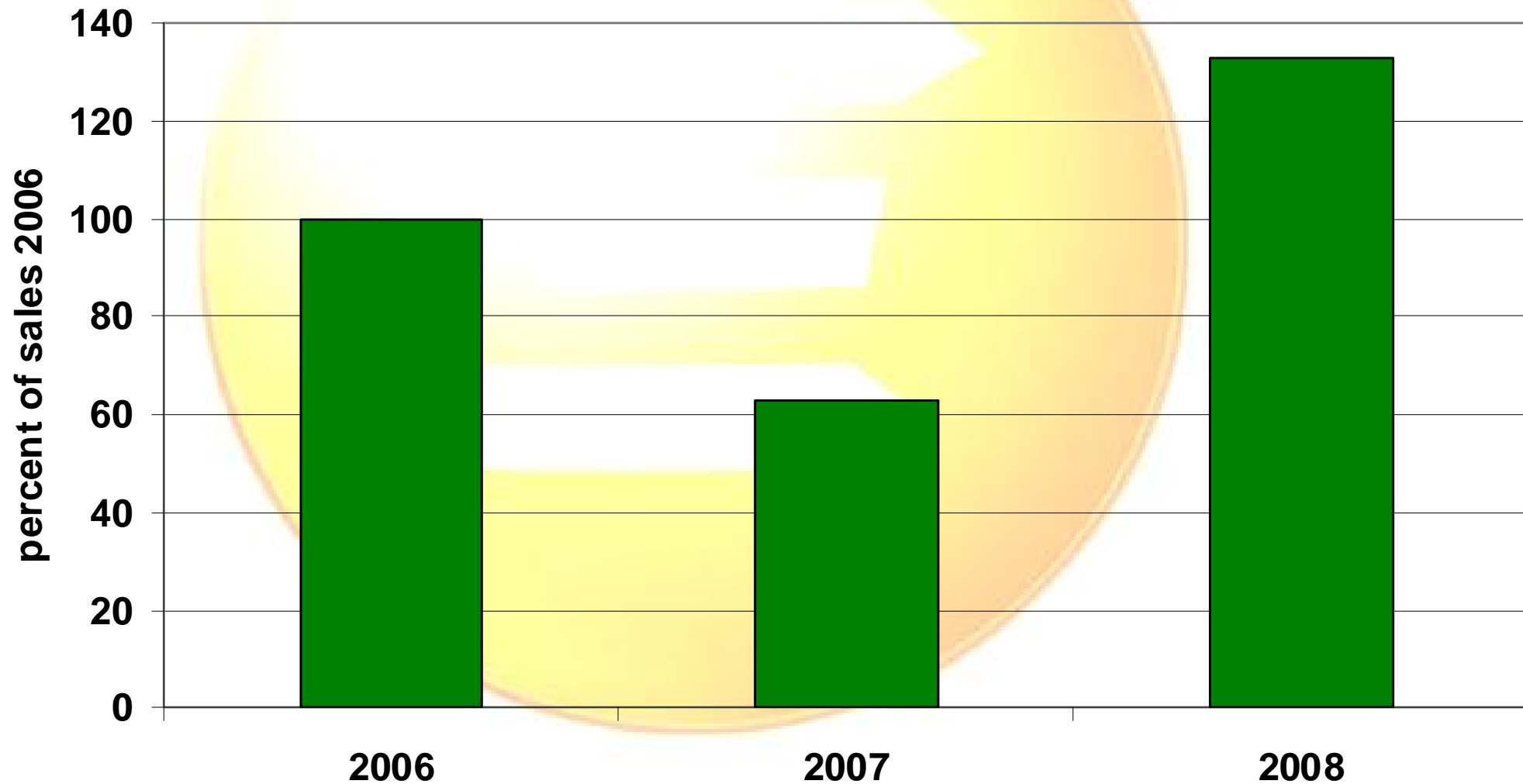
**Sales of residential pellet furnaces in Austria
(< 50kW)**





How are the prospects for 2008?

Sales of commercial pellet boilers (>50kW)



Situation in the Pellets for power market

- Discontinuous (jumping) growth of the market
- UK is finally boarding the pellet train
- Co-firing in Poland advancing
- Co-firing in Spain advancing
- New power projects in Netherlands will bring new demand by approx. 2010
- A substantial increase of demand can be expected



Conclusions

- Clear signs of market recovery for pellets in the heat market
- Sharp increase of pellet use in commercial applications to be expected
- Further boom in residential use of pellets resulting from **65%** price advantage against heating oil
- Further temporary disequilibriums at pellets markets to be expected
- New turbulences ahead of us



Fundamental issues that still need to be tackled in EU

- Quality of products – both pellets and pellet stoves, less: furnaces
- Quality of services: even in developed markets many professionals still lack experience & training
- Still limited awareness of policy makers and consumers in many of the member states
- Sharp competition by heat pumps
- Transparency of market to be increased to decrease risks and reduce turbulences

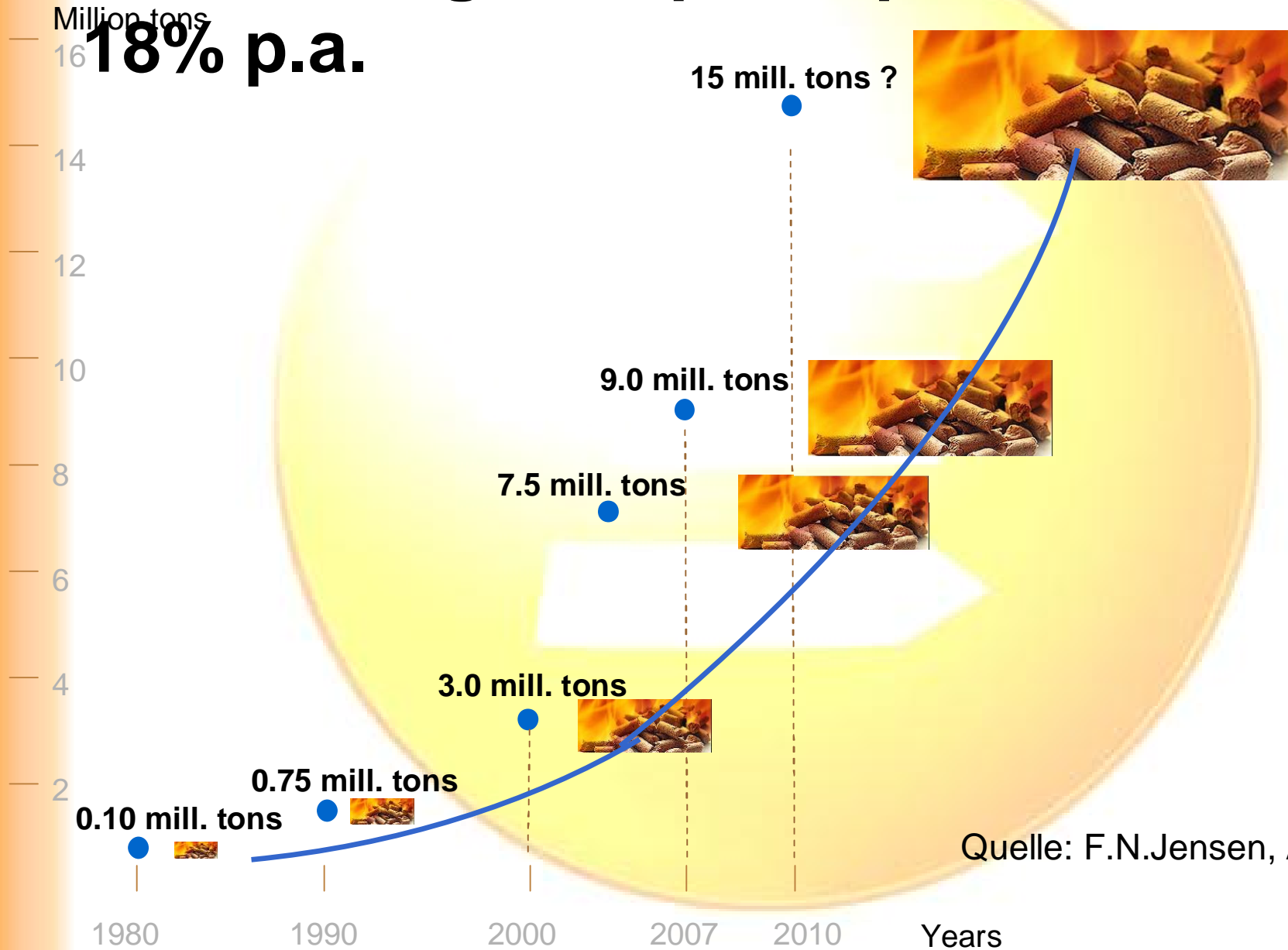


Potential for pellets in Europe?

- Current use of heating oil in the EU: 75 Mio t
- This corresponds roughly to 150 Mio t of pellets
- Pellets for Power might exceed the 40Mio mt mark
- This is likely to exceed European biomass resources
- And there is further potential



Growth of global pellet production: average

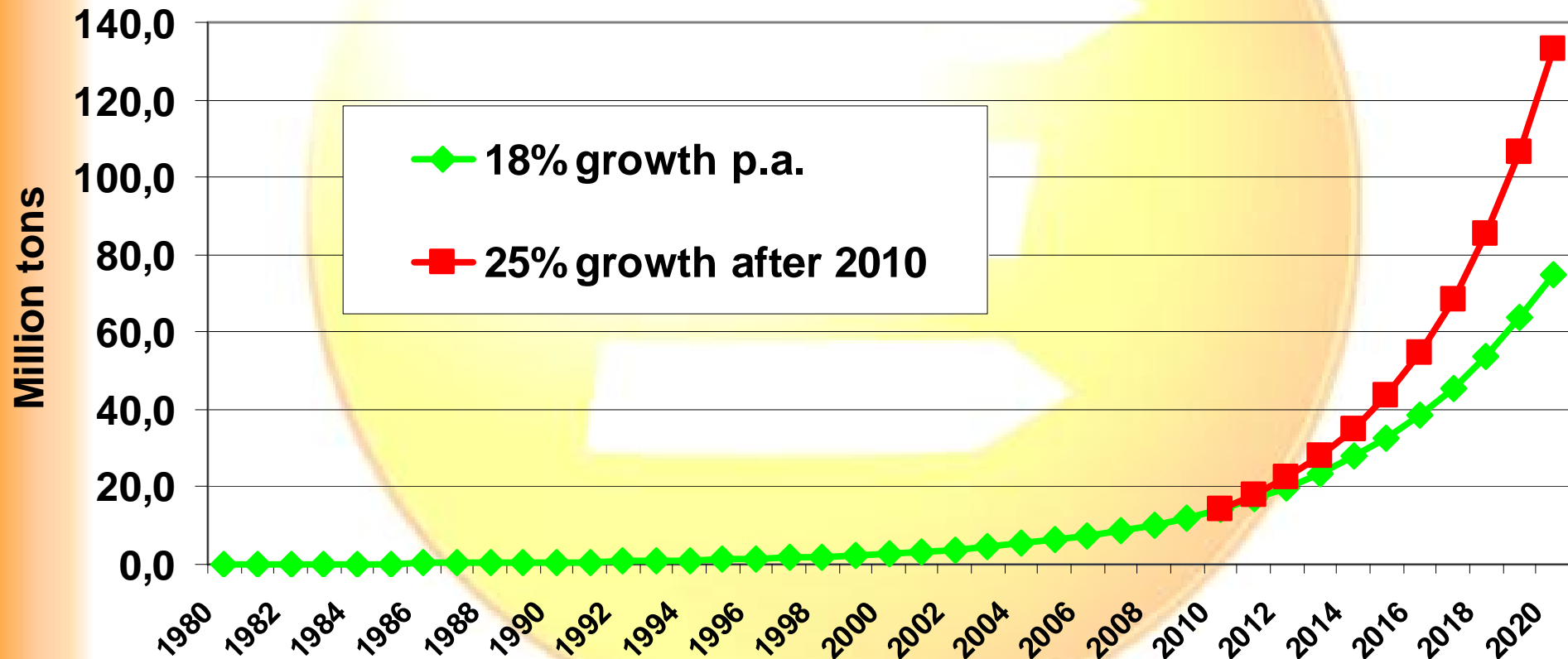


Quelle: F.N.Jensen, Andritz 2007



How much will the global pellet markets grow?

Szenarios for global pellet production



Drivers for sound global growth

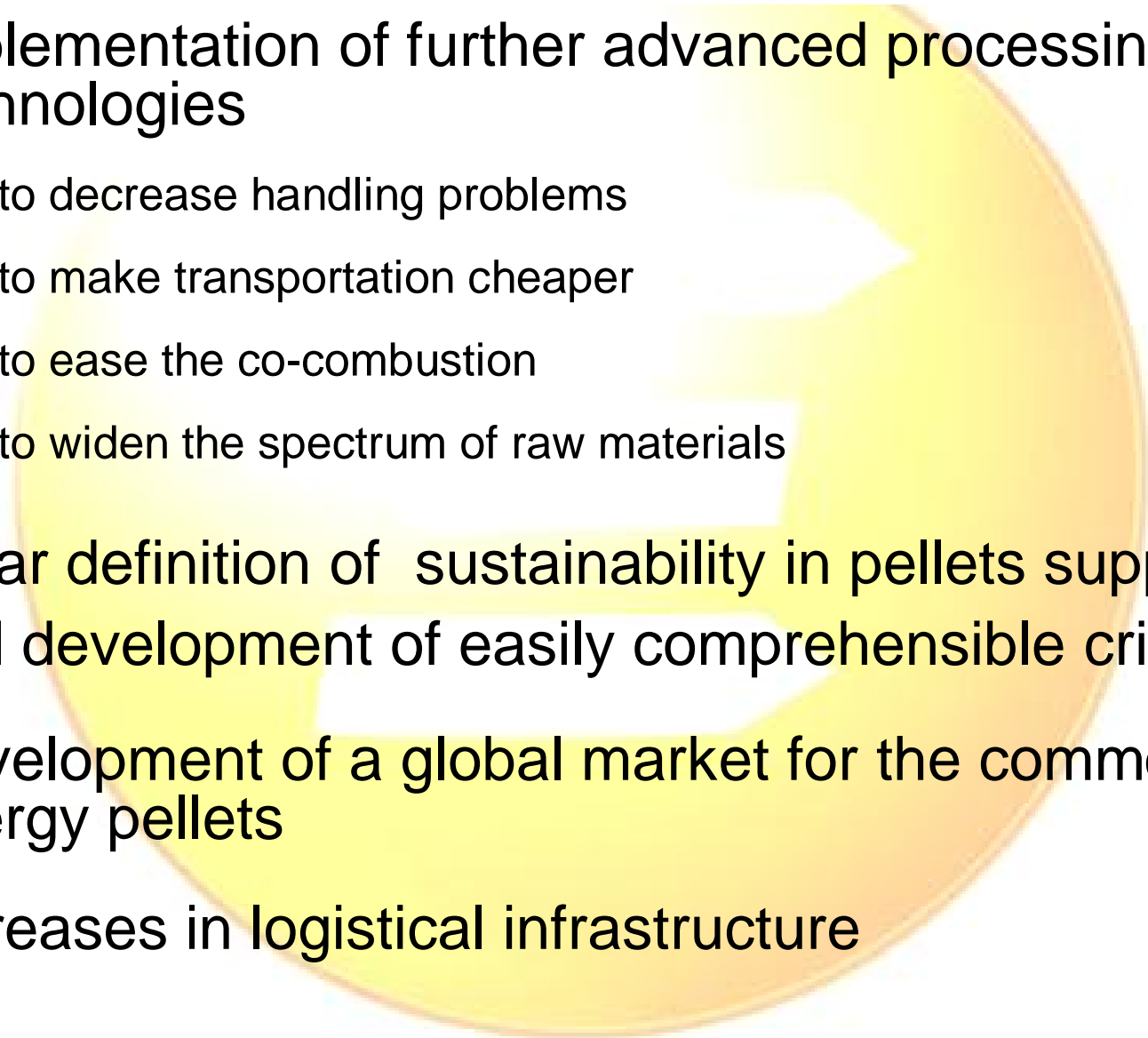


- Oil/Gas/Coal prices raising further
- IEA sees serious shortages both in oil and natural gas supply ahead
- Constant increase of global power demand
- New and advanced processing technologies ahead
- More developed trading mechanisms
- increased security of supply by diversification of resources



Preconditions for sound growth

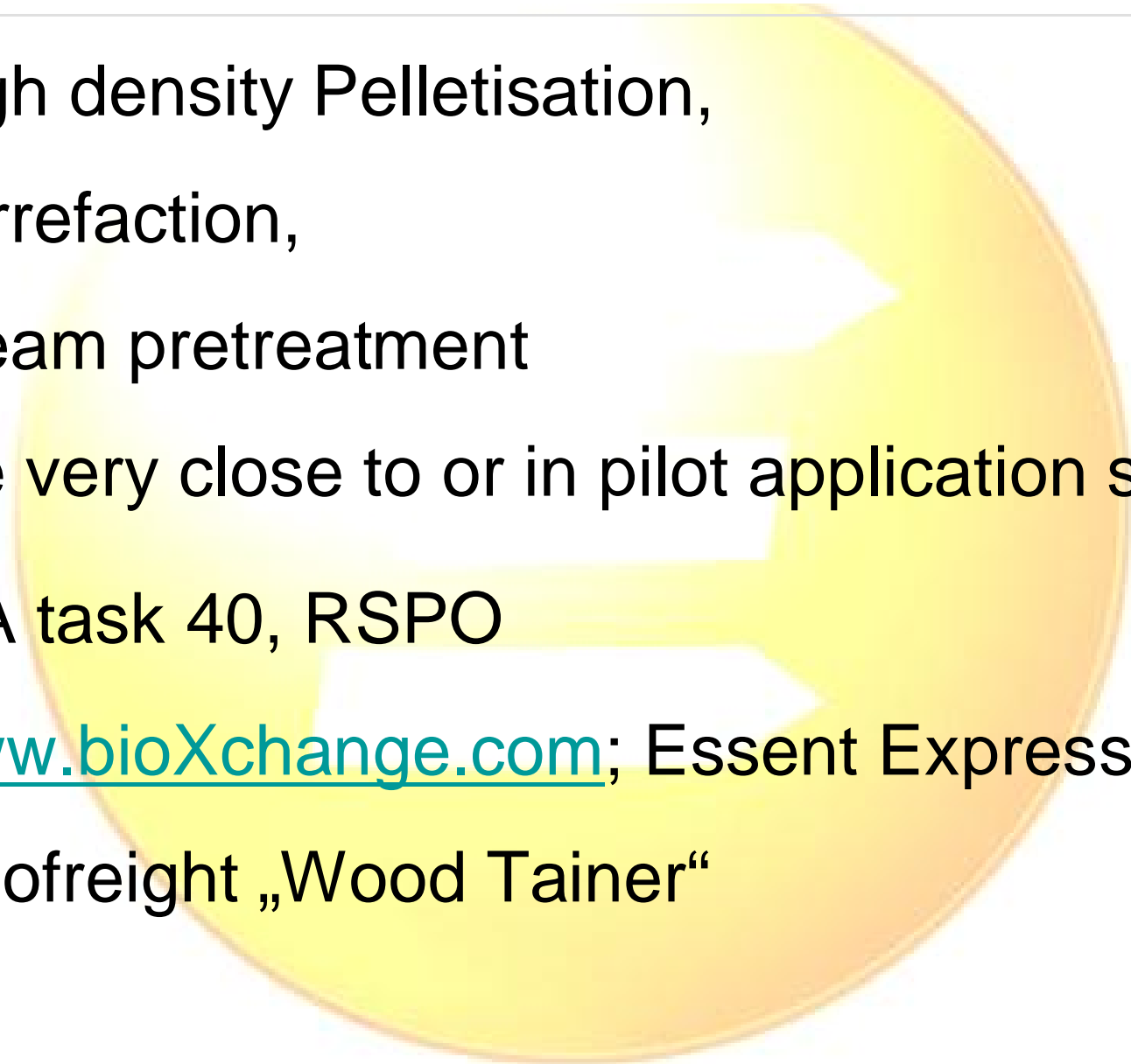
- Implementation of further advanced processing technologies
 - to decrease handling problems
 - to make transportation cheaper
 - to ease the co-combustion
 - to widen the spectrum of raw materials
- Clear definition of sustainability in pellets supply chains and development of easily comprehensible criteria
- Development of a global market for the commodity energy pellets
- Increases in logistical infrastructure





Status with Preconditions

- High density Pelletisation,
Torrefaction,
Steam pretreatment
are very close to or in pilot application state
- IEA task 40, RSPO
- www.bioXchange.com; Essent Express, etc
- Innofreight „Wood Tainer“





Conclusions

- Pellets are on their way to become a mainstream fuel
- Markets are growing worldwide
- Europe will continue to import pellets
- If only 50% of the 800 till 2015 new coal power plants in Asia will start co-firing Asia is likely to become leader in pellets consumption (400Mio mt/a)
- Canada/Brazil likely to become the important players in the international pellet market
- The global growth for densified solid biomass like pellets is likely to surpass 25%/a and could easily be at 400Miomt by 2020



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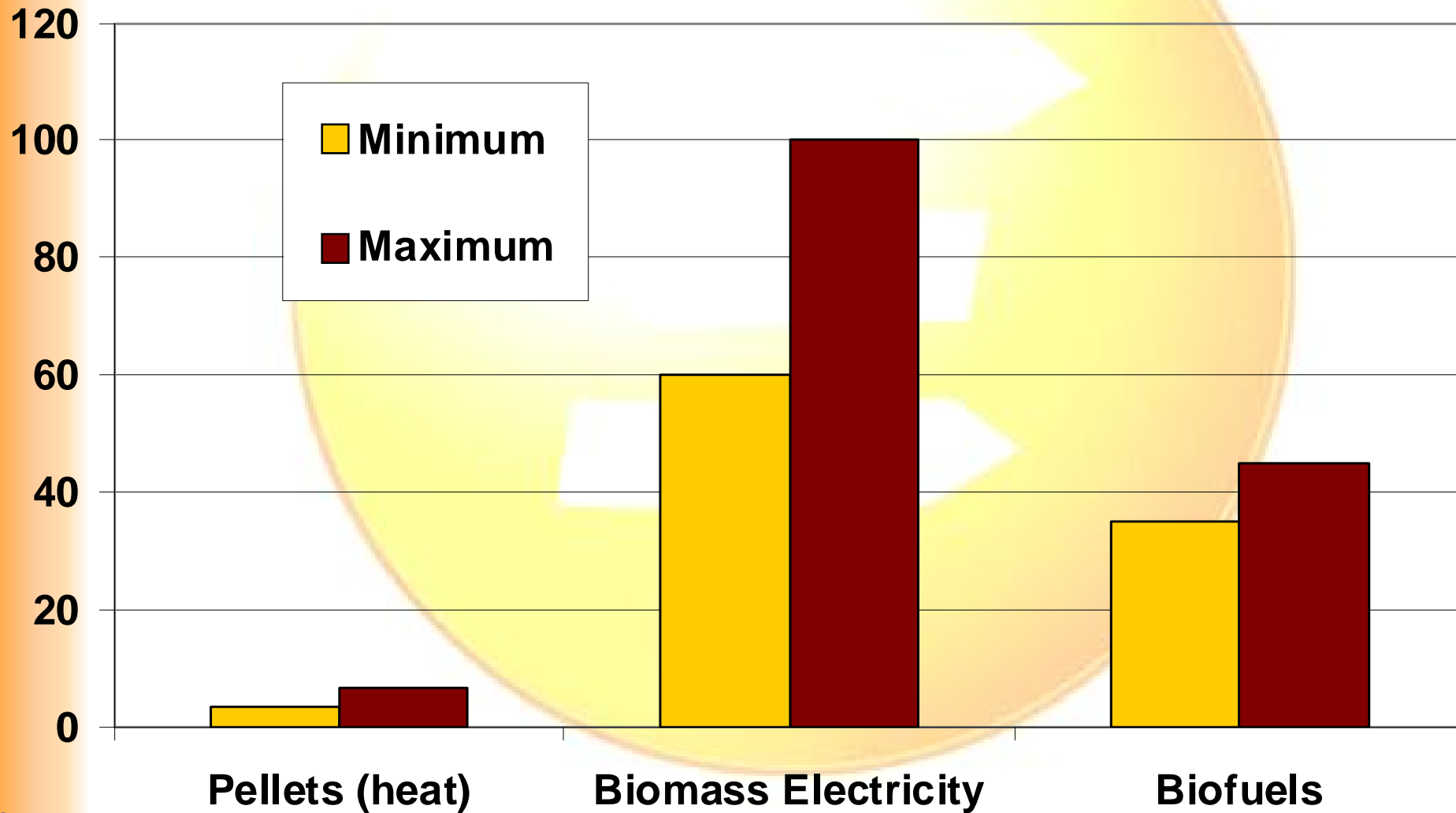


What is happening at the policy level?

- EU Directive for renewable energy – now in the HOT phase of negotiation
- Mandatory RES targets for all member states – overall target is 20% RES by 2020
- Coming into force expected spring 2009
- Likely: no sectoral targets – member states are free to take the cheap route: heat!!



Subsidy requirement per MWh of energy





Why are the differences in subsidy requirements so large?

Energy loss of different conversion technologies for woody biomass

